

Annual Report 2022/2023

Building a better Bay for all!



Acronyms & Abbreviations

AFS	Annual Financial Statements
BAC	Bid Adjudication Committee
BEC	Bid Evaluation Committee
CBD	Central Business District
CCI	Cultural and Creative Industries
CEO	Chief Executive Officer
CPF	Community Policing Forum
CSI	Corporate Social Investment
DBE	Department of Basic Education
DSD	Department of Social Development
DTIC	Department of Trade, Industry and Competition
ECPHRA	Eastern Cape Provincial Heritage Resources Authority
EDTA	Economic Development, Tourism and Agriculture
EIA	Environmental Impact Assessment
EMEs	Exempted Micro Enterprises
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
NMBSTC	Nelson Mandela Bay Science and Technology Centre
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 Enterprises
SPUU	Safety and Peace through Urban Upgrading
SPV	Special Purpose Vehicle
SRA	Special Ratings Area
SSIF	Strategic Spatial Implementation Framework

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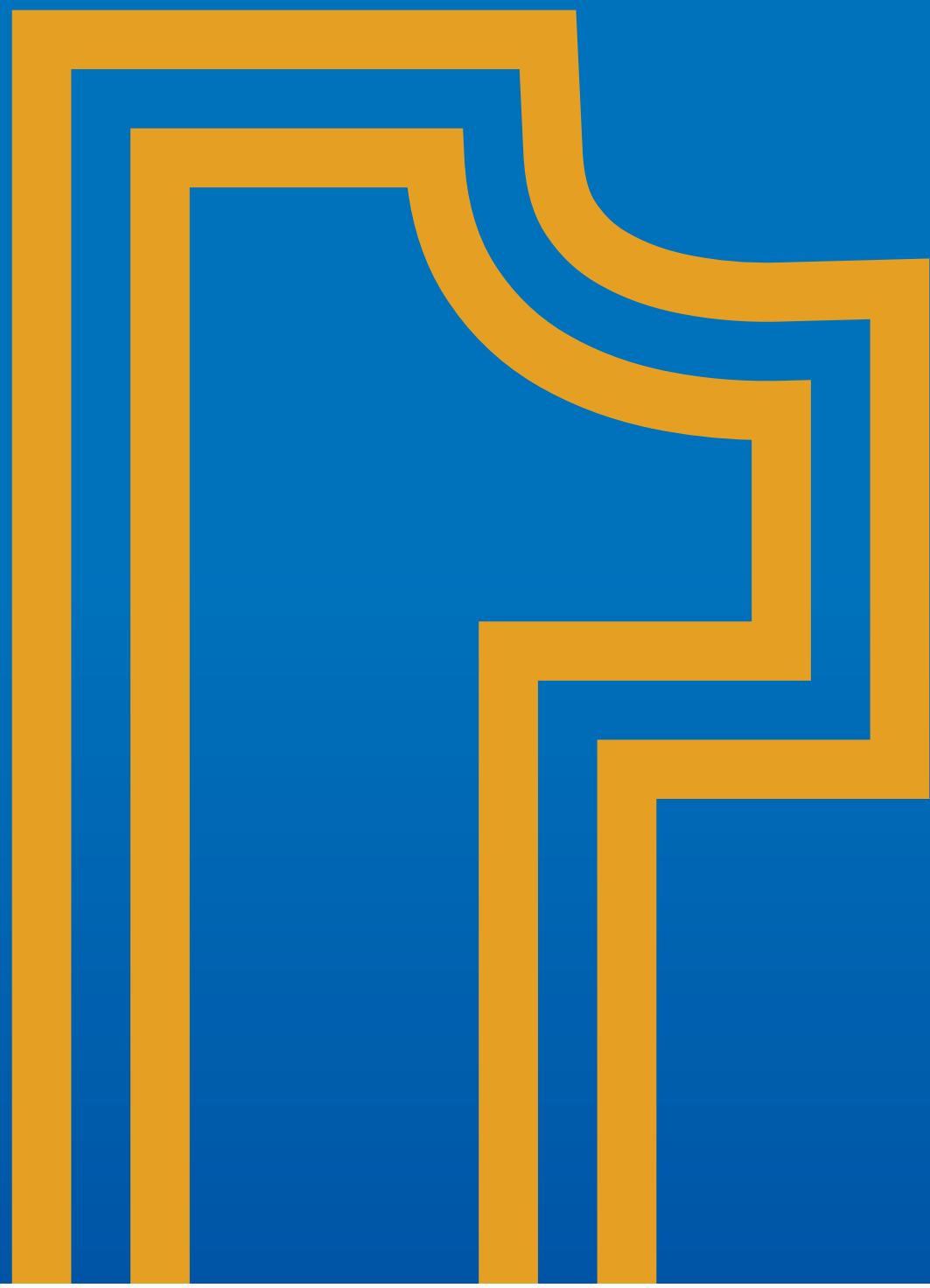
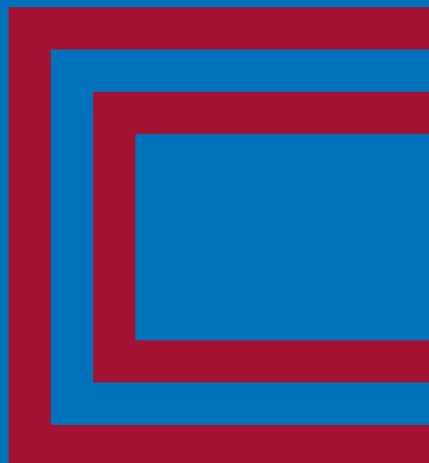
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Organisational Review



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DEVELOPMENT AGENCY
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1. ORGANISATIONAL REVIEW

1.1 Foreword by the Executive Mayor of Nelson Mandela Bay

The Mandela Bay Development Agency once again excelled beyond its core competencies as a development agency by leading the conversation and contributing towards thought leadership on governance issues.

Since its establishment in 2003, we have seen the MBDA evolve into a trendsetting development agent with a skilled staff complement that helped us turn the tide against the wanton vandalism of municipal infrastructure.

This ties in with the strategic objectives of the Nelson Mandela Bay Municipality to restore safety and security at all municipal facilities and position itself to become a cutting-edge metropolitan municipality and a world-class coastal city.

The rejuvenation of the Central Business District of Gqeberha, the R8.5 million Shauderville/Korsten Recreational Park and the efficient management of the Nelson Mandela Bay Stadium, the most expensive real estate in Gqeberha, are just some of their notable achievements.

We are looking forward to the completion of the Telkom Park/Boet Erasmus precinct, the Bayworld Redevelopment, Moore Dyke and the redevelopment of the St Peters Anglican Church site in South End.

Since Gqeberha, formerly known as Port Elizabeth, and the surrounding township areas are recognized as major centres of resistance against Apartheid, the St Peters ruins currently serves as a painful reminder of forced removals.

We entrusted the MBDA to engage with key stakeholders in order to unite residents of the Nelson Mandela Bay Municipality through the redevelopment of this historically import site.

However, as it is with annual reports, it is important to reflect on the period under review. I am happy to note that the entity improved its spending and markedly improved on the implementation of its key performance indicators.

We are confident that they will be able to continue on this trajectory.

In addition, we consider ourselves very much as a city under construction. In order to improve the material conditions of the poor through job creation, infrastructure development, and to create an enabling environment for businesses to thrive.

The Mandela Bay Development Agency is a very important cog in our machinery to make this vision a reality.

THE HONOURABLE GARY VAN NIEKERK
EXECUTIVE MAYOR



Organisational Review

1.2 Board Chairperson's Report

The Mandela Bay Development Agency board submits this Annual Report for the period 1 July 2022 – 30 June 2023. The period under review has been characterised as challenging where the entity's leadership, both at Board and Management had to overcome several challenges that included a vacancy in the Accounting Officer's position for the full duration of the reporting period.

Director term expirations

The MBDA Memorandum of Incorporation envisages a maximum complement of fourteen directors, however as of 1 July 2022, eight (8) directors were appointed. In November 2022, three director's terms expired, and a new Board was constituted by the Shareholder, the Nelson Mandela Bay Municipality. The Shareholder elected for continuity and stability, retaining five (5) of the directors to continue for one more final term of three (3) years. I am pleased to report that since the reconstitution of the new Board in November, we have been cohesive, coherent, and led the turnaround in annual performance objectives reported fully elsewhere in this report.

Looking back, we hereby present some of the key challenges and highlights.

Stabilising the entity

When the financial year began the entity had no permanent CEO with a pending Annual Business Plan & Annual Performance Plan due for submission to the parent municipality. In addition, the entity's five-year strategic plan of 2018-2023 was due to expire on 30 June 2023. The Board resolved to appoint the Stadium Manager to the caretaker role of acting Chief Executive Officer, and through his leadership, management collaborated well to stabilise the entity and ensured that operations of the entity were not derailed.

Revised Business Plan and a new Five-Year Strategic Plan for 2023-2028

The entity was able to develop a funded Business Plan for the Shareholder for the year under review, and it is the outcomes of that plan that we report on in this report. Concurrently, Board through management and the participation of the Shareholder developed a new five-year strategic plan and repositioned the MBDA as a high impact, multidisciplinary entity able to support the development goals of the city. Elements of this strategy will be found in chapter 12 of the NMBM Integrated Development Plan (IDP) effective from 1 July 2023.

Performance improvement

The performance of the institution is covered in this report; however, it is poignant to report a significant rise in performance from the prior year (2021-2022) when the entity failed to achieve a single KPI and spent a mere 26% of the allocated budget. One of the factors that the slide in KPI and Budget performance for the prior year can be attributed to was the COVID-19 lockdown, from 26 March 2020, until it was lifted on 4 April 2022. The late rollover approvals also had a significant impact on budget performance, leaving the entity with less-than-optimal time to deploy resources. It is encouraging the positive turnaround, a 73% (0 in 2022) KPI performance and 52% (26% in 2022) budget performance.

It also gives me encouragement to report that the efforts of the Board which include a closer working relationship with the interim management team have contributed to the significant turnaround in performance. Such a turnaround would not have been possible without the commitment of all staff at all levels, improving relations with the Shareholder and an engaged Board providing strategic direction.



MS GLENDA PERUMAL
MBDA BOARD CHAIRPERSON



Introduction and Organisational Overview

1.3 Chief Executive Officer's Report

It is common cause that I joined the MBDA at the tail end of the financial year under review, and though I have presided over the preparation of this Annual Report, it is the efforts of my predecessors. My initial engagement as the CEO with staff and management of the MBDA gave me the opportunity to realise that a lot more can be achieved by this entity with an improved and efficient organisational structure, culture, policies, and up to date business processes that respond to current realities. The MBDA is inherently a high performance organisation that has unfortunately either been sidetracked or become a victim of its past successes. The 0% performance of the prior year is symptomatic of this veering off the beaten track of high performance.

The first steps of a turnaround have already borne fruit as presented elsewhere in this report, and going forward, the Board-approved five-year strategic plan puts the MBDA in a much stronger position. It also fell upon me as the new CEO to oversee the final institutional and management performance review cycle of 2023, and to ensure that the report is a true reflection of the work on the ground. It also became very clear to me that significant improvements are needed in how targets are set, monitored, reported on, and doing so will enable the entity to unlock even higher performance outcomes across all business units.

Strategy implementation

Looking ahead, the top priority when I arrived at the entity was to deliver as strategy aligned Annual Business Plan, the first of the five-year plan. The process of developing the 2023-2024 Business Plan challenged all involved to adopt a new performance management paradigm and to unlearn old ways and build afresh. It is my

view that it will be managed as a collective and I look forward to reporting the results of these efforts at the end of the 2023-2024 financial year.

Also, the top priority in as far as strategy implementation is concerned is the organisation review process, updating the policy regime to better respond to the new strategy, and the much-needed diversification of funding through a robust fundraising strategy. The development of the fundraising strategy is currently underway and will be reported on at the end of the 2023-2024 year, however I can confirm a R5m investment by the Eastern Cape Development Corporation towards a joint film facility infrastructure development.

We are bullish that this ship is turning around and our three-prong strategy of total precinct management, project management services and game-changing catalytic programmes will yield positive results.

MR ANELE QABA
CHIEF EXECUTIVE OFFICER





Corporate Governance



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Corporate Governance

2.1 Founding Mandate

The Mandela Bay Development Agency (MBDA) is an entity of the Nelson Mandela Bay Municipality and was established in 2003 to reverse the urban decay of the then Port Elizabeth inner city through urban renewal. In August 2023, the agency marks 20 years of existence. Since inception, notable successes of the entity include pioneering the regeneration of the Kings Beach precinct, Helenvale Resource Centre, the Safety and Peace through Urban Upgrading (SPUU), Kariega central business district (CBD) upgrades as well as a significant part of the Gqeberha CBD and Central.

The MBDA was established through the Municipal Systems Amendment Act of 2000 as well as the Municipal Finance Management Act. The parent municipality's Council appoints Independent Directors to constitute a board, which then establishes the organisational structure and appoints Senior Management.

Since the adoption of the Municipal Finance Management Act of 2000, the MBDA has an uninterrupted record of successive unqualified or clean audit outcomes from the Auditor General of South Africa. In 2021-2022 the MBDA received a clean audit.

2.2 Mission, Vision, Strategic Objectives and Values

Vision

- Our vision is to contribute to the development of Nelson Mandela Bay as a world-class city to live in and a destination of choice.

Mission

- Our mission is to be an agent of strategic and sustainable change through impactful development that transforms the space, people and economy of Nelson Mandela Bay.



Strategic Objectives

- To become a change agent for inclusive development.
- To drive economic growth.
- To leverage the NMB Stadium to drive the North End precinct development.
- To leverage the NMB Science Centre to drive the Kariega precinct development.
- To pursue financial sustainability by diversifying revenue sources.
- To operate as an agile entity able to respond to environmental changes.

Our Values

- Accountability
- Appreciation
- Communications
- Equality
- Growth



Corporate Governance

2.3 Governance Structures

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

2.3.1 Board of Directors

The Board retains full and effective control over the entity and monitors the implementation of the MBDA's strategic programmes. It sets the agency's strategic direction and monitors overall performance. The duties of the Board include:

- Providing effective, transparent, accountable and coherent oversight of MBDA's affairs.
- Ensuring that the MBDA complies with all applicable legislation, the service delivery agreement and the various shareholder policy directives issued by its parent municipality from time to time.
- Dealing with the NMBM in good faith and communicating openly and promptly on all pertinent matters requiring the attention of its shareholder.
- Determining and developing strategies that set out the organisation's purpose and values, following the shareholder mandate and strategic documents such as the integrated development plan.
- Reviewing and approving financial objectives, including significant capital allocations and expenditure as determined by the Nelson Mandela Bay Municipality.
- Considering and ensuring that the entity's size, diversity and skills are sufficient to achieve its strategic objectives.



2.3.2 Directors as at 30 June 2023:



Glenda Perumal
(Chairperson, appointed on
24 November 2022)
Appointed to the Board:
9 November 2020 (extended
on 1 December 2021)



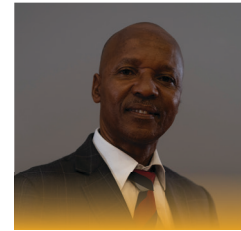
**Khwezi Gideon
Ntshanyana**
Appointed to the Board:
9 November 2020 (extended
on 1 December 2021)



Mxolisi Moolman
Appointed to the Board:
9 November 2020 (extended
on 1 December 2021)



Pinky Kondlo
Appointed to the Board:
9 November 2020 (extended
on 1 December 2021)



Vuyani Dyantyi
Appointed to the Board:
9 November 2020 (extended
on 1 December 2021)

2.3.3 Board Charter

The Board of Directors has incorporated the City of NMBM's corporate governance protocol into its charter, which regulates its relationship with the City of NMBM as its sole member and parent municipality in the interest of good corporate governance and good ethics. The protocol is premised on the principles of the King IV™ Code of Good Governance. The charter sets out the composition and powers of the Board.

2.3.4 Board Committees

The MBDA consists of three Board Committees who execute their duties as specified in their terms of reference.

Corporate Service Committee

- Vuyani Dyantyi: Chairperson
- Pinky Kondlo
- Mxolisi Moolman

Capital Programmes Planning and Implementation Committee

- Mxolisi Moolman: Chairperson
- Glenda Perumal
- Khwezi Ntshanyana

Corporate Governance

2.4 Board Committees (continued)

Risk, Compliance and Finance Committee

- Nomnikelo Pinky Kondlo: Chairperson
- Khwezi Ntshanyana
- Vuyani Dyantyi

2.3.5 Directors Term Expirations

- Sithole Mbanga (Chairperson, appointed on 25 April 2022): 9 November 2020 – 24 November 2022
- Mputumi Phil Goduka: 9 November 2020 – 24 November 2022
- Masalamani Odayar: appointed to the Board: 9 November 2020 – 24 November 2022

2.3.6 Company Secretary

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

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

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

2.3.7 Record of Committees and Board meetings

Together, the MBDA directors have a range of different skills and experience that they bring to bear for the benefit of the entity. These include accounting, finance, legal, business management, human resources and labour relations, marketing, construction and development management.

The Board meets regularly, retains full and effective control over the development agency and monitors the implementation of the agency's strategic programmes by the executive management through a structured approach of reporting and accountability. It sets the strategic direction of the MBDA and monitors overall performance.



Board and Committee meetings and attendance (1 July 2022 – 23 November 2022)

Name	Board				Risk Compliance and Finance Committee				Corporate Service Committee				Capital Programme Planning and Implementation Committee			
	No. of Meetings	Attendance	Apology	Absent	No. of Meetings	Attendance	Apology	Absent	No. of Meetings	Attendance	Apology	Absent	No. of Meetings	Attendance	Apology	Absent
G Perumal	1	1	n/a	n/a	1	n/a	n/a	n/a	2	n/a	n/a	n/a	1	1	n/a	n/a
N P Kondlo	1	1	n/a	n/a	1	1	n/a	n/a	2	n/a	n/a	n/a	1	n/a	n/a	n/a
M Moolman	1	1	n/a	n/a	1	n/a	n/a	n/a	2	2	n/a	n/a	1	n/a	n/a	n/a
K Ntshanyana	1	1	n/a	n/a	1	1	n/a	n/a	2	n/a	n/a	n/a	1	n/a	n/a	n/a
V Dyantyi	1	1	n/a	n/a	1	n/a	n/a	n/a	2	2	n/a	n/a	1	1	n/a	n/a
S Mbanga (resigned)	1	1	n/a	n/a	1	n/a	n/a	n/a	2	2	n/a	n/a	1	n/a	n/a	n/a
P Goduka (resigned)	1	1	n/a	n/a	1	n/a	n/a	n/a	2	n/a	n/a	n/a	1	1	n/a	n/a
M Odayar (resigned)	1	1	n/a	n/a	1	1	n/a	n/a	2	n/a	n/a	n/a	1	n/a	n/a	n/a

Board and Committee meetings and attendance (24 November 2022 – 30 June 2023)

Name	Board				Risk Compliance and Finance Committee				Corporate Service Committee				Capital Programme Planning and Implementation Committee			
	No. of Meetings	Attendance	Apology	Absent	No. of Meetings	Attendance	Apology	Absent	No. of Meetings	Attendance	Apology	Absent	No. of Meetings	Attendance	Apology	Absent
G Perumal	11	11	n/a	n/a	4	4	n/a	n/a	6	6	n/a	n/a	4	4	n/a	n/a
N P Kondlo	11	11	n/a	n/a	4	4	n/a	n/a	6	6	n/a	n/a	4	n/a	n/a	n/a
M Moolman	11	11	n/a	n/a	4	n/a	n/a	n/a	6	6	n/a	n/a	4	4	n/a	n/a
K Ntshanyana	11	10	1	n/a	4	4	n/a	n/a	6	n/a	n/a	n/a	4	4	n/a	n/a
V Dyantyi	11	11	n/a	n/a	4	4	n/a	n/a	6	n/a	n/a	n/a	4	n/a	n/a	n/a

Corporate Governance

2.3.8 Board Remuneration

The MBDA remunerates the non-executive directors and independent audit committee members following the policy and, in the amounts determined from time to time by the NMBM acting in its capacity as the sole shareholder of the MBDA. The foregoing position was reaffirmed by special resolution at the 2022 Annual General Meeting. The non-executive directors and independent audit committee members are paid per meeting. Executive directors and prescribed officers are employees of the MBDA and do not receive any additional remuneration because of their office. The table below reflects the gross or cost to company amounts paid by the MBDA concerning executive directors, non-executive directors', and independent audit committee members' fees.

Remuneration (1 July 2022 – 23 November 2022)

Name	Designation	Board Fees	Travel Claims	Total
G Perumal	Chairperson (Non-executive)	38 000	215.43	38 215.43
N P Kondlo	Non-executive director	58 500	103.89	58 603.89
M Moolman	Non-executive director	40 500	111.92	40 611.92
K Ntshanyana	Non-executive director	38 000	247.53	38 247.53
V Dyantyi	Non-executive director	43 000	134.82	43 134.82
S Mbanga (resigned 24 Nov 2022)	Non-executive director (resigned)	82 500	0	82 500.00
P Goduka (resigned 24 Nov 2022)	Non-executive director (resigned)	62 500	165.40	62 665.40
M Odayar (resigned 24 Nov 2022)	Non-executive director (resigned)	30 500	41.63	30 541.63

Board Remuneration (24 November 2022 – 30 June 2023)

Name	Designation	Board Fees	Travel Claims	Total
G Perumal	Chairperson (Non-executive)	299 794.48	2 989.01	302 783.49
N P Kondlo	Non-executive director	153 500	601.92	151 101.92
M Moolman	Non-executive director	122 500	264.35	122 764.35
K Ntshanyana	Non-executive director	114 000	1599.04	115 599.04
V Dyantyi	Non-executive director	155 000	2 299.81	157 298.81



2.3.9 Statutory and Shareholder Oversight

The MBDA remunerates the non-executive directors and independent audit committee members following the policy and, in the amounts determined from time to time by the NMBM acting in its capacity as the sole shareholder of the MBDA. The foregoing position was reaffirmed by special resolution at the 2022 Annual General Meeting. The non-executive directors and independent audit committee members are paid per meeting. Executive directors and prescribed officers are employees of the MBDA and do not receive any additional remuneration because of their office. The table below reflects the gross or cost to company amounts paid by the MBDA concerning executive directors', non-executive directors', and independent audit committee members' fees.

Audit Committee

The Audit Committee is not a Board subcommittee but an independent statutory (MFMA of 2003, Section 166) structure that performs an oversight right.

The members of the Audit Committee are:

- Younus Amod: Chairperson
- Mr Sizwe Nyenyiso
- Ms Michelle Wait
- Mr Danie de Lange
- Ms Ronel Shaw

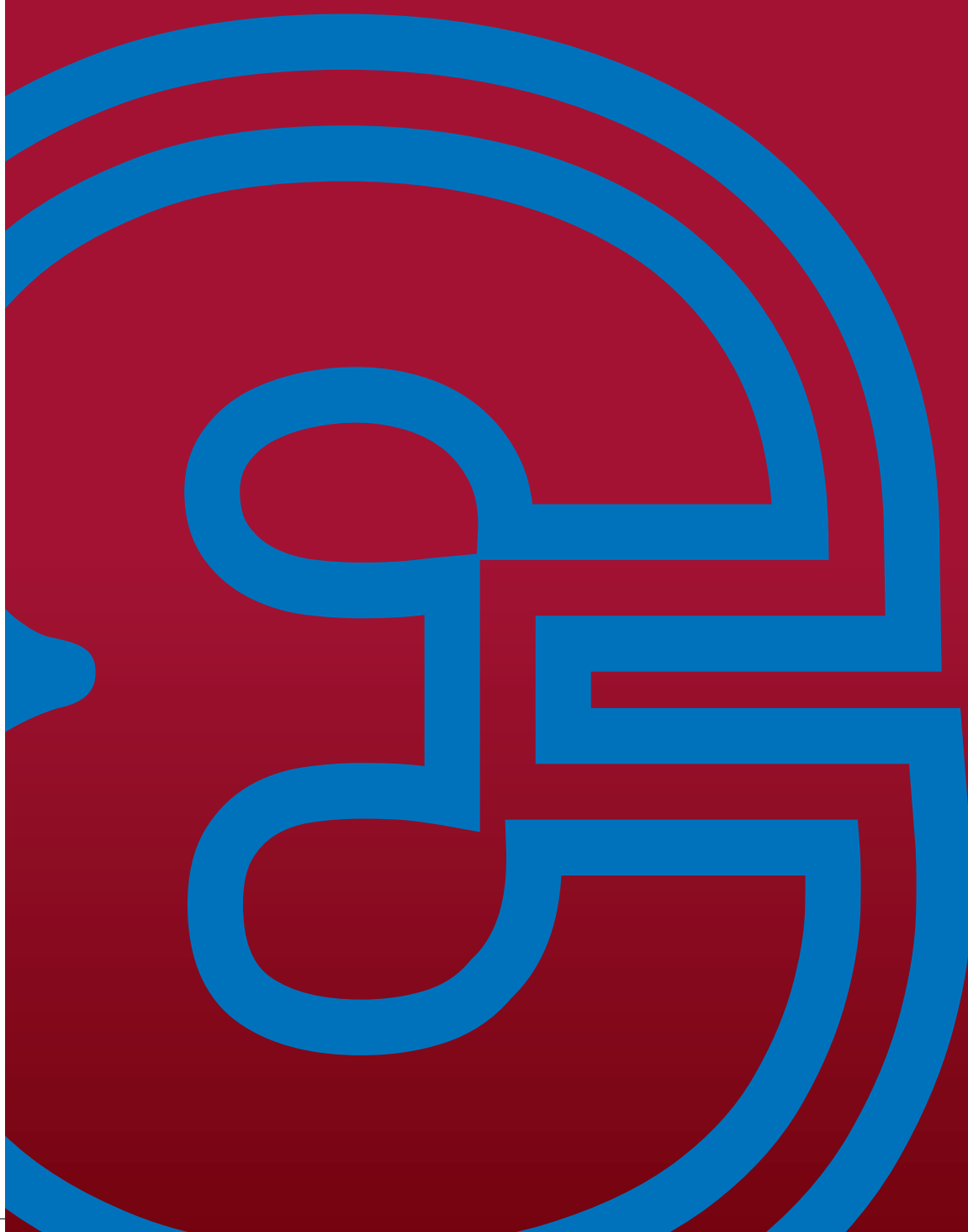
Political Oversight

The Executive Mayor's Office takes accountability over the MBDA; however, the Deputy Executive Mayor is delegated to oversee the affairs of the entity and continuously engages with the Board through the Board Chairperson.

Municipal Administrative Oversight

The MBDA administratively reports to the City Manager's office through the Office of the Chief Operating Officer (COO). This office plays a significant coordination function, linking the MBDA to relevant directorates and relevant oversight committees.

3



Annual Performance Report



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Annual Performance Report

The MBDA turned 20 years in August 2023 and the Board used this occasion to rekindle stakeholder engagement and reconnect with communities within our mandate areas. The development agency also shared the success of the Baakens area through the release of the Economic Impact Assessment which showed considerable investment by the private sector inspired by the investments of the MBDA and NMBM.

For the period under review, the Agency reviewed the form and substance of its performance reporting tool to be more comprehensive and inclusive of the full scope of MBDA operations. It is to be noted that the new Institutional Scorecard is significantly different from that of the previous one which only included Capital Expenditure KPIs and Budget Performance. The previous approach caused the MBDA to under report on other key performance aspects that have strategic value to the entity.

3.1 Institutional Scorecard

The new Institutional Scorecard and Business Plan for 2022-2023 is now a comprehensive monitoring and reporting tool covering all key and strategic operations of the MBDA. For the year, the MBDA established 15 Key Performance Indicators.

KPI Performance Summary

The approach taken in the 2022-2023 financial year, based on the performance evidence above, has been proven to be successful. It is on this basis that a similar approach has been adopted in the 2023-2024 financial year as is evidenced in the new Business Plan and Scorecard. In conclusion, as is evident from the above, this approach has shown an improvement in the overall performance of the entity, from 0% achieved KPIs in the 2021-2022 financial year, to an overall performance of 73% achieved KPIs in the 2022-2023 financial year.



9 out of 14 KPIs Overachieved:

- Rehabilitating the St Peters Precinct
- Completing the Korsten/Schauderville - Moore Dyke Precinct project
- Revenue generated by the Nelson Mandela Bay Stadium
- Number of events held at the Nelson Mandela Bay Stadium
- Number of skills development programmes/workshops facilitated by the Science Centre
- Number of schools supported through either equipment and/or financial resources by the Science Centre
- Percentage budget spent on the development of the drought mitigation communication strategy for NMBM
- Number of marketing and communications media initiatives facilitated
- Number of work opportunities created

2 out of 14 KPIs Achieved:

- Upgrading of the Extension 12 Play Park
- Number of psychosocial interventions facilitated by the MBDA

3 out of 14 KPI's Partially Achieved:

- Rehabilitating Bayworld
- Number of Arts, Culture and Heritage hosted/facilitated by the MBDA
- Developing a New Brighton Community drop-off site

1 out of 14 KPI's Not Achieved:

- Percentage of Mandela Bay Development Agency's Capital Budget Actually Spent

3.2 Nelson Mandela Bay Science Centre

The Nelson Mandela Bay Science Centre celebrated 10 years in May 2023 and this memorable milestone was marked by a spectacular stakeholder event. The occasion was honoured by the presence of the Mayor of the Metro, the MBDA Board of Directors, and Science Centre partners who have propelled the centre to success. This includes the advisory committee, which has been instrumental in guiding the Science Centre in the right direction. The advisory committee is composed of industry leaders and experts in the field of science education, technology, innovation and leadership. We are proud and encouraged by the progress we see in Kariega and believe more projects are in the pipeline.





3.3 Nelson Mandela Bay Stadium

The Nelson Mandela Bay Stadium continues to recover from the devastation of the events industry by Covid-19. We have already seen improvements in revenue growth and a growing amount of foot traffic. Business is reengaging with us once again through the acquisition of value for money inventory and hospitality. What is required now is security of tenure to build confidence in the market.



3.4 Service Delivery Highlights as per APR

Below is a detailed 2022-2023 report on the specific KPIs as contained in the Institutional Scorecard.

1. Rehabilitation of Bayworld (oceanarium facility)

Annual Target

The annual target for this KPI was to purchase infrastructure for a temporary relocation facility, install temporary relocation facility containers and portable pools on site, and conclude the appointment of a service provider to work on the Killer Whale Cafe.

Performance Outcome

This KPI was partially achieved as only the temporary relocation facility site fencing was completed, the temporary relocation facility containers and portable pools were delivered to site, and the order to a service provider was issued. The original specification for the moveable porta-pools called for tanks only available from a specialist supplier out of Gqeberha. There is no other supplier for these specific tanks in South Africa. This specialist supplier had closed after the tender closure, and an alternative supplier had to be found with a revised specification that could be manufactured in South Africa.





2. Rehabilitating the St Peter's Precinct

Annual Target

The annual target for this KPI was to achieve practical completion and inspection by year end.

Performance Outcome

This KPI was later amended to the completion of guniting, the timber deck and a wheelchair-friendly walkway, as well as the removal of vertical weeds. In addition, the container conversion would be completed offsite, and the amphitheatre also completed. The target was overachieved.



3. Completing the Korsten / Schauderville - Moore Dyke Precinct Project

Annual Target

The annual target for this KPI was to install the soccer field's new grass by December 2022, complete the pavilion masonry superstructure and heritage ironmongery.

Performance Outcome

The target was amended and now includes the completion of a storeroom and workshop foundation, a sewerage system, the superstructure (Masonry) and roof. The KPI target was overachieved.





4. Upgrading of the Extension 12 Play Park

Annual Target

The annual target for this KPI was the undertaking of the site handover. Prior to this there were several key programme milestones that needed actioning to reach the target.

Performance Outcome

Site handover was undertaken, and the target was achieved.



5. Number of psychosocial interventions facilitated by the MBDA

Annual Target

The annual target for this KPI was to complete six key interventions.

Performance Outcome

Six programmes were undertaken successfully, and the target was achieved.

The programmes are:

- ***Girl Power - 20 September 2022.*** The objective of the youth programme was to focus on empowering female children through the introduction of radio broadcasting as a career path.
- ***Coding and Robotics - 21 and 22 November 2022.*** The objective of the programme was to equip youth with skills to facilitate a career in Coding and Robotics.
- ***Food Sustainability Programme - 16 March 2023.*** The objective was to educate schools and the community at large about sustainable food production.
- ***Proposal writing and Fundraising - 2-4 May 2023.*** The objective of this programme was to capacitate the Helenvale Youth Centre Committee with formal proposal writing and fundraising skills to sustain the youth centre's programme and operations.
- ***Generating your Business Idea - 22-24 May 2023.*** The objective of this programme was to capacitate SMMEs on how to start, improve and grow their own businesses.
- ***Career Expo - 7 June 2023.*** Paterson learners were engaged to ensure that they have access to individuals who can assist them in making informed decisions about subject and career choices.



6. Number of Arts, Culture and Heritage initiatives hosted/facilitated by the MBDA

Annual Target

The annual target for this KPI was to complete six key initiatives.

Performance Outcome

Although only five initiatives were completed instead of six, the target was partially achieved. The initiatives undertaken included:

During the period under review, the following five programmes were facilitated:

- **Trinder Square - 27 September 2022.** The event was executed to add value to the city's events and tourism calendar, create employment for local vendors and artists, and create safe spaces.
- **The Story of Nomvume Mnyazi - 21 October 2022.** The Story of the first casualty of the 1976 student uprising in Gqeberha.
- **Red Location Screening - 19 November 2022.** Screening of "What about the Boys?" to educate the youth on gender-based violence.
- **The S.S Mendi Documentary Screening - 22 February 2023.** The documentary screening is an annual commemorative event by the MBDA to highlight the cultural significance of the S.S Mendi and to promote the rich history of New Brighton.
- **eMbizweni Square Market - 25 February 2023.** The event was executed to add value to the city's events and tourism calendar, create employment for local vendors and artists, and to add value to the New Brighton Heritage Route.

7. Revenue generated by the Nelson Mandela Bay Stadium

Annual Target

The annual target for this KPI was to raise R7m for operations and commercial activities.

Performance Outcome

Six programmes were undertaken successfully, and the target was overachieved.

This target was overachieved with R8.6m in revenue collected. It must be noted that the target was set based on a historical baseline figure during the Covid-19 period and adjusted to be in line with the NMBM targets for the NMB Stadium, as this was the data available when setting this new KPI. During the Covid-19 period events, were restricted and as such events were limited. As a result of the use of Covid-19 data, MBDA was able to generate more revenue during the 2022-2023 financial year as restrictions no longer applied.





8. Number of events held at the Nelson Mandela Bay Stadium

Annual Target

The annual target for this KPI was to host twenty four events. This translates to two major events per month.

Performance Outcome

This target was overachieved by 100%. During the financial year under review there were 44 events held at the Nelson Mandela Bay Stadium as follows:

1. Carling Champions	2 July 2022
2. NMBM Sports Summit	4 - 5 August 2022
3. Chippa United vs Royal AM	10 August 2022
4. Council meeting	11 August 2022
5. Chippa United vs TS Galaxy	25 August 2022
6. Imbokodo Rise	27 August 2022
7. NMB Council meeting	30 August 2022
8. Jika Kaizen Training	1 - 2 September 2022
9. Spar Women's Challenge	3 September 2022
10. AIDC Indaba	6, 7, 9 & 10 September 2022
11. Chippa United vs Mamelodi Sundowns	7 September 2022
12. Chippa United vs Marumo	17 September 2022
13. Civic Reception	1 September 2022
14. Lumko Nkumanda's 50th Birthday	1 October 2022
15. Sizwe Hosmed Product Launch	7 October 2022
16. BDO US Training	11 - 12 October 2022
17. Isimanga Funeral	29 October 2022
18. Jika Suppliers event	9 November 2022
19. Diplomat SA Year End Function	18 November 2022
20. Lincoln Mali Book Launch	22 November 2022
21. Stormers vs Dragons rugby match	2 - 4 December 2022
22. Indlela Mental Health Event	6 December 2022
23. Christmas Lunch Event	9 December 2022
24. Ebubeleni Music Festival	30 December 2022
25. EC Super Rugby Tournament	13 January 2023
26. Film and Publication Board	7 February 2023

8. Number of events held at the Nelson Mandela Bay Stadium (Continued.)

27. Human Settlements Directorate meeting	9 - 10 February 2023
28. Memorial Service	20 February 2023
29. Mayco Strategic Session	21 February 2023
30. Go Green Africa	21 February 2023
31. NMBM Civic Welcoming	27 February 2023
32. Chippa United vs Mpheni Home Defenders	11 March 2023
33. Chippa United vs SuperSport United	1 April 2023
34. Chippa United vs Orlando Pirates	8 April 2023
35. Groot Jol	15 April 2023
36. Chippa United vs Sekhukhune	16 April 2023
37. Chippa United vs Kaizer Chiefs	27 April 2023
38. 90th birthday celebration	29 April 2023
39. Chippa United vs Golden Arrows	20 May 2023
40. The Herald Isuzu Schools Quiz	13 May 2023 & 21 May 2023
41. 12 Apostles Church	25 - 28 May 2023
42. ECDC Youth in Trade	25 - 28 May 2023
43. Offshore with Nick Mallet, PW Harvey & Co	5 June 2023
44. NMBM Health and Safety Workshop	28 June 2023
	30 June 2023

9. Skills development programmes by the NMB Science Centre

Annual Target

The annual target for this KPI was three programmes.

Performance Outcome

The target was overachieved, and five programmes completed, and they include:

1. Artificial Intelligence and Machine Learning	1 - 8 August 2022
2. Teacher Development Workshop	4 August 2022
3. Digital Literacy Programme	13 October 2022 - 1 November 2022



4. Digital Photography Workshop

9 November 2022

5. Coding and Robotics Programme

21 November 2022

Notable developments are that, during the first half of the financial year, Gqeberha was awarded a bid to host the African School of Fundamental Physics in collaboration with NMU, the Science Centre was engaged during October to co-facilitate these events.

10. Number of schools supported by the Science Centre

Annual Target

The annual target for this KPI is a total of one hundred (100) schools supported through either programme, equipment and/or financial resources by the Science Centre.

Performance Outcome

A total of one hundred and fourteen (114) schools were supported, resulting in overachievement. This overperformance against the Key Performance Indicator can be attributed to the Science Centre hosting a mobile science site in the community hall and gathering multiple schools for Science on the Go initiatives.

11. Drought mitigation communication strategy for NMBM

Annual Target

The annual target for this KPI was to spend 95% of the allocated budget in assisting the NMB to deal with the water crisis through communication.

Performance Outcome

The target was overachieved and 96% was spent to avert the drought through communications. The reason for overperformance reported against this Key Performance Indicator is because drought mitigation awareness needed to be accelerated due to the worsening drought in Nelson Mandela Bay.

12. Number of marketing and communications media initiatives facilitated

Annual Target

The annual target for this KPI was twenty-one initiatives.

Performance Outcome

The target was overachieved by over 100% to forty-three initiatives.

13. Number of work opportunities created (EPWP)

Annual Target

The annual target for this KPI was one hundred and ninety-nine (199) work opportunities.

Performance Outcome

The target was overachieved significantly as 239 work opportunities were created. The reason for overperformance reported against this Key Performance Indicator is attributed to the increased number of soccer matches hosted at the NMB stadium which resulted in the employment of EPWP workers.

14. Developing a New Brighton drop-off and recycling site

Annual Target

The annual target for this project was the completion of Bid Evaluation and the appointment of a service provider.

Performance Outcome

This target was not met. Despite Bid Evaluation being completed, the service provider was not appointed on time to meet the target.



15. Budget Performance

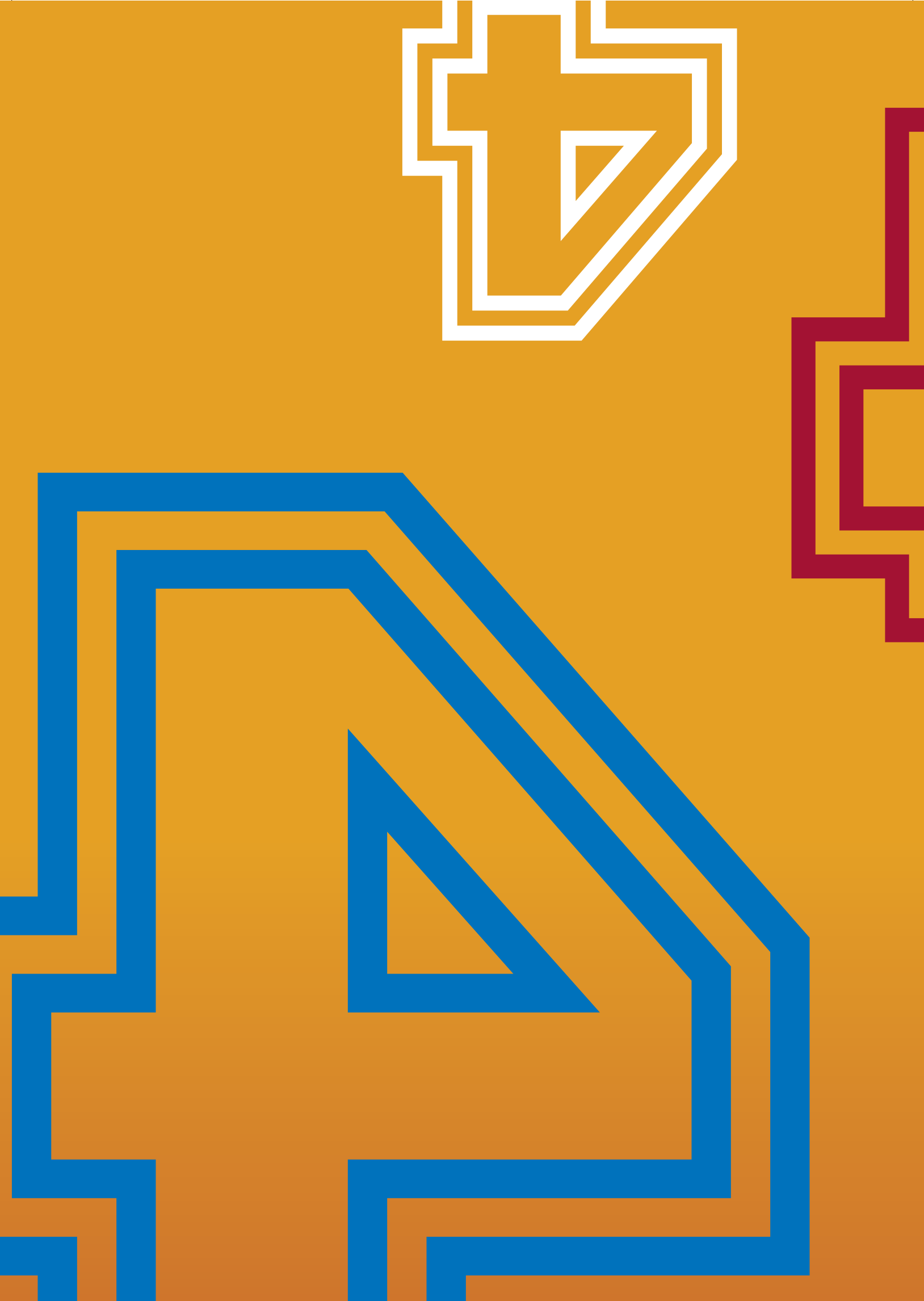
Annual Target

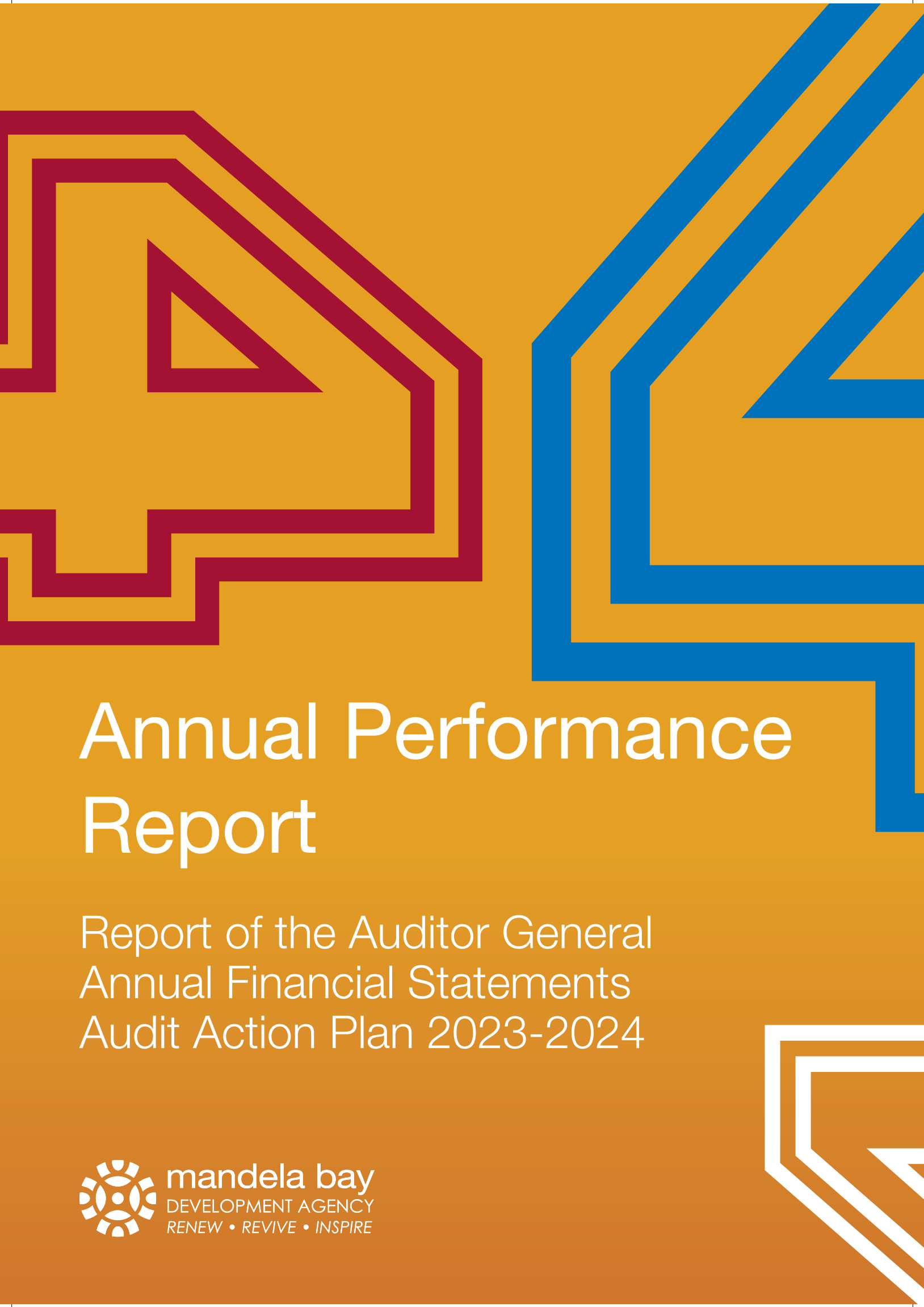
The annual target for this KPI was to achieve 95% expenditure.

Performance Outcome

The result was 52% (R56m) rendering the target as not achieved. It may be noted that this KPI is an accumulation of spending resultant from all projects mentioned previously







Annual Performance Report

Report of the Auditor General
Annual Financial Statements
Audit Action Plan 2023-2024



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Achievement Status Key:

■ Over Achieved	■ Achieved	■ Partially Achieved	■ Not Achieved
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Key Performance Area (KPA)	KPI No.	Key Performance Indicator	Baseline (Annual Performance of 2021/22 Estimated)	2022/23 Annual Target	Actual Quarterly Performance as at 30 June 2023	Achievement Status
KPA 1: Basic Service Delivery	N/A	N/A	N/A	N/A	N/A	N/A
KPA 2: Municipal Institutional Development and	N/A	N/A	N/A	N/A	N/A	N/A
KPA 3: Local Economic Development	1	Rehabilitating Bayworld	In progress Bayworld and sanctuary tender readvertised Bayworld Sanctuary and Park Environmental Assessment opinion sourced by March 2022 Bayworld Sanctuary and Park Heritage Assessment opinion sourced by March 2022 Bayworld Sanctuary and Park stakeholder consultation commenced during second and third quarter In progress Follow up on cooperative agreement undertaken	Temporary relocation facility infrastructure purchased Amended to: Temporary relocation facility infrastructure purchased. Temporary relocation facility containers and portable pools installed on site. Killer Whale Purchase Order sent to identified service provider	In progress Temporary relocation facility site fencing completed. Temporary relocation facility infrastructure purchased. Temporary relocation facility containers and portable pools delivered to site. Killer Whale Purchase Order sent to identified service provider	Partially achieved
KPA 3: Local Economic Development	2	Rehabilitating the St Peter's Precinct	In progress Artwork design submission advertised 2021/22 Phase 1 works commenced (Site works commenced; column work foundation work and decking commenced; timber decking consultations undertaken; Container quote requested; amphitheatre drawings prepared; plumbing drawings submitted; landscaping site clearing commenced)	Practical completion inspection completed	Artwork completed Guniting Completed. Timber deck commenced, wheelchair friendly walkway completed. Removal of vertical weeds completed, Off site container conversion completed and delivered to site Amphitheatre constructions works completed	Overachieved
	3	Completing the Korsten / Schauderville - Moore Dyke Precinct project	2021/22 Planning phase) by 30 June 2022 0% (Construction phase)	Soccerfield new grass installation completed by December 2022	Soccerfield new grass installation completed by December 2022. Store Room and workshop Foundation, Sewerage, Superstructure (Masonry), and Roof completed.	Overachieved
				Pavilion masonry superstructure completed	Pavilion masonry works lower floor completed. Pavilion masonry works (or equivalent) upper level completed to wall plate level. Electrical conduits Pavilion lower level installation completed. Electrical conduits Pavilion upper level installation commenced Plumbing fittings installation on lower level changeroom two completed. Pavilion stormwater installation completed by 31 March 2023.	Overachieved


Achievement Status Key:

■ Over Achieved	■ Achieved	■ Partially Achieved	■ Not Achieved
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Key Performance Area (KPA)	KP1 No.	Key Performance Indicator	Baseline (Annual Performance of 2021/22 Estimated)	2022/23 Annual Target	Actual Quarterly Performance as at 30 June 2023	Achievement Status
KPA 3: Local Economic Development	3	Completing the Korsten / Schauderville - Moore Dyke Precinct project	100% (2021/22 Planning phase) by 30 June 2022 0% (Construction phase)	Heritage ironmongery Completed	Heritage building ironmongery completed Heritage building roofing installation completed. Memorial wall construction completed	Overachieved
KPA 3: Local Economic Development	4	Upgrading of the Extension 12 Play Park	New KPI (introduced in 2022/23)	Site handover undertaken	Site Handover undertaken	Achieved
KPA 3: Local Economic Development	5	Number of Psychosocial interventions facilitated by the MBDA	New KPI (introduced in 2022/23)	4 Amended to: 6	6	Achieved
KPA 3: Local Economic Development	6	Number of Arts, Culture and Heritage hosted/ facilitated by the MBDA	New KPI (introduced in 2022/23)	6	5	Partially achieved
KPA 3: Local Economic Development	7	Revenue generated by the Nelson Mandela Bay Stadium	New KPI (introduced in 2022/23)	R5 Million Amended to: R7 million	R8,635,788.00	Overachieved
KPA 3: Local Economic Development	8	Number of events held at the Nelson Mandela Bay Stadium	New KPI (introduced in 2022/23)	24	44	Overachieved
KPA 3: Local Economic Development	9	Number of skills development programmes/ workshops facilitated by the Science Centre	New KPI (introduced in 2022/23)	3	5	Overachieved

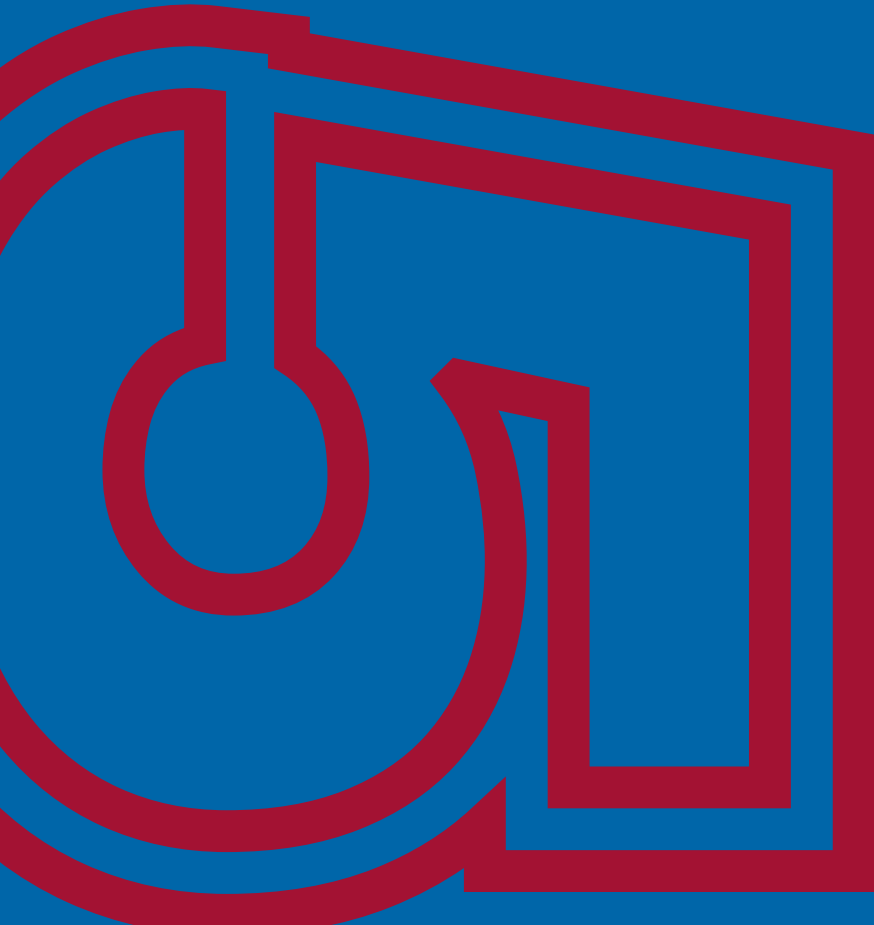
Achievement Status Key:

	Over Achieved		Achieved		Partially Achieved		Not Achieved
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Key Performance Area (KPA)	KPI No.	Key Performance Indicator	Baseline (Annual Performance of 2021/22 Estimated)	2022/23 Annual Target	Actual Quarterly Performance as at 30 June 2023	Achievement Status
KPA 3: Local Economic Development	10	Number of schools supported through either equipment and /or financial resources by the Science Centre Amended to: Number of schools supported through either programmes, equipment and/ or financial resources by the Science Centre	New KPI (introduced in 2022/23)	100	114	Overachieved
KPA 3: Local Economic Development	11	Percentage budget spent on the development of the drought mitigation communication strategy for NMBM.	New KPI (introduced in 2022/23)	100%	96%	Overachieved
KPA 3: Local Economic Development	12	Number of marketing and communications media initiatives facilitated	New KPI (introduced in 2022/23)	21	43	Overachieved
KPA 3: Local Economic Development	13	Number of work opportunities created	597	199	239	Overachieved
KPA 3: Local Economic Development	14	Developing a New Brighton Community site Amended to: Developing a New Brighton drop-off and recycling site (in line with COAF 10 of 2023)	New KPI (introduced in 2022/23)	Bid evaluation completed Contractor appointed	In progress Bid evaluation completed and submitted to BAC	Partially achieved
KPA 4: Municipal Financial Viability and Management	14 amended to 15	Percentage of Mandela Bay Development Agency's Capital Budget Actually Spent	26%	95%	52%	Not achieved
KPA 5: Good Governance and Public Participation	N/A	N/A	N/A	N/A	N/A	N/A







Labour Relations and Organisational Development



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5. Labour Relations and Organisational Development

The Corporate Services Department includes Human Resources Management (HR), Information Communication Technology (ICT), Risk & Compliance (R&C), as well as Marketing. The position of Corporate Services Executive has been vacant throughout this reporting period.

5.1 Human Resources

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

Organisational Profile – Staff establishment

Period: 1 July 2022 - 30 June 2023				
Structure Profile	Approved Posts	Staff Complement	No. of Vacancies	% of Vacancies
Executive Management	6	3	3	50%
Middle Management	26	21	5	191%
Skilled, Technical	50	34	16	68%
Semi-Skilled	31	26	5	16%
Unskilled	6	7	0	0%
Learners and Temps	0	0	0	0%
TOTAL	119	91	29	24%



5.1.2 Labour Relations

The entity has one valid Recognition Agreement with Labour Union, SAMWU, however the entity is exempt from the national Bargaining Agreement and may only be incorporated at the approval of the Minister of Labour. The Recognition Agreement is managed through a structure referred to as Management-Union-Meeting (MuM) and meets monthly.

5.1.3 Labour Disputes

There were no recorded labour disputes lodged by the labour representatives for the reporting period.

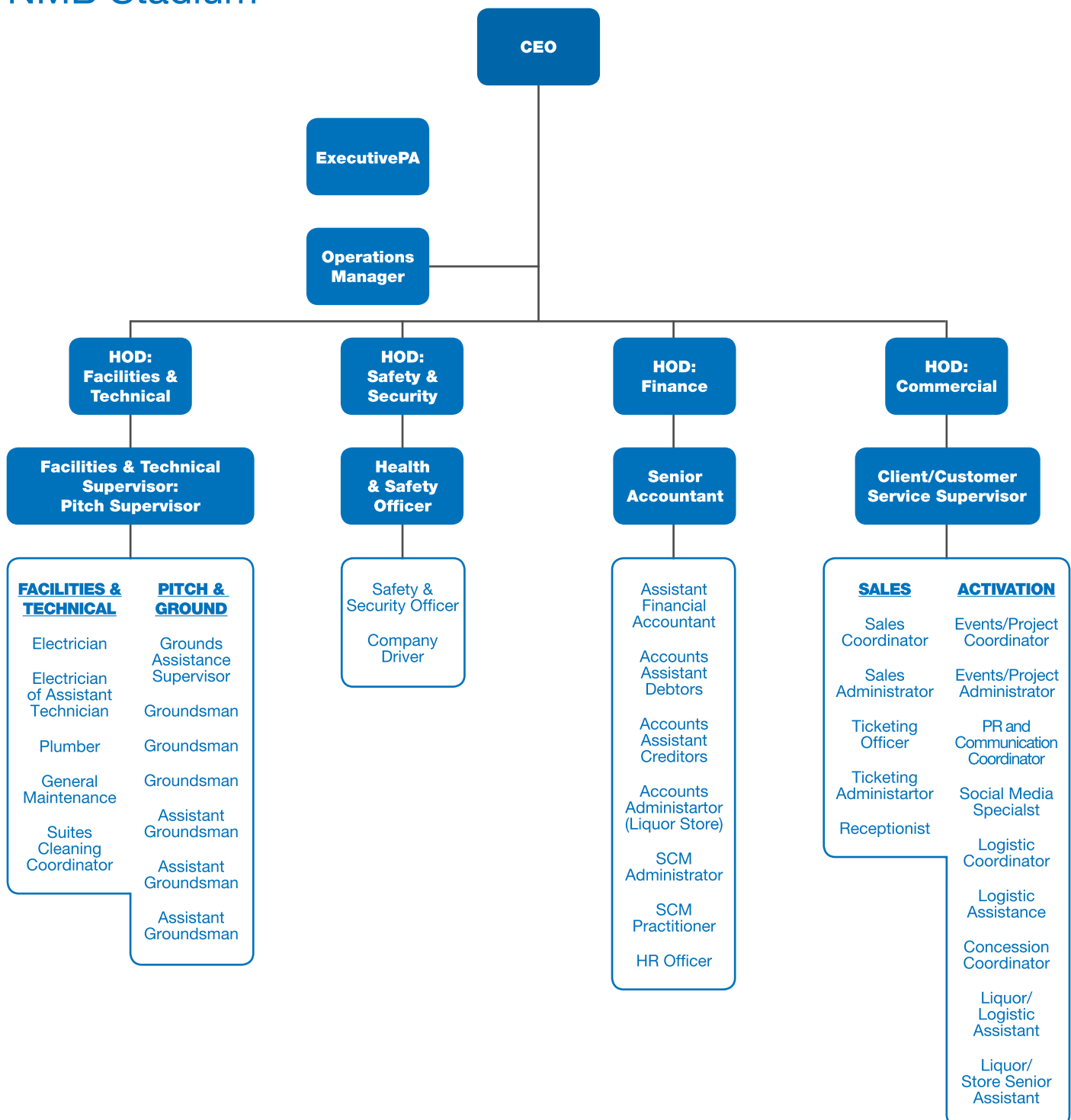
5.1.4 Remuneration of senior personnel is reported in the Audited Financial Statements on page 129.

5.1.4 Organisational Structure Review 2023-2024

Management and Board are currently reviewing the organisational structure for the purposes of integration, constructive collaboration, cost control and alignment with the entity's new five-year strategic plan. Progress will be reported at the end of the 2023-2024 financial year.

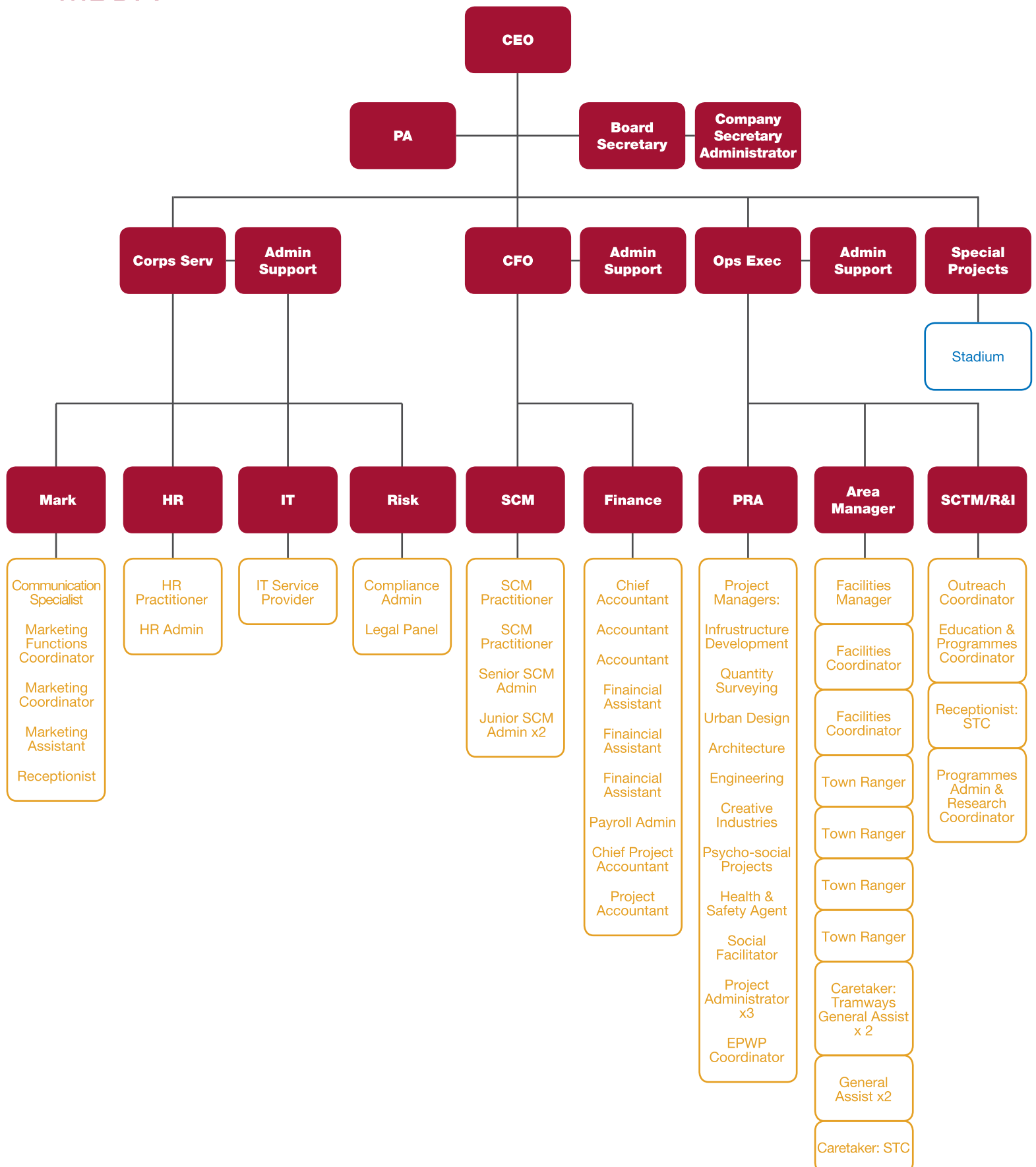
Current Organisational Structure

NMB Stadium





MBDA



5.2 Information Communication Technology

The Information Communication Technology (ICT) Department is in its fifth year of existence at the MBDA, ever since the role was insourced. Since establishment, the unit has been instrumental in the development of several ICT solutions for the entity including, e-Tendering, SAGE Procurement, SharePoint, as well as developing much needed ICT Governance policies and procedures. The ICT Department will continue to be pivotal in enabling the MBDA to navigate its way towards the implementation of the new strategy in an environment that must contend with advancements in Artificial intelligence and machine learning.

The ICT Governance framework of the MBDA is prepared according to the main domains of COBIT 5 to address all the key components of ICT governance broadly.

- Evaluate, Direct, and Monitor
- Align, Plan, and Organise
- Build, Acquire, and Implement
- Deliver, Service, and Support
- Monitor, Evaluate, and Assess

5.3 Risk & Compliance Management

During the period under review, the Audit Committee proposed a Risk Management Maturity assessment to look at ways of improving risk management as a strategic business tool. Significant work is underway towards the implementation of the recommendations received.

The Roles and Responsibilities of the Risk and Compliance Department include:

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

The Agency has three (3) main risk categories namely, (1) Strategic Risks which include the financial and governance risks, (2) Operational Risks, and (3) Project Risks which captures all the risks for capital and operational projects of the agency.

These Risk Registers are drafted annually and updated quarterly to ensure progress is monitored and where required, additional risks are added for closer monitoring.

Effective risk management is fundamental to the MBDA's business activities. The department evaluates various processes within the organisation to identify efficiencies to drive performance.



High Priority Strategic Risks

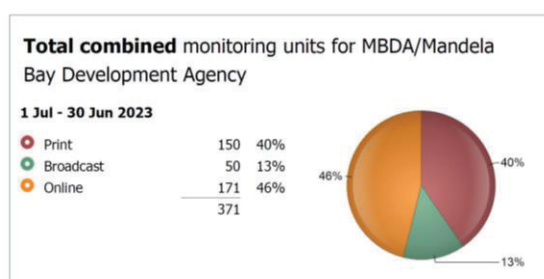
The top risks as identified by the agency for the year under review and the status thereof based on the implementation of controls and mitigations are captured below.

Detailed Risk	Risk Category	Annual Review
1. Lack of financial sustainability of the MBDA	Strategic Financial	Mitigation factors are ongoing with a funding strategy service provider procurement process ongoing
2. Delayed provision of a permanent board to provide strategic guidance to the MBDA	Strategic Governance	Implemented in quarter two and resolved
3. Potential breakdown of working relationship and its impact on leadership dynamics. (Between parent municipality and MBDA)	Strategic Governance	Mitigation factors are ongoing. Continuous engagements held and SOP's have been completed to ensure that the working relationship is conducive.
4. Inadequate adherence to Legislative and regulatory requirements	Strategic Governance	Mitigation factors are ongoing This is an ongoing risk due to the legal and regulatory implications.
5. Ineffective capital programme management	Strategic Financial	The capital programme management has been ongoing and done according to the 'MBDA way' which is a consultative process. This has aided the capital management of programmes. Risk has not materialised
6. Lack of financial sustainability at the NMB Stadium	Strategic Financial	Continuous engagement with the parent municipality for a long-term mandate for the Stadium. This remained a high risk due to the implications. Risk reduction is anticipated in 2023-2024 once a mandate is provided by the Parent Municipality.
7. Lack of long-term mandate to manage the NMB Stadium.	Strategic Governance	
8. Lack of adequate and reliable management information and accounting system that is Mscoa compliant	Strategic Financial	MSCOA is technically live awaiting linkage of chart accounts. This is a work in progress and Risk reduction is anticipated in 2023-2024.
9. Lack of an Internal Audit services at the MBDA	Strategic Financial	Panel of internal audit service providers appointed therefore this has been implemented and resolved in quarter one.
10. Misalignment between the MBDA Budget to the Strategy results in a disconnect in respect of the performance of the Institution	Strategic Financial	Mitigation factors are ongoing. The effectiveness of the scorecard was evaluated in the financial year. This item is thus a work in progress and will be monitored accordingly. A new 5-year strategy has been drafted and the alignment of the strategy and budget will be monitored.
11. Non-compliance to SOP's on and lack of adherence to SOP's	Strategic Governance	SOPs are constantly being developed and are a work in progress. Risk reduction is anticipated in 2023-2024

5.4 Marketing & Communications

The Marketing, Communications and Events Department within the MBDA plays an enabling role for the rest of the Agency and its operating units. The reach and control of the department extends to the Nelson Mandela Bay Science and Technology Centre (NMB STC), but for the year under review, only providing consultation on request by the Nelson Mandela Bay Stadium.

371 media clippings were recorded for the period under review with a cumulative value of R11m earned in coverage. This value is more than double the value of the MBDA marketing budget, a return 2:1.

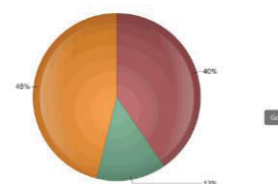


A list of media coverage across all services, including a graphical representation of the clip count as a percentage.

Yearly Statistical Report
1 Jul 2022 - 30 Jun 2023 (365 days)

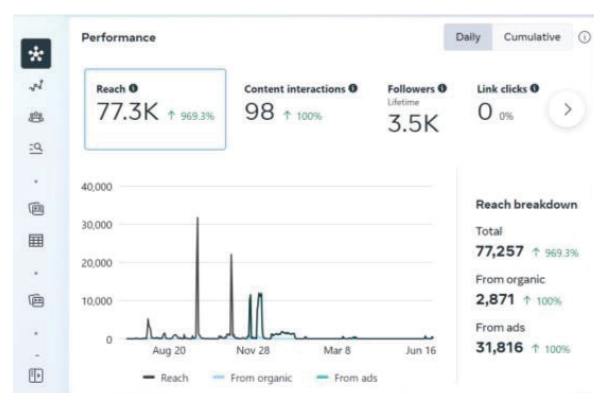
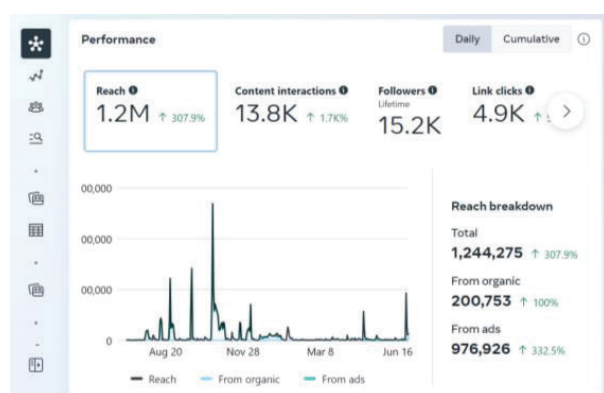
MBDA/Mandela Bay Development Agency

Services	Count	Percentage
Print	150	40%
Broadcast	50	13%
Online	171	46%
Total	371	



Total volume tracked (1 July 2022 – 30 June 2023).

Total reach and percentage share (1 July 2022 – 30 June 2023).



Facebook Social Media Profile Performance (1 July 2022 – 30 June 2023)

Instagram Social Media Profile Performance (1 July 2022 – 30 June 2023)

Engagement with users on Social Media platforms is consistently high and through this is welcome, it also presents a risk. The MBDA monitors these pages during normal working hours and the latest trends in engagement has necessitated a change in strategy and resource allocation, to include afterhours monitoring.



6. Supply Chain Management and BBBEE

For the financial year under review, the Procurement Plan for the 2022-2023 financial year was approved by the Chief Executive Officer and informed the tenders to be issued in line with the operational requirements of the Agency. For the period, twenty-five (25) tenders were awarded out of thirty (35) tenders planned.

Tender Description	Number of Tenders
Awarded	25
Cancelled	1
Closed - No Successful Bidder	2
Bid Advert Closed	2
Evaluation Stage	1
Adjudication	3
Objection Period	1
TOTAL	35

Progress on Procurement Plan as at 30 June 2023

BBBEE SPEND

For transactions below R200 000.00 excluding VAT and contracted services, the total B-BBEE share of expenditure was R 80 448 981.94 with MBDA HQ amounting to R42 546 164.21 and NMB Stadium at R37 902 817.73.

BBBEE Level	Total	Amount	Percentage of BBBEE Spend	Percentage of Value Spend
BBBEE Level 1	52	R34 469 400,28	81%	71,23%
BBBEE Level 2	8	R6 137 249,21	14%	10,96%
BBBEE Level 3	1	R604 347,63	1%	1,37%
BBBEE Level 4	6	R1 292 245,44	3%	8,22%
BBBEE Level 5	1	R1 466,80	0%	1,37%
BBBEE Level 6	1	R2 926,37	0%	1,37%
BBBEE Level 7	0	R0,00	0%	0,00%
BBBEE Level 8	0	R0,00	0%	0,00%
Non-Compliant B-BBEE Contributor	4	R38 528,48	0%	5,48%
TOTAL	73	R42 546 164,21	100%	100%

MBDA HQ BBBEE Schedule.

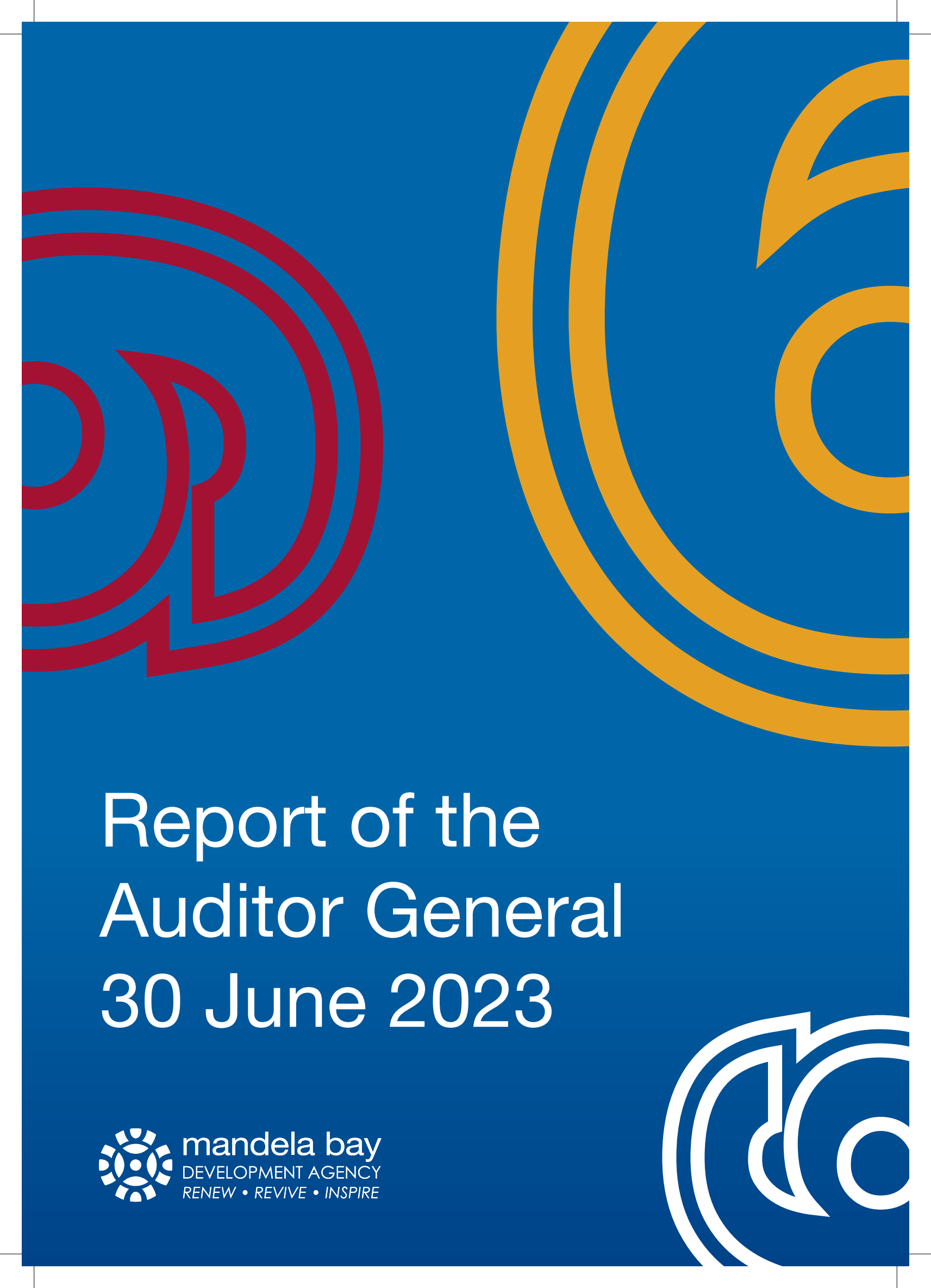
BBBEE Level	Total	Amount	Percentage of BBBEE Spend	Percentage of Value Spend
BBBEE Level 1	34	R14 778 785,12	50%	39%
BBBEE Level 2	10	R11 659 659,44	15%	31%
BBBEE Level 3	3	R371 598,78	1%	1%
BBBEE Level 4	11	R3 071 371,44	16%	8%
BBBEE Level 5	1	R2 407,90	1%	0%
BBBEE Level 6	1	R15 138,35	1%	0%
BBBEE Level 7	0	R0,00	0%	0%
BBBEE Level 8	2	R214 565,00	3%	1%
BBBEE Level 9	0	R0,00	0%	0%
Organ of State	2	R493 378,00	3%	1%
Non-Compliant B-BBEE Contributor	4	R7 295 914,70	6%	19%
TOTAL	68	R37 902 817,73	100%	100%

NMB Stadium BBBEE Schedule.

The Level 1 (100% black-owned) contributed R34 469 400.28 (81%) and R14 778 785.12 (50%) out of the aggregate MBDA and the Stadium, respectively. Level 2 (more than 51% black owned) at R6 137 249.21 (14%) and R11 659 658.44 (15%) by the MBDA and Stadium, respectively.







Report of the Auditor General 30 June 2023



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6.1. Report of the Auditor General

Opinion

1. I have audited the financial statements of the Mandela Bay Development Agency set out on pages 60 to 128 , which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as 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 2023, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other 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.

Other matter

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

Unaudited disclosure notes

7. Terms of section 125(2)(e) of the MFMA, the entity is required to disclose particulars of noncompliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.



Responsibilities of the accounting officer for the financial statements

8. The board of directors, which constitutes the accounting officer, is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP and the requirements of the MFMA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting officer is responsible for assessing the entity'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 entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

10. 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.
11. 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

12. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
13. I selected the following material performance indicators related to local economic development presented in the annual performance report for the year ended 30 June 2023. I selected those indicators that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.
 - Rehabilitating Bayworld
 - Completing the Korsten/Schauderville Moore Dyke Precinct Project
 - Upgrading of the extension 12 Play Park
 - Developing a New Brighton drop-off and recycling site

14. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.
15. I performed procedures to test whether:
 - the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
 - the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
 - the targets linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
 - the reported performance information is presented in the annual performance report in the prescribed manner
 - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.
16. I performed the procedures for the purpose of reporting material findings only.
17. I did not identify any material findings on the reported performance information for the selected material performance indicators

Other matters

18. I draw attention to the matters below.

Achievement of planned targets

19. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and under achievements.

Material misstatements



20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for local economic development objective Management subsequently corrected all the misstatements and I did not include any material findings in this report.

Report on the audit of compliance with legislation

21. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the entity's compliance with legislation.
22. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
23. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
24. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Expenditure management

25. Reasonable steps were not taken to prevent irregular expenditure amounting to R0.9 million as disclosed in note 33 to the annual financial statements, as required by section 95(d) of the MFMA. The majority of the irregular expenditure was caused by issuing contracts to tax noncompliant suppliers and issuing contracts to suppliers before the deviation or proper SCM processes has taken place.
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, audit committee's report and company secretary's certificate, as required by the Companies Act 71 of 2008. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in the 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 on it.
28. I have nothing to report in this regard.

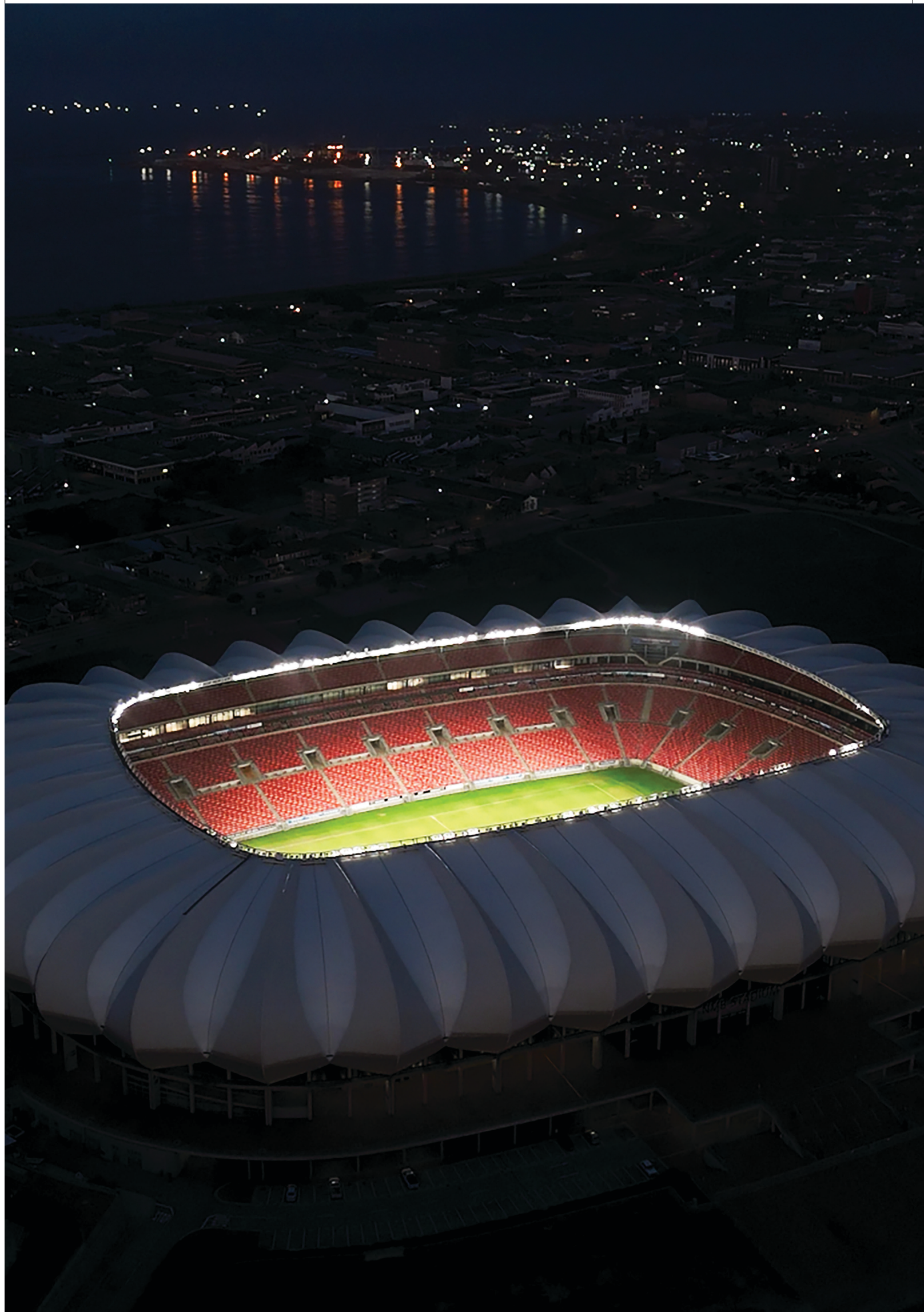
Internal Control deficiencies

29. I considered internal control relevant to my audit of the financial statements, annual performance report 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 basis for the opinion and the findings on compliance with legislation included in this report.
30. Management's review and monitoring processes over compliance were not effective to ensure compliance with legislative requirements.

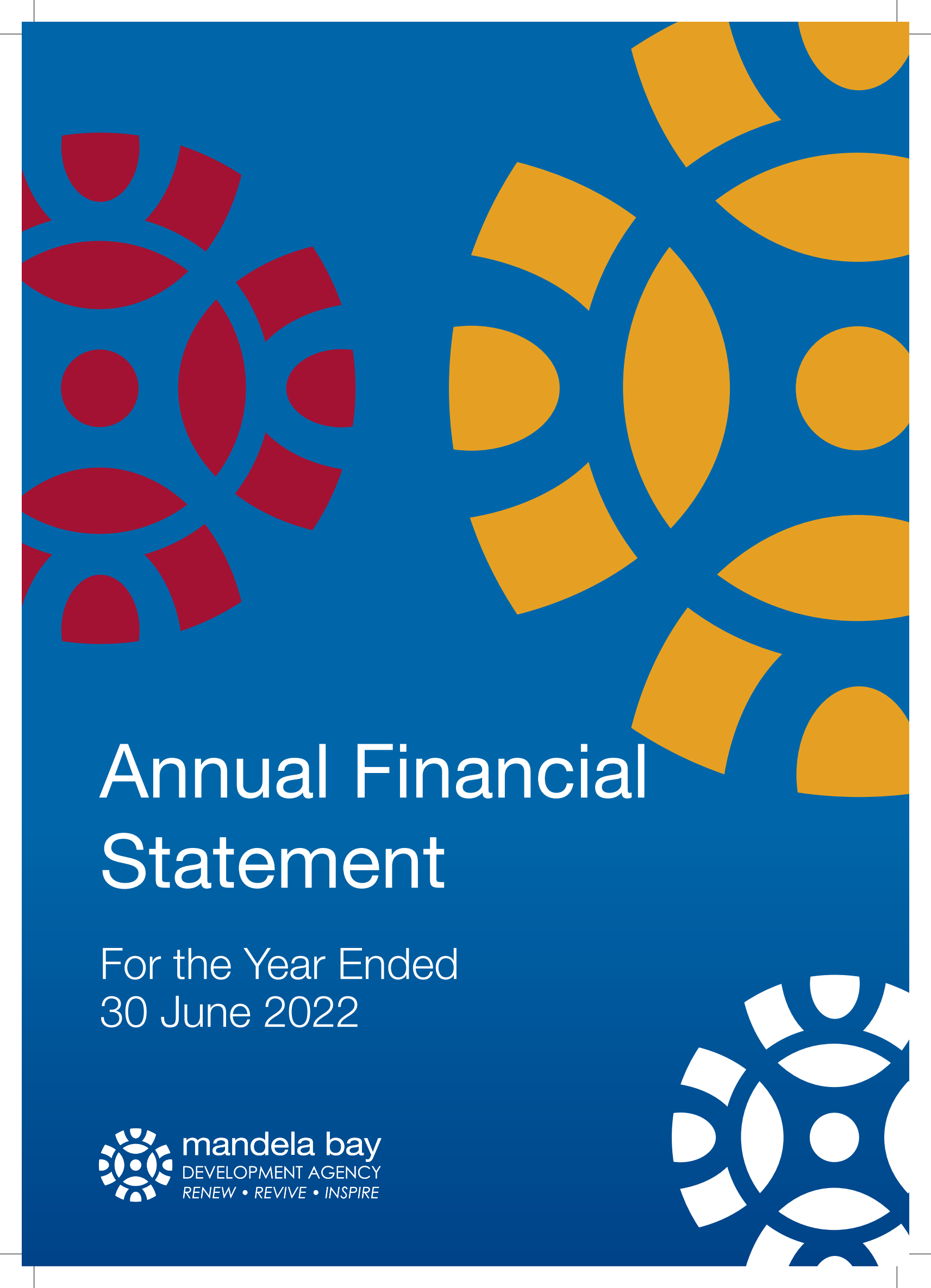
Auditor-General

East London
30 November 2023









Annual Financial Statement

For the Year Ended
30 June 2022



mandela bay
DEVELOPMENT AGENCY
RENEW • REVIVE • INSPIRE



General Information

Country of Incorporation and Domicile:

South Africa

Nature of Business and Principal Activities:

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

Board of Directors:**Chairperson**

Glenda Perumal

(Chairperson) - Appointed

from November 2022 to date

Sithole Mabi Mbanga (Chairperson) -

Appointed from May to November 2022

Directors

Khwezi Gideon Ntshanyana

Masalamani Odayar (end of term November 2022)

Nomnikelo Kondlo

Mputumi William Goduka (end of term November 2022)

Vuyani Galen Dyantyi

Mxolisi Moolman

Chief Executive Officer (CEO)

Mpho Mokonyama

(Acting Chief Executive Officer June 2022 - June 2023)

Anele Qaba

Chief Finance Officer (CFO):

Koliswa Mgijima

Registered Office:

1st Floor, Tramways Building

Corner Lower Valley Road & South Union Street

Port Elizabeth

6000

Business Address:

1st Floor, Tramways Building

Corner Lower Valley Road & South Union Street

Port Elizabeth

6000

Postal Address:

P.O. Box 74

Port Elizabeth

6000

Controlling Entity:

Nelson Mandela Bay Municipality (NMBM)

Bankers:

Nedbank Ltd (South Africa)

Auditors:

The Auditor-General of South Africa

Secretary:

Mbulelo Matiwane

Preparer:

The annual financial statements were internally compiled by:

Zwelithini Gagayi

Acting Finance Manager MBDA



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Directors' Report

The director submits his report for the year ended 30 June 2023.

1. Review of Activities

Main Business and Operations

The 2022/23 financial year marks the 20 years existence of the MBDA since its establishment in 2003. The Agency has undergone considerable changes since its establishment as an entity initially focussing on the renewal of the Port Elizabeth Inner CBD - (now Gqeberha). The mandate has expanded over time to include various other mandated areas, specifically the areas of Uitenhage and Despatch, New Brighton, Helenvale and Schauderville/ Korsten.

In 2016 the NMBM mandated the MBDA to take over the operations and management of the NMB Science Technology Centre (STC) in Uitenhage. In the 2022/23, the STC also celebrated 10 years since its establishment. The NMB STC, was established in 2013 as a strategic programme to build enthusiasm and a passion for STEMI through fun and interactive engagements with learners and the community.

In the 2022/23 financial year, the management of the NMB Stadium by the MBDA was approved by the Council for a period of one (1) year from a month-to-month basis in the previous financial. The 3-year mandate for the MBDA managing the NMB Stadium operations was terminated on 31 December 2019 after the Council approved resolution to manage the NMB Stadium in 2017.

The 2022/23 financial year was the last year that the MBDA was implementing its 5 year strategic plan which emanated in the 2018/19 financial year. The MBDA staff and its Board of Directors held a Strategic Planning Session on 09 February 2022 to craft its strategic focus for the next 5 years which was approved on 30 May 2023.

Legislation:

The MBDA is governed by the

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

Key Activities:

The table below depicts the capital programmes which were implemented by the MBDA in the 2022/23 financial year. The capital projects overall performance stood at 52% as compared to the 26% of the previous 2021/22 financial year.



Directors' Responsibilities & Approval

The Board of Directors is required by the Companies Act (Act 71 of 2008) and the Accounting Officer in terms of the Municipal Finance Management Act (Act 56 of 2003) to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the director to ensure that the annual financial statements fairly present the state of affairs of the municipal entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The director acknowledges that he is ultimately responsible for the system of internal financial control established by the MBDA and places considerable importance on maintaining a strong control environment. To enable the director to meet these responsibilities, the ASB sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner.

The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the MBDA and all employees are required to maintain the highest ethical standards in ensuring the MBDA's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipal entity is on identifying, assessing, managing and monitoring all known forms of risk across the MBDA. While operating risk cannot be fully eliminated, the municipal entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The director is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the MBDA. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The director has reviewed the MBDA's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the MBDA has or has

access to adequate resources to continue in operational existence for the foreseeable future.

The MBDA is wholly dependent on the MBDA for continued funding of operations. The annual financial statements are prepared on the basis that the MBDA is a going concern and that the MBDA has neither the intention nor the need to liquidate or curtail materially the scale of the MBDA.

Although the Internal auditor are primarily responsible for the financial affairs of the MBDA, they are supported by the MBDA's external auditors.

The external auditors are responsible for independently reviewing and reporting on the MBDA's annual financial statements. The annual financial statements have been examined by the MBDA's external auditors and their report is presented on page 4.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the Board on 31 August 2023 and were signed on its behalf by:

Director
Anele Qaba

Chairperson
Ms Glenda Perumal

Programmes Projects:

The MBDA's projects and programmes are governed by the following key documents:

- a) Mandate Document
- b) NMBM IDP
- c) 5-Year Strategic Plan
- d) Annual Business Plan and 3-year budget

Programmes:

- 1. Baakens River Valley Programme
- 2. Happy Valley Programme
- 3. Korsten / Schauderville Programme
- 4. New Brighton / Red Location Precinct Programme
- 5. CBD Uitenhage Programme
- 6. NMBM SPUU Counter Funding
- 7. NMB Stadium

Project:

- St Peter's Property Rehabilitation Project
- Bayworld Rehabilitation / Development
- Moore Dyke Sports Field Upgrade
- Multipurpose Indoor Sports Centre
- New Brighton and Bethelsdorp
- Uitenhage Railway Sheds
- Helenvale Project



1. St Peter's

The precinct is activated as a coffee shop with a museum, in line with the Baakens Valley masterplan's theme as a place to work, live and play. The development will include extensive artwork to tell the story of South End, have a space for an Amphitheatre and spots for local crafters to display their artwork.

2. Bayworld Sanctuary and Park

Bayworld rehabilitation consists of 3 projects namely, the rehabilitation of Bayworld Sanctuary and Park, the rehabilitation of the Killer Whale Café, and the environmental upgrade of a section of Happy Valley.

The Sanctuary and Park project seeks to create a safe and healthy environment for the Sanctuary for live animals, the staff responsible for the animals and the public at large.

3. Korsten / Schauderville - Moore Dyke

The project will provide a facility that unites the Schauderville/Korsten community with other communities through sports. This entails reinstating the legacy of sports legends from Schauderville/Korsten. Furthermore, the project will create a space and environment for the youth to hone their talents and keep them off the street, away from gangsterism, drugs and related activities.

4. New Brighton

4.1 New Brighton Cultural Precinct Development

This is a project to implement a temporal waste drop-off site to assist the New Brighton community to reduce illegal dumping sites in the area. Secondly, to train, develop and capacitate local cooperatives and recyclers with training on waste management and operating a waste centre.

4.2 Multi-purpose indoor sport centre

The multi-purpose indoor sport centres are earmarked for Ward 17 New Brighton and Ward 34 Bethelsdorp, which are both being implemented in conjunction with the NMBM SRAC directorate as the custodian.

5. Uitenhage Railway Sheds

The purpose of the project is to redevelop the existing Uitenhage Railway Sheds and contribute to spatial and social transformation of a potential commercial, leisure and tourism precinct. The aim is to upgrade the existing Railway Sheds in the Science Centre Building. An incident on site in 2021/2022, where roof trusses collapsed resulted in significant delays to the project. Subsequently the project was terminated.

6. NMBM SPUU Counter-funding

6.1 Helenvale Parks

This project entails the development of a park called Extension Park 12 in Helenvale. It forms part of the NMBM's commitment to the Safety and Peace through Urban Upgrading Project (SPUU) in Helenvale, where it has been in partnership with KFW, the German Development Bank since 2013. It is anticipated that the SPUU programme will conclude in 2022/2023.

7. Stadium

The budget provision for the critical capital project was made available through the MBDA. There has been no capital budget provision made by the NMBM for the critical maintenance of the Stadium, as the custodian of the Stadium budget.

The annual financial statements, which have been prepared on the going concern basis, were approved on 30 June 2023 and were signed on its behalf by:

Director
Anele Qaba

Company Secretariat Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act.

In terms of section 88(2) (e) of the Companies Act 71 of 2008, as amended, I clarify that the company lodged with the Commissioner all such returns as are required of the public company act and that all such returns are true, correct and up to date.

Mr Mbulelo Matiwane
Company Secretary

Preparer of Annual Financial Statements: Zimbali Khwela (Finance Manager)

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

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

Business Address:

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

The Annual Financial Statements set out on pages 6 to 52 were tabled for Board of Directors approval on 30 August 2022.



Statement of Financial Position as at 30 June 2023

Figures in Rand	Notes	2023	2022
Assets			Restated
Current Assets			
Cash and cash equivalents	3	66 360 747	86 548 684
Receivables from exchange transactions	4	145 881 738	73 541 397
Receivables from non-exchange transactions	5	2 100	2 100
Inventories	6	193 028	180 789
		212 437 613	160 272 970
Non-Current Assets			
Intangible Assets	7	814 026	876 976
Property, Plant & Equipment	8	34 360 357	22 327 207
Heritage Assets	9	250 500	250 500
		35 424 883	23 454 683
Total Assets		247 862 496	183 727 653
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	58 406 622	38 966 671
VAT Payable	11	2 225 945	8 413 067
Payables from non-exchange transactions	12	283 317	238 667
Unspent conditional grants and receipts	13	138 004 934	103 741 552
Employee Benefit Obligations	14	6 670 795	6 288 912
		205 591 613	157 648 869
Non-Current Liabilities			
Payables from exchange transactions	10	4 382 846	540 350
Total Liabilities		209 974 459	158 189 219
Net Assets		37 888 037	25 538 434
Accumulated surplus		37 888 037	25 538 434
Total Net Assets		37 888 037	25 538 434



Statement of Financial Performance

Figures in Rand	Notes	2023	2022
Revenue			Restated
Revenue from exchange transactions			
Other Revenue		1 303 065	81 427
Transfers and Subsidies	16	46 614 976	22 929 544
Sundry Income	18	1 858 580	788 930
Finance Income	19	4 984 241	2 687 203
Total revenue from exchange transactions		54 760 862	26 487 104
Revenue from non-exchange transactions			
Transfers and subsidies	17	118 921 981	114 538 574
Total Revenue	15	173 682 843	141 025 678
Expenditure			
Employee Related Costs	20	(36 896 176)	(36 847 135)
Remuneration of Directors	21	(1 127 500)	(1 725 000)
Capital Project Costs	22	(45 391 068)	(20 784 003)
Depreciation and amortisation		(1 090 491)	(1 535 658)
Debt Impairment		(323 125)	(259 073)
Contracted Services	23	(18 843 397)	(14 819 881)
Loss on Disposal of Assets and Liabilities		-	(3 801)
Other Operating Expenses	24	(57 661 484)	(63 187 934)
Total Expenditure		(161 333 241)	(139 162 485)
Surplus for the year		12 349 602	1 863 193

Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus / Deficit	Total Net Assets
Balance at 01 July 2021	23 675 241	23 675 241
Changes in net assets		
Surplus for the year	1 863 193	1 863 193
Total changes	1 863 193	1 863 193
Restated* Balance at 01 July 2022	25 538 435	25 538 435
Changes in net assets		
Surplus for the year	12 349 602	12 349 602
Total changes	12 349 602	12 349 602
Balance at 30 June 2023	37 888 037	37 888 037



Cash Flow Statement

Figures in Rand	Notes	2023	202
Cash flows from operating activities			Restated
Receipts			
Sale of Goods and Services		177 799 732	196 642 449
Interest Income		4 541 525	2 697 037
Other Receipts		19 941 986	7 210 156
		202 283 243	206 549 642
Payments			
Employee costs		(50 784 731)	(53 672 060)
Suppliers		(158 625 755)	(128 493 018)
		(209 410 486)	(182 165 078)
Net cash from/(start) operating activities	25	(7 127 243)	24 384 564
Cash flows from investing activities			
Purchase of Property, Plant and Equipment	8	(13 052 444)	(3 170 026)
Proceeds from sale of property, plant and equipment	8	-	23 571
Purchase of intangible assets	5	(8 250)	(177 000)
Net cash flows from investing activities		(13 060 694)	(3 323 455)
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		(20 187 937)	21 061 109
Cash and cash equivalents at the beginning of the year		86 548 684	65 487 575
Cash/cash equivalents at the year end	3	66 360 747	86 548 684

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 (R)	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other Revenue	450 000	-	450 000	1 303 065	853 065	A
Transfers and Subsidies	51 048 000	64 331 698	115 379 698	69 855 073	(45 524 625)	B
Sundry income	250 000	-	250 000	1 858 580	1 608 580	C
Finance Income	2 000 000	-	2 000 000	4 984 241	2 984 241	D
Total revenue from exchange transactions	53 748 000	64 331 698	118 079 698	78 000 959	(40 078 739)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	74 089 190	19 092 071	93 181 261	55 171 021	(38 010 240)	B
Total Expenditure	127 837 190	83 423 769	211 260 959	133 171 980	(78 088 979)	
Expenditure						
Personnel	(38 750 000)	(7 755 373)	(46 505 373)	(36 853 548)	9 651 825	E
Remuneration of board members	(1 248 000)	(8 350)	(1 256 350)	(1 127 500)	128 850	
Depreciation and amortisation	(997 582)	558 592	(438 990)	(1 162 692)	(723 702)	F
Other expenditure	(36 728 223)	(10 432 319)	(47 160 542)	(36 833 058)	10 327 484	B
Total expenditure	(77 723 805)	(17 637 450)	(95 361 255)	(75 976 798)	19 384 457	
Surplus before taxation	50 113 385	65 786 319	115 899 704	57 195 182	(58 704 522)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	50 113 385	65 786 319	115 899 704	57 195 182	(58 704 522)	

Material Differences:

Material differences between budget and actual amounts - MBDA

- A - The liquor income has improved faster than anticipated as lockdown regulations were fully lifted and more events were held.
- B - This was low due to spending on the opex budget being lower than anticipated.
- C - The event income has improved faster than anticipated as lockdown regulations were fully lifted.
- D - This is due to the increases in interest rates.
- E - This was due to freezing of some vacancies within the structure and savings being rolled over from prior years resulting in higher overall budget.
- F - This was due to more optimistic provision for doubtful debtors as the impact of lockdown waned.



Budget on Accrual Basis

Figures in Rand	Approved Budget	Adjustments	Final Budget	Actual amounts on a comparable basis	Difference between final budget and actual (R)	Reference
Statement of Financial Position						
Assets						
Current Assets						
Total Current Assets	14 787 008	(3 667 000)	11 120 008	203 156 087	192 036 079	G
Non-Current Assets						
Total Non Current Assets	12 169 038	1 340 150	13 509 188	35 556 012	22 046 824	H
Total Assets	26 956 046	(2 326 850)	24 629 196	238 712 099	214 082 903	
Expenditure						
Current Liabilities						
Total current liabilities	19 200 000	(6 500 000)	12 700 000	196 986 704	184 286 704	I
Non-Current Liabilities						
Total non current liabilities	-	-	-	4 382 846	4 382 846	
Total Liabilities	19 200 000	(6 500 000)	12 700 000	201 369 550	188 669 550	
Net Assets	7 756 046	4 173 150	11 929 196	37 342 549	25 413 353	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	7 756 046	4 173 150	11 929 196	37 342 549	25 413 353	

Budget Differences

Material differences between budget and actual amounts - MBDA

G - Lower collection of the NMBM grant and lower expenditure overall accounts the variance.

H - The entity had low CAPEX spend.

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 non-exchange transactions						
Transfer revenue						
Government grants & subsidies	44 793 020	-	44 793 020	36 517 462	(8 275 558)	
Other revenue	11 076 910	(4 796 910)	7 000 000	9 931 156	2 931 156	L
Total revenue from nonexchange transactions	56 589 930	(4 796 910)	51 793 020	46 448 618	(5 344 402)	
Expenditure						
Personnel	(18 953 373)	-	(18 953 373)	(16 914 539)	2 038 834	M
General Expenses	34 824 317	(671 720)	(35 496 037)	(29 534 079)	5 961 958	N
Total expenditure	(53 777 690)	(671 720)	(54 449 410)	(46 448 618)	8 000 792	
Surplus before taxation	2 812 240	(5 468 630)	(2 656 390)	-	2 656 390	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	2 812 240	(5 468 630)	(2 656 390)	-	2 656 390	

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

L - This is due to the restrictions placed on the attendance of sporting events due to lockdown regulations being in place for a majority of the year.

M - This is due to accrual of performance bonuses.

N - This is due to the reduced activity at the Stadium owing to lockdown.



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).

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. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

In June 2023 the council adopted the 2023/24 to 2025/26 budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the on-going delivery of municipal services to residents reflected that the Budget was funded over the three-year period.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables / Held to maturity investments 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, the municipal entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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.

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 cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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 industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Effective interest rate

The entity used the prime interest rate to discount future cash flows.

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 receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting by principals and agent

During the 2017 year 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.

In the 2022/23 financial year, the management of the NMB Stadium by the MBDA was approved by the Council for a period of one (1) year from a month-to-month basis in the previous financial. The 3-year mandate for the MBDA managing the NMB Stadium operations was terminated on 31 December 2019 after the Council approved resolution to manage the NMB Stadium in 2017

1.4 Property, plant and equipment

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, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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 management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.



1.4 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite Life
Buildings	Straight-line	15-50
Leasehold property	Straight-line	5
Furniture and fixtures	Straight-line	10-17
Motor vehicles	Straight-line	4-15
Office equipment	Straight-line	5-10
IT equipment	Straight-line	3-16
Bins and containers	Straight-line	15-17

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

Items of property, plant and equipment 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 from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset is recognised 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.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight-line	3-5

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

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1.6 Heritage assets

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

Recognition

The entity recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset 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.

Initial measurement:

Heritage assets are measured at cost.

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 a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

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

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

Impairment

The entity assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The entity derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from their use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial instruments

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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.

Accounting Policies

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.

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.

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.

1.7.1 Investments and other financial assets

Financial assets within the scope of GRAP 104 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.

1.7.2 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. This excludes trade receivables from the NMBM, as these are considered recoverable. 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.

Accounting Policies

1.7.3 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.

1.7.4 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.

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.

Derecognition of financial assets and liabilities

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.

Financial Liabilities

Financial liabilities within the scope of GRAP 104 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.

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.

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.

1.8 Tax

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



1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - 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.

Operating leases - lessee

Recognition

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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.

Accounting Policies

1.10 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.

1.11 Construction contracts and receivables

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

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.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

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

1.13 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.



Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

1.14 Impairment of non-cash-generating assets

Recognition

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

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

Measurement

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

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

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

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

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

- Depreciated replacement cost approach: The current replacement cost of the asset is used as the basis for this value.

This current replacement cost is depreciated for a period equal to the period that the asset has been in use so that the final depreciated replacement cost is representative of the age of the asset.

- Restoration cost approach: The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment.
- Service units approach: The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state.

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

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

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

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

Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

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.

1.15 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

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/provision

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

Bonus incentive and performance related payments

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 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 whose 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.

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Capital commitments are treated as follows:

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

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

Commitments are disclosed in the following circumstances:

- Unrecorded capital expenditure approved and contracted for before/at reporting date;
- Unrecorded capital expenditure approved but not yet contracted for at reporting date; and
- Unrecorded capital expenditure approved after reporting date.

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

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

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

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

1.17 Revenue from exchange transactions

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

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

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

Accounting Policies

1.17 Revenue from exchange transactions (continued)

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. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

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).

1.18 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

Recognition of revenue

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

Recognition of assets

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



as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

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

Measurement

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

1.19 Accounting by principals and agents

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 these operations with oversight and the control of the agency's senior management.

1.20 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.

1.21 Translation of foreign currencies

Rendering of services

A foreign currency transaction is recorded, on initial recognition in Rands, 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.

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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 annual financial statements are recognised in surplus or deficit in the period in which they arise.

1.22 Comparative figures

Prior year comparatives:

In accordance with GRAP 1 and 24, the Budget information has been presented separately 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 the notes to the Annual Financial Statements as applicable.

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Accounting Policies

1.23 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 forms part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the notes to the Financial Statements.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which 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 forms part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the note to the financial statements.

1.25 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 economic 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 forms part of disclosure on unauthorised, irregular and fruitless and wasteful expenditure in the notes to the Financial Statements

1.26 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.

1.27 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.



If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.28 Budget information

Presentation of a comparison of budget and actual amounts

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

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

Presentation and disclosure

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

Changes from approved to final budget

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

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

Comparable basis

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

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

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

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

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.29 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.

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1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the 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 are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Adjusting events after reporting date

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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.



Notes to the Annual Financial Statements

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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:

- GRAP 104 (as revised): Financial Instruments

Effective date:

Years beginning on or after

01 April 2025

Expected impact:

Unlikely there will be a material impact

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2023 or later periods but are not relevant to its operations:

Standard/ Interpretation:

- iGRAP 21: The Effect of Past Decisions on Materiality

Effective date:

Years beginning on or after

01 April 2023

Expected impact:

Unlikely there will be a material impact

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	19 243	190 274
Bank Balances	1 919 919	3 547 092
Short-term Deposits	63 400 758	82 574 321
Main Bank Account	1 020 827	236 997
	66 360 747	86 548 684
Current assets	66 360 747	86 548 684
Current liabilities	-	-
	66 360 747	86 548 684

All amounts of cash and cash equivalents are available for use by the entity.

The entity had the following bank accounts

Account Number/Description

Bank statement balances

Cash book balances

	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Account Number - 1084853833 (Nedbank, PE) - Primary Account	1 020 827	236 997	32 408 344	1 020 827	236 997	32 408 344
Account Number - 1084866064 (Nedbank, PE) - Current Account	1 710	2 410	692 708	1 710	2 410	692 708
Account Number - 1106700856 (Nedbank, PE) - Current Account	1 690 599	1 741 655	1 862 574	1 690 599	1 741 655	1 862 574
Account Number - 037881142189 (Nedbank, PE) - Call Account	13 602	12 816	12 403	13 602	12 816	12 403
Account Number - 1140185322 (Nedbank, PE) - Current Account	215 717	1 792 621	358 069	215 717	1 792 621	358 069
Account Number - 037881116285 (Nedbank, PE) - Call Account	63 399 048	82 571 911	30 150 684	63 399 048	82 571 911	30 150 684
	66 341 503	86 358 410	65 484 782	66 341 503	86 358 410	65 484 782

Notes to the Annual Financial Statements

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4. Receivables from exchange transactions

Trade Debtors - MBDA	101 034 565	29 672 191
Trade Debtors - NMB Stadium	46 244 746	42 855 020
Provision for Bad debts	(2 450 565)	(2 127 440)
Sundry Debtors	1 052 992	1 669 969
Nelson Mandela Bay Stadium Loan Account	-	1 471 657
	145 881 738	73 541 397

Trade debtors: Ageing - MBDA

Current (0 - 30 days)	70 426 454	27 844 718
31 - 60 days	11 244 588	67 356
61 - 90 days	17 344 048	62 158
Over 90 days	2 021 082	1 697 958
	101 036 172	29 672 190

Financial asset receivables included in receivables from exchange transactions above

44 845 566 **43 869 207**

Total receivables from exchange transactions

145 881 738 73 541 397

None of the receivables are pledged as security.

Credit quality of receivables from exchange transactions

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

The Stadium loan account relates to monies owed to the MBDA and serves to consolidate the records of the Stadium to the MBDA books. Based on the agreement with the NMBM, the MBDA advances funds to the Stadium for their expenditure, hence this relates to a receivable to the MBDA in the normal course of business. However in certain instances the credit transactions within the loan account might exceed the debit transactions as is the case in the current year. This is due to funds collected by the MBDA on behalf of the Stadium in terms of the agreement with NMBM, that are yet to be paid over.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	2 127 440	1 868 367
Provision for impairment	323 125	259 073
	2 450 565	2 127 440

Provision for doubtful debts is raised on all debtors which are older than 90 days. Specific exclusions are NMBM as they are a related party and our shareholder.

Trade debtors: Ageing - NMB Stadium

Current (0 - 30 days)	2 611 551	4 295 441
31 - 60 days	187 043	30 648 564
61 - 90 days	25	(4 958)
Over 90 days	43 446 125	7 915 972
	46 244 744	42 855 019



Notes to the Annual Financial Statements

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5. Receivables from non-exchange transactions

	2023	2022
Deposits	2 100	2 100

6. Inventories

Food and Beverage	96 792	100 256
Fuel (Diesel, Petrol)	27 084	11 381
Memorabilia	69 152	69 152
	193 028	180 789

6.1 Inventory items on hand at year end (In quantities)

Food and Beverage (Units)	25 182	60 896
Fuel (Litres)	1 043	478
Memorabilia	297	297

Inventory pledged as security

No Inventory was pledged as security.

7. Intangible Assets

	2023			2022		
	Cost	Accumulated Amortisation	Carrying Value	Cost	Accumulated Amortisation	Carrying Value
Computer Software	1 583 784	(769 758)	814 026	1 575 534	(698 558)	876 976

Reconciliation of Intangible Assets - 2023

	Opening Balance	Amortisation	Amortisation	Total
Computer Software	876 976	8 250	(71 200)	814 026

Reconciliation of Intangible Assets - 2022

	Opening Balance	Amortisation	Closing Balance	Carrying Value
Computer Software	1 000 586	177 000	(300 610)	876 976

Pledged as security

None of the intangible assets have been pledged as security.
There were no internally generated intangible assets.
There are no capital commitments against intangible assets.

Notes to the Annual Financial Statements

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8. Property, plant and equipment

	2023			2022		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	12 947 149	-	12 947 149	12 947 149	-	12 947 149
Buildings	17 023 733	(301 751)	16 721 982	5 623 116	(207 644)	5 415 472
Furniture and fixtures	832 506	(522 967)	309 539	832 506	(443 013)	389 493
Motor vehicles	3 099 207	(1 537 994)	1 561 213	3 099 207	(1 293 285)	1 805 922
Office equipment	2 083 817	(1 127 699)	956 118	1 547 263	(1 013 132)	534 131
IT equipment	3 874 433	(2 052 870)	1 821 563	2 788 029	(1 601 311)	1 186 718
Containers	82 940	(40 147)	42 793	82 940	(34 618)	48 322
Total	39 943 785	(5 583 428)	34 360 357	26 920 210	(4 593 003)	22 327 207

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Depreciation	Total
Land	12 947 149	-	-	12 947 149
Buildings	5 415 472	11 400 617	(94 107)	16 721 982
Furniture and fixtures	389 493	-	(79 954)	309 539
Motor vehicles	1 805 922	-	(244 709)	1 561 213
Office equipment	534 131	536 554	(114 567)	956 118
IT equipment	1 186 718	1 115 273	(480 428)	1 821 563
Bins and containers	48 322	-	(5 529)	42 793
	22 327 207	13 052 444	(1 019 294)	34 360 357

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Land	12 947 149	-	-	-	12 947 149
Buildings	4 375 624	1 053 441	-	(13 593)	5 415 472
Furniture and fixtures	394 952	79 800	(2 275)	(82 984)	389 493
Motor vehicles	816 398	1 298 579	-	(309 055)	1 805 922
Office equipment	680 891	84 842	(1 118)	(230 484)	534 131
IT equipment	1 137 760	620 761	21 600	(593 403)	1 186 718
Bins and containers	66 826	-	(12 975)	(5 529)	48 322
	20 419 600	3 137 423	5 232	(1 235 048)	22 327 207

Pledged as security

None of the property, plant and equipment is pledged as security.
There are no capital commitments against property, plant and equipment.

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



Notes to the Annual Financial Statements

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9. Heritage assets

	2023			2022		
	Cost	Accumulated impairment losses	Carrying Value	Cost	Accumulated impairment losses	Carrying Value
Art Collections, antiquities and exhibits	250 500	-	250 500	250 500	-	250 500

Reconciliation of heritage assets - 2023

	Opening balance	Total
Heritage assets	250 500	250 500

Reconciliation of heritage assets - 2022

	Opening balance	Total
Heritage assets	250 500	250 500

Pledged as security

None of the heritage assets are pledged as security.
There are no capital commitments against heritage assets.
Heritage assets relate to historical paintings held by the entity.
There was no indication of impairment of heritage assets.

Notes to the Annual Financial Statements

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10. Payables from exchange transactions

Trade payables - MBDA	28 705	251 305
Trade payables - NMBM Stadium	3 800 758	2 491 992
Accrued expenses - Stadium	2 147 574	1 293 754
Accrued expenses - MBDA	15 352 710	12 313 854
Sundry Accruals	-	1 150 490
Receipts in Advance - NMBM Stadium	14 848	900 000
Contractor Retentions - current	307 757	1 994 249
Nelson Mandela Bay Stadium Loan Account	10 850 518	-
Contractor Retentions - non current	4 382 846	540 350
NMBM Revenue for Surrender	25 903 750	18 571 027
	62 789 466	39 507 021

11. VAT payable

VAT payable / (receivable)	2 225 945	8 413 067
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12. Payables from non-exchange transactions

Deposits	283 317	238 667
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Deposits relate to amounts paid over to the MBDA for venue hire.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Eastern Cape Development Corporation (ECDC)	32 054	32 054
HURP/SPUU (KiW Funded)	2 754 584	2 309 778
SAASTA	378 293	355 175
Industrial Development Corporation	1 959 049	1 959 049
Nelson Mandela Bay Municipality (NMBM)	132 880 954	99 085 496
	138 004 934	103 741 552

Movement during the year

Balance at the beginning of the year	103 741 552	87 907 376
Additions during the year	161 191 418	108 676 090
Income recognition during the year	(126 928 036)	(92 841 914)
	138 004 934	103 741 552



Notes to the Annual Financial Statements

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14. Employee Benefit Obligations

		2023	2022
Performance Bonuses provision	14.1	1 258 749	1 512 651
Staff Bonuses - 13th Cheque accrual	14.2	378 966	360 857
Staff Leave Accrual	14.3	4 949 216	4 365 257
Workmen's Compensation Provision	14.4	83 864	50 147
		6 670 795	6 288 912

Reconciliation

Opening Balance		1 512 651	2 086 054
Additions		1 205 141	1 512 651
Utilised during the year		(1 512 651)	(2 086 054)
		1 205 141	1 512 651

14.1 Staff Bonuses - 13th Cheque accrual

Reconciliation

Opening Balance		360 857	356 456
Additions		1 314 439	1 299 479
Utilised during the year		(1 296 330)	(1 295 078)
		378 966	360 857

14.2 Staff Leave Accrual

Reconciliation

Opening Balance		4 365 257	4 660 046
Additions		4 370 636	3 993 266
Utilised during the year		(3 742 246)	(4 288 055)
		4 993 647	4 365 257

14.3 Workmen's Compensation Provision

Reconciliation

Opening Balance		50 147	52 377
Additions		83 864	50 147
Utilised during the year		(50 147)	(52 377)
		83 864	50 147

Notes to the Annual Financial Statements

Figures in Rand

15. Revenue

	2023	2022
Other Revenue	1 303 065	81 427
Transfers and Subsidies	46 614 976	22 929 544
Sundry Income	1 858 580	788 930
Finance Income	4 984 241	2 687 203
Government grants & subsidies	118 921 981	114 538 574
	173 682 843	141 025 678

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	1 303 065	81 427
Transfers and Subsidies	46 614 976	22 929 544
Sundry income	1 858 580	788 930
Interest received - investment	4 984 241	2 687 203
	54 760 862	26 487 104

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

Government grants & subsidies	118 921 981	114 538 574
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16. Transfers and Subsidies

Transfers and Subsidies - NMBM Capital Grants	46 614 976	22 929 544
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17. Government grants & subsidies

Operating grants

NMBM Operating Grants	79 090 047	67 504 797
NMBM Stadium Operating Grant	39 115 896	43 944 004
SAASTA Grants	81 752	69 750
US Consulate	-	550 949
Partners of America	-	131 251
KfW Operational grant	104 520	1 165 246
	118 392 215	113 365 997

Capital grants

KfW Capital grant	529 766	1 172 577
	118 921 981	114 538 574

Eastern Cape Development Agency

Balance unspent at beginning of year	32 054	32 054
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Notes to the Annual Financial Statements

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17. Government grants & subsidies (continued)

HURP/SPUU (KfW Funded)

Balance unspent at beginning of year	2 309 778	4 081 552
Current-year receipts	987 782	566 050
Conditions met - transferred to revenue	(542 976)	(2 337 824)
	2 754 584	2 309 778

This grant relates to an international and separate agreement with the NMBM, MBDA and the KfW Bank. The MBDA is required to submit withdrawal applications in terms of the procedure and deliver on the agreed capital and operating projects under SPUU.

SAASTA

Balance unspent at beginning of year	355 175	424 925
Current-year receipts	611 844	-
Conditions met - transferred to revenue	(588 726)	(69 750)
	378 293	355 175

This grant relates to programmes of the NMB Science centre and is on condition of meeting of the programmes as agreed with the funder SAASTA.

Industrial Development Corporation

Balance unspent at beginning of year.	1 959 049	1 959 049
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This grant relates to amounts for feasibility studies and is conditioned on the approval of the proposed study and spending against the approved amount.

Nelson Mandela Bay Municipality (NMBM)

Balance unspent at beginning of year	99 085 496	81 409 796
Current-year receipts	159 500 483	108 110 040
Conditions met - transferred to revenue	(125 705 025)	(90 434 340)
	132 880 954	99 085 496

This relates to the operating and capital grants of the MBDA as approved and appropriated by the NMBM Council. This is claimed quarterly in advance in terms of the signed service delivery agreement and Council's annual budget resolution. The operating grant is conditioned on the pursuit of the MBDA's operating objectives and the incurrence of the related operating costs. The capital grant is conditioned on the delivery of capital projects as approved and the incurrence of the related capital project costs.

18. Sundry Income

Public Toilet Fees	33 540	24 832
Lease Rental Income	29 565	66 957
Tender fee income	-	8 724
Kiosk Rentals	43 993	41 589
Helenvale Resource Centre Income	19 764	9 381
Tramways Event Space Rental	457 414	391 675
Science Centre Entrance Fees	116 128	72 978
Other	1 158 176	172 794
	1 858 580	788 930

Mandela Bay Development Agency NPC | Annual Financial Statements for the year ended 30 June 2023 | Registration Number 2003/017900/08

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19. Finance Income

Interest revenue

Bank	4 984 241	2 687 203
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20. Employee related costs

Salaries and Wages	27 546 561	29 673 312
Social Contributions	6 868 107	6 861 908
Leave pay provision charge	1 204 918	788 010
Car Allowances	48 000	48 000
Annual Bonus	18 109	533 166
Long Service Bonus	-	71 746
Performance Bonus	1 210 481	1 513 345
	36 896 176	36 847 135

Remuneration of Chief Executive Officer - Anele Qaba

Annual Remuneration	62 005	-
	62 005	-

Mr Anele Qaba was appointed as the CEO on 22 June 2023.

Chief Executive Officer - Mr Ashraf Adam

Annual Remuneration	-	2 483 925
Performance Bonuses	-	110 375
Notice Pay	-	1 106 320
	-	3 700 620

The previous CEO, Mr Adam separated from the MBDA during June 2022. Mr Mokonyama was appointed to act as CEO in the interim.

Remuneration of Chief Finance Officer - Koliswa Mgijima

Annual Remuneration	1 613 170	1 827 523
Performance Bonuses	54 767	157 982
	1 667 937	1 985 505

Company Secretary - Mr Mbulelo Matiwane

Annual Remuneration	1 085 420	1 143 440
Performance Bonuses	57 072	54 877
	1 142 492	1 198 317

Operations Executive - Ms Debbie Hendricks

Annual Remuneration	1 530 489	1 836 258
Performance Bonuses	56 029	158 738
	1 586 518	1 994 996



Notes to the Annual Financial Statements

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20. Employee related costs (continued)

Stadium Manager - Mr Mpho Mokonyama

Annual Remuneration	1 226 309	1 310 900
Car Allowance	24 000	24 000
Performance Bonuses	66 471	115 046
Acting Allowance	1 046 913	80 532
	2 363 693	1 530 478

Mr Mpho Mokonyama was appointed as the Acting Chief Executive Officer for the majority of the financial year until the appointment of the new CEO on 22 June 2023.

21. Remuneration of Directors

Mandlakazi Ruth Skefile	-	287 000
Mputumi William Goduka	35 000	196 500
Nomnikelo Kondlo	199 500	203 000
Glenda Perumal (Chairperson)*	326 500	167 500
Vuyani Galen Dyantyi	186 000	155 500
Mxolisi Moolman	151 000	164 500
Khwezi Gideon Ntshanyana	140 500	177 500
Sithole Mabi Mbanga (Chairperson)**	62 500	209 500
Masalamani Odayar	26 500	164 000
	1 127 500	1 725 000

Additional information

* The shareholder appointed the Ms Glenda Perumal as the Chairperson in November 2022 to date.

** Mr Sithole Mbanga was the Board Chairperson from May 2022 until November 2022.

22. Capital Project Costs

Capital Project Costs	22.1	45 391 068	20 784 003
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22.1 Capital Programme

Programme

Baakens River Valley Programme	-	72 398
CBD Port Elizabeth Programme	-	88 201
Helenvale SPUU FDFP Programme	1 043 607	5 746 038
Korsten / Schauderville Programme	29 717 284	5 633 232
New Brighton / Red Location Precinct Programme	1 039 633	900 894
Nelson Mandela Bay Stadium Precinct Programme	7 313 202	-
Uitenhage Programme	1 141 839	8 110 197
Happy Valley Programme / Special Projects Activations	5 135 503	233 043
	45 391 068	20 784 003

Notes to the Annual Financial Statements

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23. Contracted services		
Outsourced Services		
Administrative and Support Staff	220 751	-
Equipment Lease & Rentals	182 213	87 672
Facilities Maintenance Costs	2 608 823	2 093 538
Security Services	7 159 716	6 146 089
Contractors		
IT Support & Computer Costs	3 188 770	1 493 092
Cleaning Costs	5 483 124	4 999 490
	18 843 397	14 819 881
24. Other Operating Expenses		
Advertising and Media Placement	599 016	433 684
Arts, Culture & Heritage activation	1 002 301	2 076 837
Auditors remuneration	1 580 108	1 236 755
Bank Charges	16 972	15 714
Conferences and seminars	292 897	201 695
Consulting and professional fees	1 133 356	279 661
Consumables	897 494	827 939
Covid-19 Relief Intervention Fund	16 000	130
Directors Expenses	47 340	32 430
Electricity, Water & Rates - related party	1 173 313	1 578 039
Entertainment	15 201	-
Helenvale Resource Centre Operating Costs	1 362 288	1 431 924
Insurance	241 633	217 849
Legal Fees	168 486	861 075
Liquor Expenses	915 415	59 066
Marketing	5 623 248	3 695 539
Motor Vehicle Expenses	194 922	91 160
NMBM Counter Funding for KfW SPUU Programme	104 475	1 662 128
NMBM Stadium Expenditure	39 115 896	43 944 004
Office Cleaning & Safety	92 173	110 369
Postage & Courier	19 377	5 247
Printing & Stationery	93 267	120 932
Psycho Social Projects	797 160	428 225
Recruitment Costs	9 977	1 500
Refreshments	58 935	28 661
Repairs & Maintenance	596 966	855 589
Research and development costs	50 000	-
SPUU Helenvale Projects Expenses	1 218	1 262 920
Science Centre Programmes	6 600	201 001
Staff Welfare	97 217	76 737
Strategic Spatial and Feasibility Studies	631 610	952 899
Subscriptions & Membership fees	52 276	64 667
Sundry Expenses	148 190	169 265
Telephone & Fax	378 718	108 555
Travel - local	127 439	155 738
	57 661 484	63 187 934



Notes to the Annual Financial Statements

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24.1 NMBM Stadium Expenditure by nature

Employee Related costs	16 914 539	15 373 487
Contracted Services	18 871 299	8 921 091
Capital Expenditure	-	4 142 849
Other Operating costs	10 662 780	17 129 373
Less: NMBM Revenue funded expenditure	(7 332 722)	(1 622 796)
	39 115 896	43 944 004

25. Cash (used in) generated from operations

Surplus	12 349 602	1 863 193
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Adjustments for:

Depreciation and amortisation	1 090 491	1 535 658
(Gain) / loss on disposal of property, plant and equipment	-	3 801
Movements in Employee benefit Obligations	381 883	(803 708)

Changes in working capital:

Inventories	(12 239)	(2 024)
Receivables from exchange transactions	(62 640 313)	11 193 517
Payables from exchange transactions	13 582 423	(15 684 005)
VAT	(6 187 122)	10 477 405
Unspent conditional grants and receipts	34 263 382	15 771 858
Deposits	44 650	28 869
	(7 127 243)	24 384 564

26. Auditors' remuneration

Fees	1 580 108	1 236 755
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27. Commitments

Authorised capital expenditure

Approved and contracted for

Capital expenditure	51 451 014	73 315 290
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Notes to the Annual Financial Statements

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27. Commitments (continued)

Approved and not yet contrated for

Capital expenditure	-	4 530 591
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Total commitments

Total commitments

Authorised capital expenditure	51 451 014	77 845 881
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Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	199 357	122 825
- in second to fifth year inclusive	161 119	26 119
- later than five years	1 000	1 000
	361 476	149 944

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	4 000	4 000
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Lease income relates to sub-letting of the Tramways building. Lease expense relates to lease of public toilets, office equipment, and the rental of office accommodation from the Metro Commitment relates to capital projects implemented by the MBDA. Please refer to Note 26 for additional disclosures.

28. Risk management

Financial risk management

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

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the entity'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 12 months equal their carrying balances as the impact of discounting is not significant.



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28. Risk management (continued)

At 30 June 2023

	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
Payables from exchange transactions	48 460 354	4 382 846	-	-
Payables from non-exchange transactions	283 317	-	-	-
	48 743 671	4 382 846	-	-

At 30 June 2022

	Less than 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years
Payables from exchange transactions	38 966 670	540 350	-	-
Payables from non-exchange transactions	238 667	-	-	-
	39 205 337	540 350	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise mainly 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	2023	2022
Cash and cash equivalents	66 360 747	86 548 684
Receivables from exchange transactions	136 600 212	76 098 857

Market risk

Interest rate risk

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

Foreign exchange risk

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

29. 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. In June 2023 the council adopted the 2023/24 to 2025/26 budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the on-going delivery of municipal services to residents reflected that the Budget was funded over the three-year period.

Notes to the Annual Financial Statements

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30. Events after the reporting date

There were no material events after the reporting date up until the date of authorisation of the financial statements.

31. Related parties relationships

Controlling entity	Nelson Mandela Bay Municipality
Chief Executive Officer	Anele Qaba
Acting Chief Executive Officer*	Mr Mpho Mokonyama
Chief Financial Officer	Ms Koliswa Mgijima
Operations Executive	Ms Debbie Hendricks
Acting Stadium Manager	Mr Craig Miller
Company Secretary	Mr Mbulelo Matiwane
Non Executive Directors	Glenda Perumal (Chairperson)
	Nomnikelo Kondlo
	Khwezi Gideon Ntshanyana
	Vuyani Galen Dyantyi
	Mxolisi Moolman

Related party balances

Payables - Owing to related parties

Nelson Mandela Bay Metropolitan Municipality	26 045 471	19 321 118
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Receivables from related parties

Nelson Mandela Bay Metropolitan Municipality	139 024 734	71 099 024
--	-------------	------------

Unspent grants from related parties

Nelson Mandela Bay Metropolitan Municipality	134 065 914	99 023 178
--	-------------	------------

Income from related parties

Nelson Mandela Bay Metropolitan Municipality	163 573 642	134 440 662
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Payments made to related parties

Nelson Mandela Bay Metropolitan Municipality	1 739 383	2 061 447
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Related party transactions

Rent paid to (received from) related parties

Nelson Mandela Bay Metropolitan Municipality	1 000	1 000
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32. Fruitless and wasteful expenditure

Opening balance as previously reported	643 341	106 331
Add: Fruitless and wasteful expenditure identified - current	97 042	546 010
Add: Fruitless and wasteful expenditure identified - prior period	30 494	-
Less: Amount written off - current	(673 834)	(9 000)
Closing balance	97 043	643 341

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings	
Payment for temporary staff on post already filled	Reported to Accounting Officer. To be investigated	74 750 -
Cancelled Recruitment Advert	Reported to Accounting Officer. To be investigated	22 292 -
		97 042 -

33. Irregular expenditure

Opening balance as previously reported	1 333 557	5 129 957
Correction of error	(5 544)	(31 508)
Add: Irregular expenditure - (Non-compliance with laws and regulations) - current	918 154	1 145 264
Add: Irregular expenditure - (Non-compliance with laws and regulations) - prior period	693 350	-
Less: Amount written off - current	-	(4 910 156)
Less: Amount written off - prior period	(2 021 363)	-
Closing balance	918 154	1 333 557

Incidents/cases identified/reported in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	
Services rendered without an approved deviation in place.	Reported to Accounting Officer. To be investigated	918 154 -

34. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	1 580 108	1 236 755
Amount paid - current year	(1 580 108)	(1 367 816)
	-	(131 061)

Notes to the Annual Financial Statements

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34. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Current year subscription / fee	10 878 360	10 873 277
Amount paid - current year	(10 878 360)	(10 873 277)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	5 283 404	6 027 769
Amount paid - current year	(5 283 404)	(6 027 769)
	-	-

VAT

VAT receivable	(3 761)	(248 871)
VAT payable	2 229 707	8 494 501
	2 225 946	8 245 630

VAT output payables and VAT input receivables are shown in note 11.

All VAT returns have been submitted by the due date throughout the year.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the CEO and noted by the Board. The expenses incurred as listed hereunder have been condoned.

Incident

Regulation 36 (1)(a)(ii) : Goods or services are produced or available from a single provider	-	130 885
Regulation 36 (1)(a)(v) : Exceptional case where it is impractical or impossible to follow the official procurement processes	16 502 494	12 874 878
Awards made to a person whose close family members are in service of state	6 317 637	-
	22 820 131	13 005 763

35. Contingencies

There were no contingent liabilities during the year under review. The MBDA is however involved in tender related litigation with the plaintiff challenging the termination of a contract for the amount of R3,9m. However as at year-end no amount is expected to be settled.

36. Segment information

General information

Identification of segments

In terms of GRAP 18 paragraph 30 there needs to be at least one reportable segment.

At the present moment there is no reportable segment at the MBDA, therefore para 30-32 would not be applicable.

When management was preparing the AFS we had to achieve consistency with the NMBM for consolidation purposes.

In their AFS they have prepared segments based on their operational departments and revenue sources.

Effectively in that structure the MBDA would be one segment on its own.

Furthermore, the purpose of the standard is to present segment information linked to management decision making in order to provide user better information that would have previously not been presented on the AFS. Having considered the level of detail that we were already presenting the AFS, we were satisfied that users were already receiving sufficient detail.

This was concurred with NMBM, our shareholder who was satisfied with our detail and did not request additional detail.



Notes to the Annual Financial Statements

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37. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2023	Note	As previously reported	Correction of error	Restated
Employee Related Costs		6 351 229	(62 317)	6 288 912

Statement of financial performance

2023	Note	As previously reported	Correction of error	Restated
Employee Related Costs		(36 909 455)	62 317	(36 847 138)

Errors

The following prior period errors adjustments occurred:

Error 1

During the prior year the Leave Pay Accrual was erroneously overstated.

38. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	136 611 193	136 611 193
Other receivables from non-exchange transactions	2 100	2 100
Cash and cash equivalents	66 360 747	66 360 747
	202 974 040	202 974 040

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	52 843 200	52 843 200
Trade and other payables from non-exchange transactions	283 317	283 317
	53 126 517	53 126 517

2022

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	73 541 397	73 541 397
Other receivables from non-exchange transactions	2 100	2 100
Cash and cash equivalents	86 548 684	86 548 684
	160 092 181	160 092 181

Notes to the Annual Financial Statements

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38. Financial instruments disclosure (continued)

Financial liabilities

Trade and other payables from exchange transactions	39 507 021	39 507 021
Trade and other payables from non-exchange transactions	238 667	238 667
	39 745 688	39 745 688

No	Component	COAF No.	Finding	Amount	Department within the Municipality Entity	Material/ Affecting Audit Report?	Raised In Previous 3 Years?	Adjustment required	Risk Level
1	Compliance with legislation	12	Irregular, fruitless and wasteful expenditure – Management did not prevent reoccurrence in terms of sections 95 (d) of the MFMA. The controls in place to prevent incurrence of irregular expenditure did not operate effectively to prevent occurrence of IE.	918 154	OCFO	Yes	Yes	No	High

Root cause	AG recommendation	Remedial Actions/ Corrective Measures.	Responsible person (Entity)	Validation of information	Due date	Progress	POE (INTERNAL AUDIT)
The misstatement is caused by Management not following the SCM regulations because of the pressure from the parent municipality to provide services to the community.	Management should ensure that they prevent the reoccurrence of the same non-compliance as per the prior period to ensure compliance with section 95(d) of the MFMA.	MFMA Compliance Checklist monitored quarterly UIFW write-off timeously Probity audit on deviations before BAC(IA) Indemnity Form	CFO	Internal Audit	2024/03/31	In progress	UIFW register, Internal Audit report

Annexure to the Auditor's Report

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional Judgement and Professional Scepticism

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 material performance indicators and on the entity's compliance with selected requirements in key legislation.

Financial statements

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 entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the 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 relating to events or conditions that may cast significant doubt on the ability of the entity 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 my 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 an entity to cease operating as a going concern



Financial statements (continued)

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation - selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or Regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure, Sections 87(5)(b), 87(5)(d), 87(5)(d)(i), 87(5)(d)(iii), 87(6)(c), Sections 87(8), 88(1)(a), 90(1), 90(2)(a), 90(2)(b), 95(d), Sections 96(2)(a), 96(2)(b), 97(e), 97(f), 97(h), 97(i), 99(2)(a), Sections 99(2)(b), 99(2)(c), 99(2)(9), 102(1), 102(2)(a), 112(1U), Sections 116(2)(b), 116(2)(c)(iii), 122(1), 126(2)(b), 133(1)(a), Sections 133(1)(c)(i), 133(1)(c)(ii), 170, 172(3)(a), 172(3)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 73(1), 73(2), 75(1), 75(2)
MFMA: Municipal Investment Regulations, 2005	Regulations 3(2), 3(3), 5(4), 6, 6(8)(b), 7, 10(1), 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2005	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), Regulations 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), Regulations 22(2), 27(2)(a), 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), Regulations 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 32, Regulations 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), Regulations 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, Regulations 46(2)(e), 46(2)(f)



Legislation	Sections or Regulations
Municipal Systems Act 32 of 2000	Sections 93B(a), 93C(a)(iv), 93J(1)
Construction Industry Development Board Act 38 of 2000	Regulations 17, 25(7 A)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7A)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), Regulations 6(8), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), Regulations 10(1), 10(2), 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Companies Act 71 of 2008	Sections 45(2), 45(3)(a)(ii), 45(3)(b)(i), 45(3)(b)(ii), 45(4) Sections 46(1)(a), 46(1)(b), 46(1)(c), 112(2)(a)



MBDA AUDIT ACTION PLAN FOR THE 2022-2023 FINANCIAL YEAR

NOTICE OF THE MEETING

Notice of the meeting was duly served and directors were duly represented.

PASSED AS ORDINARY RESOLUTIONS

Following the presentation of the item on the MBDA 2022/23 Annual Report, the Board resolved as follows that:

1. To approve the MBDA 2022/23 Annual Report as presented. Minutes read, confirmed and signed as a correct record of the proceedings.

BOARD CHAIRPERSON: G PERUMAL
14 DECEMBER 2023

NOTICE OF THE MEETING

Notice of the meeting was duly served and directors were duly represented.

PASSED AS ORDINARY RESOLUTIONS

Following the presentation of the item on the MBDA 2022/23 Annual Report, the Board resolved as follows that:

1. The MBDA 2022/23 AGSA report be endorsed as presented.

BOARD CHAIRPERSON: G PERUMAL
14 DECEMBER 2023

EXTRACT OF MINUTES OF MEETING OF THE DIRECTORS OF THE COMPANY – 14 DECEMBER 2023

1. PURPOSE

For the Board to note the MBDA Audit Action Plan.

2. LEGISLATION BACKGROUND

In terms of section 95(1)(c) of the Municipal Finance Management Act (MFMA):

“The accounting officer of a municipal entity is responsible for managing the financial administration of the entity, and must for this purpose take all reasonable steps to ensure - that the entity has and maintains effective, efficient and transparent systems -

- a) of financial and risk management and internal control; and
- b) of internal audit complying with and operating in accordance with any prescribed norms and standards;”.

Section 121 of MFMA requires every municipal entity to prepare and adopt an annual report, subsection 4 of 121 requiring amongst other the following to be included:

- e) particulars of any corrective action taken or to be taken in response to issues raised in the audit report.
- g) any recommendations of the audit committee of the entity or parent municipality.

3. DISCUSSIONS

The entity underwent the statutory audit for the period 2022/23 financial year in terms of section 92 of the MFMA, which was concluded on 30 November of 2023. The entity received an unqualified audit opinion with a material finding relating to irregular expenditure thus resulting to non-compliance with section 95(d) of the MFMA. The MBDA is required to develop an action plan to address the root causes of the audit findings and internal controls to avoid from recurring in the future.

A summary of the finding(s) and progress is depicted in the table below. The audit report is annexed to the report.

Section	Findings	Resolved	Ongoing	Not Resolved	Not Due
Compliance with legislation	1	0	1	-	-
Total	1	0	1	-	-

A special Audit Committee was held on 28 November 2023 where a draft audit report was tabled by the Auditor General and a final audit report to the Board on 14 December 2023.

4. RECOMMENDATION

That the Board notes the MBDA Audit Action Plan as tabled.



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