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Photography by Bruce Sutherland
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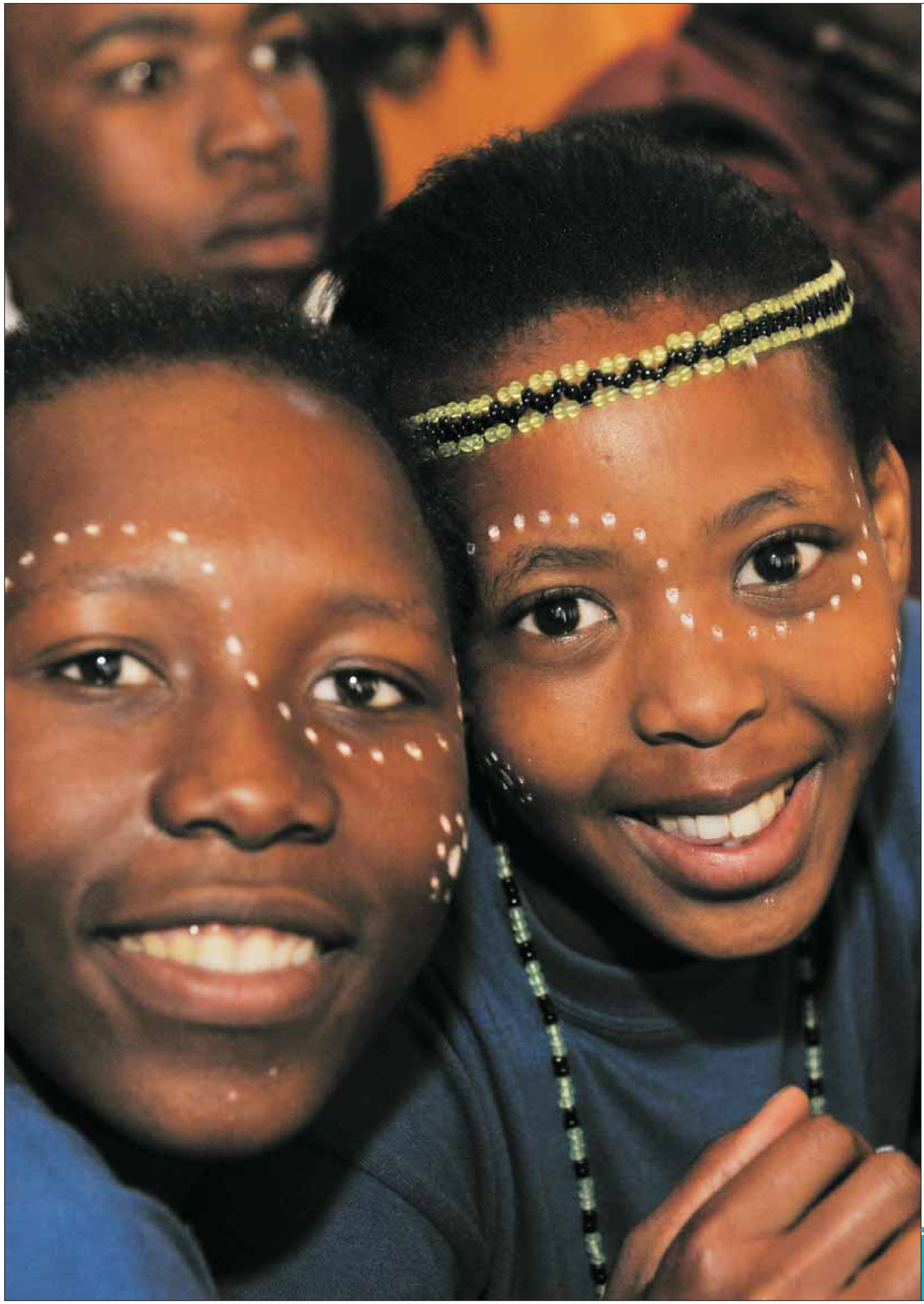
Khayelitsha Community Trust

Annual Report 2008/2009

Khayelitsha Community Trust

committed to the upliftment
of Khayelitsha and its people



Contents

Part 1

Introduction and overview

Vision

The Khayelitsha Community Trust strives to empower the community of Khayelitsha through the promotion of social and economic development in the suburb.

Mission

The Khayelitsha Community Trust (KCT) is a municipal entity of the City of Cape Town that aims to advance the Khayelitsha Business District through the development of commercial, residential and communal facilities. This will be achieved by acquiring land and development rights, procuring community facilities as well as through promoting access to land.

Chairperson's Report

The Trust has been progressing well but slowly as per the outside perception. We are proud to announce that we have been able to achieve some of the targets set for this year and some which are in progress as the process dictates as such.

During this financial year we have been able to achieve the following milestones:

Governance:

- HR policies and procedures have been formulated, workshopped with the Board and approved for implementation.
- Employment of the CEO replacing the one who had resigned end of January 2009.
- The finalisation of the empowerment strategy for the procurement guidelines for the Trust and its investment companies.
- Full attendance of the meetings by all the board members and the meaningful contribution by all the members of the Board.
- Good attendance of all sub-committee meetings, which enabled the operations of the organization.
- Full participation of the board members on the assessment of the board with a clearly articulated plan of action for the forth coming financial year.
- Support services such as internal audit and other outsourced services have been conducted following the approved Supply Chain Management Policy of KCT.
- Constant and consistent communication with the City of Cape Town, sub-councills and KDF.
- Successful meetings held with the financier, RMB and the service providers of the subsidiaries.

Facilitation of the development of land designated to kct for development rights:
Phase 2 project planning:

The board has engaged other relevant stakeholders in establishing the priority areas in line with the City's IDP to inform the planning process for this phase. The Trust commissioned independent consultants to evaluate the beneficiaries' perception of the phase 1 delivery and assess the benefits, which accrued for the local entrepreneur. The evaluation report is aimed to assist the phase 2 process and will enable the board to improve on areas of weaknesses in relation to the beneficiaries who are the board's primary stakeholders. The process also took into consideration the external factors that may affect negatively or positively the prospective development such as global warming and considered mitigating factors for the development to be successful.

The evaluation report conducted by the independent consultants paved way in form of a strategic planning workshop held in Zeevenwacht where Stakeholders were invited to review the analysis thereof.

The board has been able to interact with the City of Cape Town and the RMB as the financier for housing project and agreed to go back to the drawing board concerning the housing delivery envisaged, taking into consideration the National Credit Act, recession, disposable income for the prospective buyers, the layout and the proposed mix use in line with the housing demand.

The needs assessment has been conducted for the development of the office block as a kick start process for phase two.

Strategic relationship has been established with the VPUU program for asset management of the infrastructure that is being developed through the bi-lateral funds from the German Government and South African Government, of which the City of Cape Town is the first point of call. Shareholder Management Unit of the City is currently assisting the Trust in finalising the agreement between VPUU program and the Trust.

We continue to yield some revenue from PRASA for leasing the land for Khayelitsha Express Train. We have been negotiating with Intersite for collaboration with regards to the station upgrade projects and agree on synergy and allow for the flow of business as per the consumers' feet.

KCT has started forging relationships with potential investors, which are interested in investing during the phase 2 development processes. Details of such negotiations will take place once the appointed team commence with concept designs.

Ms. Bulelwa Belu-Toni

CHAIRPERSON

CEO Report

In line with its overarching mandate of facilitating the development of the Khayelitsha Central Business District (CBD), the Khayelitsha Community Trust (KCT) is making fundamental strides in realising this objective.

Despite the long absence of a Chief Executive Officer (CEO) responsible for ensuring that the strategic goals of the organisation are accomplished, positive indicators point to its institutional growth albeit some creeping challenges in various areas defining KCT's operational environment.

As municipal entity, KCT operates within the City of Cape Town's overall delivery objectives expressed through its Integrated Development Plans (IDPs) whose strategic themes are as follows:

- Shared economic growth and development
- Sustainable urban infrastructure and services
- Public transport systems
- Integrated human settlements
- Safety and security
- Health, social and human capital development
- Good governance & regulatory reform

Within this policy ambit, KCT then adopted the following key objectives as its core delivery program:

- To ensure compliance by KCT with all relevant corporate governance and legislative requirements.
  Remuneration policy was approved, Delegations of Authority developed and approved as well as HR policies, Audit Committee meetings held and the Supply Chain Management policy developed and approved.
- To facilitate the upgrading of bulk electricity supply in Khayelitsha Business District.
  A company known as Adenco was appointed subject to the Khayelitsha sub-contractors being considered as part of KCT's empowerment plan.
- To facilitate affordable residential development in Khayelitsha CBD.
  The Spatial Development Plan and rezoning approvals as well as legal documentation and construction agreements have been finalised for the housing project.
- To update the development plan and operational decision making framework for Khayelitsha CBD.
  A strategic workshop was held with various stakeholders and relevant City of Cape Town departments and currently, the City is in the process of appointing urban planners.
- To initiate the development of new municipal offices in Khayelitsha.
  Afroteq Facilities Management has been appointed by the City as consultants responsible for developing needs assessment for this facility. Thereafter, a professional team will be appointed to develop the actual layout plans and costing thereof.
- To initiate the development of a service station in Khayelitsha CBD.
  The Board resolved not to continue with this project due to its non-viability based on market research.
- To initiate development of an empowerment plan and program.
  An empowerment plan and program was approved and developed by the Board.
- To improve communication with relevant stakeholders.
  The Trust has developed and approved a marketing strategy, which is aimed to accelerate stakeholder relations. As part of its marketing strategy the Trust formed partnership with the Khayelitsha Development Forum, in hosting the Khayelitsha awards ceremony held in November 2008.
- To compile a business strategy for the development of commercial and other facilities in the KBD and other areas.
  A business strategy was developed and approved by the Board and subsequently, a workshop was held with various stakeholders and relevant City departments.

I am particularly honoured to unpack these milestones as KCT achievements during the 2008/2009 financial year whilst equally mindful of the daunting challenges lying ahead.

In conclusion, one can attest that though some progress has been achieved in realising these target goals, more work still has to be done. For example, KCT is in the process of appointing two senior officials to improve on the accountability and management of its investment companies, as well as in projecting an enhanced profile of the Trust throughout all its stakeholders.

However, the serious challenge lies in KCT increasingly becoming less heavily reliant on City of Cape Town funding. With the appointment of the Chief Operations Officer strategies will be put in place to ensure that income generating projects are generated thus creating prospects for KCT self-sustainability.

I wish to acknowledge the support and guidance received from the Board as a means of providing strategic direction to the organization. The thorny challenge lies in ensuring that sound relations are cemented with all stakeholders relevant to KCT operations and policies.

Lastly, I would like to extend a special word of thanks to KCT personnel who have through difficult times of chronic staff shortage not succumbed to the pressures confronted. The dedication everyone is demonstrating in ensuring that KCT truly lives by its vision of being 'committed to the development of Khayelitsha and its people' remains invaluable.

I thank you.

Mkhululi Gaula

CEO

18 November 2009

Construction of the District Hospital in Khayelitsha CBD

KCT Objectives

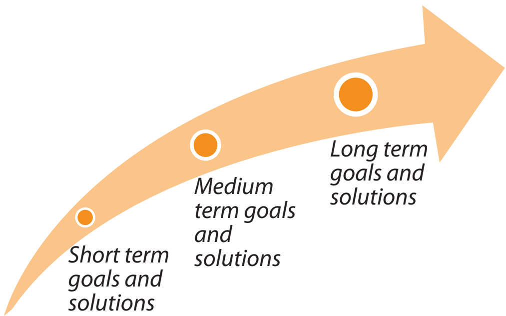
The overall objective of the KCT is the upliftment of Khayelitsha through the development of, inter alia, the Khayelitsha Business District (KBD). This was to be achieved by the KCT in the following manner:

1. To acquire land and development rights
2. To establish a development entity/entities to implement the development;
3. Through and with other parties, procure community facilities;
4. Through and with other parties, procure the promotion, facilitation and support access to the land and use of the land;
5. To procure the management of the business district;
6. To introduce and implement an empowerment strategy;
7. To raise funds to achieve the above
8. To determine the terms and conditions and manner in which surplus funding will be distributed/ invested.

The Phase1 review and the assessment of organisational capacity and the stakeholder's workshop elucidated further goals and objectives:

- To improve the functionality and operations of the Mall by providing it with a roof, expanding on the types of retailers and services on offer, encouraging after-hours activities, improving on safety, security, parking and the overall layout/flow of the centre.
- To ensure that the housing project provides housing that meets the demand and preferences of residents of Khayelitsha and is competitively priced and affordable.
- To capacitate KCT and its commercial arms to ensure that they are able to plan, implement and deliver projects and services required by the community of Khayelitsha.
- To enhance the KBD by developing infrastructure, facilities and amenities that enable business operations, public services and recreational activities for Khayelitsha residents.
- To improve on stakeholder relations, including strategic relations with Khayelitsha Development Forum (KDF), Violence Prevention through Urban Upgrading (VPUU), Urban Renewal Programme (URP), Intersite (in its role as SARCC's property management arm), Government Communication and Information System (GCIS) and others as well as the primary beneficiaries of KCT - the community of Khayelitsha - through improved internal and external communications and marketing.
- To begin to understand the short-, medium- and long-term role of KCT in Khayelitsha against the backdrop of existing agreements and the needs profile of Khayelitsha.

On the latter goal, the objectives of KCT stretch beyond the development and management of the KBD, to empower and uplift the greater Khayelitsha area. Thus, business planning must be strategic and aim to ensure that the Trust and its investment companies become financially self-sustaining, so that additional revenue can be used in the funding of socio-economic development initiatives in Khayelitsha. As such, levels of goals can be formulated for the short, medium and long-term.



In the short-term (one to three years) the objectives are:

1. To capacitate the institutional structures to ensure that there are human resources in place for strategic planning, implementation, monitoring and evaluation and accountability procedures.
2. To improve collaboration with other relevant stakeholders, including the CoCT, URP, VPUU, Intersite, RMB, KDF and others (potential funders and partners)
3. To ensure that KCT is compliant with its existing contracts and has the necessary strategies in place to meet its core mandate.
4. To finalise a development framework for Phase 2 of the KBD that meets market demand, optimally utilises available bulk.

In the medium term (three to eight years) the objectives are:

1. Finalise the construction of Phase 2 of the KBD.
2. To pay off outstanding loan amounts as efficiently as possible.
3. To maintain a creative and strategic approach to partnerships and collaboration agreements with Khayelitsha-relevant stakeholders.
4. To maintain an up-to-date community needs profile of Khayelitsha and match this with initiatives of KCT and/or other stakeholders in the area.

The long-term objective of KCT is to meet its mandate to uplift and empower the community of Khayelitsha. This will be achieved by:

1. Maintaining a hands-on approach to development in Khayelitsha.
2. Ensuring the sound fiscal management of the KBD properties.
3. Overtime becoming debt-free and self-sustaining financially, investing in further developments and programmes that align with the primary objective of KCT to alleviate poverty in Khayelitsha.

Construction of the District Hospital in Khayelitsha CBD

City of Cape Town's Objectives

- Creating an enabling environment for the economy to grow.
- Preparations for hosting of the FIFA 2010 World Cup in the City of Cape Town in accordance with FIFA's requirements and the City's development objectives.
- Universal access to basic services.
- Conservation of natural resources.
- Effective management of City's infrastructure and resources.
- Improve public transport system and services.
- Improve and develop integrated human settlements.
- Delivery of housing opportunities.
- Foster a safe and secure environment.
- Facilitating the development of a healthy and socially inclusive society.
- Ensuring enhanced service delivery with efficient institutional arrangement.
- Management of key financial areas such as income control, cash flow, indigent support, alternative income opportunities, asset management and risk management.
- Establish effective community engagement channels.
- Managing key financial areas such as income control, cash flow, indigent support, alternative income opportunities, asset management and risk management.
- Establishing effective community engagement channels.

City's IDP Strategic Themes

1. Shared economic growth and development.
2. Sustainable urban infrastructure and services.
3. Public transport systems.
4. Integrated human settlements.
5. Safety and security.
6. Health, social and human capital development.
7. Good governance & regulatory reform.

Look Out Hill - Khayelitsha

Part 2

Background of Khayelitsha & Role of the Trust

Background of Khayelitsha

Trust is a relationship of reliance. A trusted party is presumed to fulfill policies, ethical codes, laws and their promises.

Trust does not need to involve belief in the good character, vices, or morals of the other party. After all, persons engaged in a criminal activity usually trust each other to some extent. Furthermore, trust does not necessary imply a mutual activity - trust is a prediction, based on what one party knows about another. Lastly, trust is a statement about what is otherwise unknown, because it is far away, cannot be verified, or is in the future, for example.

Khayelitsha is a partially informal township in South Africa on the outskirts of Cape Town in the Cape Flats. The name is Xhosa for "Our New Home".

The Group Areas Act, which was passed in the 1950s, prohibited Blacks from living in the cities. The discrimination and control over the black population by the apartheid regime did not prevent blacks from settling in the outskirts of Cape Town.

After the scrapping of pass laws in 1987, many blacks, mainly Xhosas, moved to areas around Cape Town in search of work. By this time, many blacks were already settled illegally in townships, or black neighborhoods, like Nyanga and Crossroads. As the black population grew, the apartheid regime sought to solve the problem by establishing new black neighborhoods such as Khayelitsha, which was established in 1985.

The Western Cape was the preferred area for the local coloured population, and a system called "influx" control was put in place to prevent Xhosas from traveling from the Transkei without the required permit. After the historic 1994 elections, thousands of people moved to urban areas in search of work, putting up shacks made of tin, wood and cardboard - Khayelitsha is one of them.

Apartheid is over, but its legacy - and the shacks - remains. Today, Khayelitsha is home to millions of people, and it extends for a number of kilometers along the N2. The ethnic makeup of Khayelitsha is approximately 90% Black African and 10% coloured, with Xhosa being the predominant language of the residents.

Khayelitsha is reputed to be the third largest township in South Africa today, after the townships of Soweto in Gauteng and Mdanstane near East London. Since the ANC came to power in the country in 1994, the ruling party claims that living conditions in the township have improved markedly. There have been many developments such as new brick housing, new schools, and the creation of a central business district in the Township. However, many residents strongly dispute the claim that their quality of life has improved. They claim that crime rates remain very high and that only a small portion of residents see improvements as a result of infrastructure and welfare interventions. KCT

Role of the Trust

The Khayelitsha Community Trust (KCT) was established by the City of Cape Town in 2003 in order to facilitate the development of the Khayelitsha Business District (KBD). This resulted in the City of Cape Town entering into an agreement - a "Cooperation and Collaboration Agreement" - with Rand Merchant Bank (RMB), whereby RMB would secure the necessary private sector funding to initiate a phase 1 of the KBD development.

Launch of the VPUU building in Khayelitsha

Board of Trustees

Ms. Bulelwa Belu -Toni

Mr. Mandla Maxongo

Mr. Anthony Coombe

Mr. John Biesman- Simons

Ms. Xoliswa Daku

Mr. Mvuyisi Macikama

Attendance of board and sub-committee meetings for the period 01 july 2008 - 30 june 2009

DETAILS OF THE BOARD OF TRUSTEES

BOARD MEMBER	CAPACITY	POSITION	RACE & GENDER
Ms. Bulelwa Belu-Toni	Non-executive	Chairperson	Black Female
Mr. Mandla Maxongo	Non-executive	Deputy Chairperson	Black Male
Mr. Anthony Coombe	Non-executive	Member	White Male
Mr. John Biesman-Simons	Non-executive	Member	White Male
Ms. Xoliswa Daku	Non-executive	Member	Black Female
Prof. Mohamed Bayat	Non-executive	Member	Indian Male **
Mr. Mvuyisi Macikama	Non-executive	Member	Black Male

*** Prof. Mohamed Bayat resigned from the Board of Trustees in February 2009.*

BOARD MEETINGS

BOARD MEMBER	POSITION	ATTENDANCE	TOTAL NUMBER OF MEETINGS
Ms. Bulelwa Belu-Toni	Chairperson	7	7
Mr. Mandla Maxongo	Deputy Chairperson	6	7
Mr. Anthony Coombe	Member	5	7
Mr. John Biesman-Simons	Member	6	7
Ms. Xoliswa Daku	Member	5	7
Prof. Mohamed Bayat	Member	1	4**
Mr. Mvuyisi Macikama	Member	5	7

*** Prof. Mohamed Bayat resigned from the Board of Trustees in February 2009.*

ANNUAL GENERAL MEETING

BOARD MEMBER	POSITION	ATTENDANCE	TOTAL NUMBER OF MEETINGS
Ms. Bulelwa Belu-Toni	Chairperson	1	1
Mr. Mandla Maxongo	Deputy Chairperson	1	1
Mr. Anthony Coombe	Member	1	1
Mr. John Biesman-Simons	Member	1	1
Ms. Xoliswa Daku	Member	0	1
Prof. Mohamed Bayat	Member	0	1
Mr. Mvuyisi Macikama	Member	0	1

HUMAN RESOURCES AND REMUNERATION COMMITTEE MEETINGS

BOARD MEMBER	POSITION	ATTENDANCE	TOTAL NUMBER OF MEETINGS
Ms. Bulelwa Belu-Toni	Chairperson	4	4
Mr. Mandla Maxongo	Member	3	4
Prof. Mohamed Bayat	Member	1	3 *
Ms. Xoliswa Daku	Member	2	3 **

** Prof. Mohamed Bayat resigned from the Human Resources and Remuneration committee in February 2009.*
*** Ms. Xoliswa Daku was deployed to the Human Resources and Remuneration committee at resignation of Prof. Mohamed Bayat.*

Launch of the VPUU building in Khayelitsha

AUDIT COMMITTEE MEETINGS

AUDIT COMMITTEE MEMBER	POSITION	ATTENDANCE	TOTAL NUMBER OF MEETINGS
Mr. Anthony Coombe	Chairperson	7	7
Mr. John Biesman-Simons	Member	6	7
Ms. Xoliswa Daku	Member	5	7

FINANCE COMMITTEE MEETINGS

AUDIT COMMITTEE MEMBER	POSITION	ATTENDANCE	TOTAL NUMBER OF MEETINGS
Mr. John Biesman-Simons	Chairperson	6	6
Mr. Mvuyisi Macikama	Member	4	6

Review of Phase 1 KBD Development

Market research was undertaken by a consulting firm, into the market demand for services and facilities within Khayelitsha. The main findings of that research are presented below. The full market research document (KBD Urban Planning Information Document: Khayelitsha Community Profile and Market Research) is obtainable from the Trust.

The development plan for phase 1 of the KBD development (as approved by Council on 04/03) included the following:

- Retail centre (Completed. Concerns relate to variety of retailers, lack of parking and of after hours facilities and an inadequate design that is unsafe, and exposes shoppers to the elements)
- Service station (Resulting from the market research from the economist, it was reported that this project will no longer be viable)
- Municipal offices (Afroteq, a leading facilities company was appointed for the investigation of local and provincial government on space requirements for the municipal offices. This report will be tabled to Mayoral Council for approval and KCT has commenced with the tender for procurement of professional services to construct the municipal offices.
- Public sector offices and facilities (Magistrates court, home affairs and social security buildings are completed)
- Private sector offices and buildings (To be part of the municipal offices project)
- A multi-purpose community centre (Partially completed, but not in alignment with Thusong Service Centre criteria)
- Sport facilities (Completed. Off-season uses need to be expanded)
- Residential units (A show village has been constructed)
- A bus and taxi terminus (Completed)
- Landscaping, public spaces and greening (Incomplete/ongoing).
- Bulk services and road and other infrastructure (Incomplete/ongoing).

A two-day stakeholders workshop was held in October 2008, where, inter alia, the success of Phase 1 was evaluated and suggestions put forward for a Phase 2 Development Framework.

- To initiate an empowerment strategy and programme for the community of Khayelitsha within the development of the KBD.
- To evaluate the current progress and success of the retail centre as well as private sector offices and buildings.
- To evaluate the success of the multi-purpose community centre and pass recommendations to the GCIS.
- To evaluate the usage of the sport facilities and investigate possible upgrades.
- To catalyze the progress and status of the residential units.
- To evaluate the effectiveness of the bus and taxi terminus.
- To ensure landscaping, public spaces and greening.
- To develop and catalyze the process of bulk services as well as road and other infrastructure.

Khayelitsha Awards November 2008

Alignment with the City of Cape Town's IDP

Strategic themes of the City's IDP

1. Shared economic growth and development
2. Sustainable urban infrastructure and services
3. Public transport systems
4. Integrated human settlements
5. Safety and security
6. Health, social and human capital development
7. Good governance & regulatory reform

The Trust's key performance areas have been aligned to the above mentioned strategic themes.

KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS
Social and Economic Development	1. Projects prioritisation. Were projects prioritised against criteria such as: • The extent to which market demand is being met • The overall feasibility of the project and potential to create financial return to reinvest in further development • The extent and quality of job creation stimulated • The value of opportunities created for local businesses (formal and informal) of Khayelitsha • The extent of opportunities for skills development stimulated 2. Project Implementation • The extent to which projects have been implemented in accordance with KCT's Empowerment Strategy.
Corporate Governance	1. Institutional arrangements • The extent to which vacant posts were filled timeously and against job specifications. • The extent to which employees participated in training and other initiatives to enhance their skills and knowledge 2. Transparency and Accountability • The extent to which KCT was granted access to requested/required reports, documentation and financial statements in a timeous fashion. • Whether financial statements were completed and submitted for auditing within the annual deadline. • The extent to which opinion of the Auditor General was positive (unqualified). 3. Stakeholder relations • All initiatives should be planned in collaboration with KCT stakeholders, inline with the external communications strategy proposed. 4. Employee & Trustee Performance • All Trustees & Employees must be subjected to performance contracts set against their job descriptions 5. Risk Management • Thorough risk assessment processes should be followed for all major corporate and strategic decisions. These assessments should be documented.

KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS
Financial Performance	The extent to which KCT, KManCo and KInvestment companies are improving in terms of: • Asset management and value of assets (appreciation or depreciation over the prior year). • Debt and the ability to service debt/reduce debt. • Profitability of KInvestment Companies. • Attraction of partners, funders and investors. • Ability to generate a surplus for re-investment in KFutures.

Look Out Hill

Integrated access and mobility

The development of the KBD adjacent to the Khayelitsha rail station, the extension of the Khayelitsha rail corridor and the establishment of a transport interchange as well as the provision of housing within the KBD node, provides for improved mobility and accessibility for the people of Khayelitsha to community facilities and economic opportunities.

Building integrated human settlements

The KBD development is based on an integrated development plan providing for economic, public and communal facilities as well as housing, sport, leisure and transport infrastructure.

Regarding the improvement of the public transport system, Metrorail has leased land from the Trust to create a park and ride facility for the residents of Khayelitsha. The Park-n-Ride is an initiative identified in our Travel Demand Management Strategy, which is aimed at alleviating congestion by providing sustainable transport alternatives.

Launch of the VPUU building in Khayelitsha

Building strong communities

The integrated model of the KBD development provides for various public facilities in support of health and social development. The Department of Social Welfare and Poverty Alleviation was one of the first public buildings to be established in the KBD. Discussions with the Provincial Administration to establish a regional hospital in the KBD has been completed and land has been handed over to the department of Health for this purpose.

The Empowerment programme introduced by the Trust supports and facilitates the involvement of local entrepreneurs in the development of the KBD. The trust has an approved empowerment strategy in place.

Equitable and effective service delivery

The appointment of the KCT CEO, the establishment of an effective working environment, and the relocation of the municipal offices to the KBD as part of the KBD development, will aid in the improvement of service delivery to the community of Khayelitsha

Safety and Security - VPUU

VPUU

The City of Cape Town entered into an agreement with the German Government via the German Development Bank ("KfW") for funding a joint programme in Khayelitsha known as VPUU.

The overall aim of the VPUU programme is to benefit the community of Khayelitsha. This will be achieved through three distinct components, the first being commercially driven income generating enterprises and developments, the second being development, maintenance and operations of public spaces and facilities, and the third being opportunities and support for community organisations and initiatives.

The KCT has been identified by the City as one of the parties that can assist in the implementation of the VPUU programme. In implementing of the VPUU programme, it is intended that the ownership of defined revenue generating assets of VPUU developments will be transferred to the Trust.

Integrated Human Settlements

Residential development

A large portion of the KBD land is earmarked for residential development. The building of approximately 1 200 affordable houses is scheduled.

The concept and model provides for a mix of single and double storey 1, 2 and 3 bedroom units. A show village, consisting of 9 units has been completed.

The application for the rezoning of the property earmarked for phase 1 was approved by the Department of Environmental Affairs and Development Planning in October 2008. Marketing of the units is scheduled to commence in the next financial year. KCT

Performance Report

Part 3

Khayelitsha Community Trust Performance Report 2008/2009

With the Trust being a municipal entity, it aligns its performance measurement approach with that of the City of Cape Town's IDP strategic themes as well as the deliverables set out in the Service Delivery Agreement held between the Trust and the City Of Cape Town.

All performance areas and indicators are regularly reviewed by Trust management and quarterly reports are submitted to the Trust's Board and the City of Cape Town as required by the MFMA.

The following objectives were set by the Trust for the reporting period of 2008/09:

1. To ensure compliance by KCT with all relevant corporate governance and legislative requirements: This has been achieved as follows:

- The Trust has approved and implemented its own Supply Chain Management Policy during the 2008/09 financial year.
- The Trust has approved and implemented a financial Policy.
- A trustees remuneration policy was approved and is in place and Trustees were remunerated in accordance with the policy within levels approved by the City.
- The Trust developed and approved Delegations of Authority.
- The Trust developed and approved HR policies.
- The Audit committee met at least four times during the 2008/09 financial year.
- The Trust had an internal audit function in place during the 2008/09 financial year.
- The Trust submitted an updated Business plan and budget for the 2009/10 financial year to the City no later than 150 days before the start of the financial year as required by section 87 of MFMA.

2008/09

BUDGET DATE	PERFORMANCE INDICATORS	BUDGET PROVISION	ACTUAL EXPENDITURE	REASON FOR VARIANCE AND REMEDIAL ACTION
Ongoing	Remuneration policy for Trustees	R239,800	R241,038	Trustees remuneration included back pay of travel re-imbursement and adhoc meetings for attendances from 01 July 2007

2007/08 (prior year)

BUDGET DATE	PERFORMANCE INDICATORS	BUDGET PROVISION	ACTUAL EXPENDITURE	REASON FOR VARIANCE AND REMEDIAL ACTION
01/07/07	Remuneration policy for Trustees	R290,000	R243,291	Trustees remuneration included remuneration for meetings from 01 July 2006 to 30 June 2008

2. To facilitate the upgrading of bulk electricity supply in Khayelitsha Business District. This has been achieved as follows:

- Raubicon was appointed by the Trust as consultants to assist the Trust in the procurement process of contractors for the upgrading of bulk electricity in the Khayelitsha CBD.
- The Trust appointed contractors, Adenco, for the electrification upgrade in Khayelitsha CBD in July 2008 through a formal bidding process performed by Raubicon and the Trust.
- As part of the Trust's empowerment plan, Adenco was appointed subject to Khayelitsha based sub-contractors being appointed by Adenco.
- A payment of R2,684,678 was made to Adenco during the 2009 financial year.

2008/09

BUDGET DATE	PERFORMANCE INDICATORS	BUDGET PROVISION	ACTUAL EXPENDITURE	REASON FOR VARIANCE AND REMEDIAL ACTION
30/06/09	Established networks for housing project, municipal offices, hospital and extension of the retail centre.	R3,000,000	R2,354,981	Budget provision includes architectural designs of substation and the building of the substation. Consultants awaiting approval from Province for the rezoning of the land prior to commencing with the building plans

2007/08 (prior year)

BUDGET DATE	PERFORMANCE INDICATORS	BUDGET PROVISION	ACTUAL EXPENDITURE	REASON FOR VARIANCE AND REMEDIAL ACTION
30/06/07	Bulk electricity supply network planned and designed and appointment of contractor	R7,629,208	R3,600,699	Budget provision includes establishment and operations of the network

3. To facilitate affordable residential development in Khayelitsha Business District. This to be achieved as follows:

2008/09

BUDGET DATE	PERFORMANCE INDICATORS	BUDGET PROVISION	ACTUAL EXPENDITURE	REASON FOR VARIANCE AND REMEDIAL ACTION
30/09/08	SDP and rezoning approvals and legal documentation and construction agreements finalised for the housing project	R365,050	Rnil	The rezoning approvals were received in October 2008. Attorneys have been commissioned to review all housing project agreements.
30/06/09	Phase 1 (250 housing units)	Rnil	Rnil	During the period of awaiting rezoning approvals from Province, the industry was affected by increased building material costs which resulted in increased housing unit prices. The introduction of the new National Credit Act (NCA) also affected the affordability scales of the target market. The Trust is in talks with the Mayor and other City officials in attempt to obtain additional funding for bulk services in order to reduce price per unit.

2007/08 (prior year)

BUDGET DATE	PERFORMANCE INDICATORS	BUDGET PROVISION	ACTUAL EXPENDITURE	REASON FOR VARIANCE AND REMEDIAL ACTION
30/08/07	Completion of show village	Rnil	Rnil	The show village was completed in February 2008
30/06/08	Phase 1 (250 housing units)	R350,000	Rnil	RMB has appointed a company to provide the marketing service which needs to be done prior to construction. Marketing to commence once the rezoning approval has been received from Department of Environmental Affairs. Construction of units to commence thereafter. All housing projects related costs funded by a loan.

4. To update the development plan and operational and decision-making framework for Khayelitsha Business District. Progress made as follows:

- Consultants were appointed in October 2008 in terms of the Trust's Supply Chain Management ("SCM") Policy for the review of phase 1 CBD development plan.
- A strategic workshop was held with various stakeholders and relevant City departments to provide input towards the revising of the development plan.
- The appointed consultants provided a consolidated report with recommendations to be considered by urban planners for revising the development plan
- KCT has commenced with the process of the appointment of Urban planners.

2008/09

BUDGET DATE	PERFORMANCE INDICATORS	BUDGET PROVISION	ACTUAL EXPENDITURE	REASON FOR VARIANCE AND REMEDIAL ACTION
30/09/08	Appointment of consultants to provide revised development plan for KBD and approval thereof	R300,000	R134,000	Payments to consultants made according to quotations received and accepted.

2007/08 (prior year)

BUDGET DATE	PERFORMANCE INDICATORS	BUDGET PROVISION	ACTUAL EXPENDITURE	REASON FOR VARIANCE AND REMEDIAL ACTION
30/09/07	Approval of development plan	R300,000	Rnil	Provision for this expenditure has been made in the adjustment budget of 2009 financial year. Consultants to be appointed before end of October 2008 for the update of the development plan.

5. To initiate the development of new municipal offices in Khayelitsha. Progress made as follows:

- Consultants have been appointed by the City to perform the needs assessment for the construction of the municipal offices
- Various City and Government departments have been identified and questionnaires have been completed by these departments to assist in assessing space requirements
- Needs assessment process is still in progress and will continue for a period of 5 months.

2008/09

BUDGET DATE	PERFORMANCE INDICATORS	BUDGET PROVISION	ACTUAL EXPENDITURE	REASON FOR VARIANCE AND REMEDIAL ACTION
30/10/08	Completion of the needs assessment	R250,000	Rnil	Payments to be made in accordance to agreed service delivery agreements.
30/04/09	Appointment of architect and professional team	R500,000	Rnil	The appointment of architects and professional team will be done once the needs assessment process has been completed. Urban planners in the process of being appointed will form part of the professional team.
30/06/09	Financial and legal arrangements	Included in legal costs	Rnil	This process will commence once all building plans have been approved and are in place.

2007/08 (prior year)

BUDGET DATE	PERFORMANCE INDICATORS	BUDGET PROVISION	ACTUAL EXPENDITURE	REASON FOR VARIANCE AND REMEDIAL ACTION
30/10/07	Completion of the needs assessment	R250,000	Rnil	Provision made in the adjustment budget of 2009 financial year. Appointment of consultants to initiate the development of the new municipal offices to be made by October 2008 taking into account time frames of approval of budget by the City and transfer of funds
15/12/07	Appointment of architect and professional team	R150,000	Rnil	Provision made in the 2008/09 budget which is yet to be approved by the City of Cape Town. Appointment of architects to be done once budget has been approved.
30/04/08	Financial and legal arrangements	Included in legal costs	Rnil	Provision made in the adjustment budget of 2009 financial year. Appointment of consultants to initiate the development of the new municipal offices to be made by October 2008 taking into account time frames of approval of budget by the City and transfer of funds

2007/08 (prior year continued)

BUDGET DATE	PERFORMANCE INDICATORS	BUDGET PROVISION	ACTUAL EXPENDITURE	REASON FOR VARIANCE AND REMEDIAL ACTION
30/06/08	Approval of SDP and plans	Rnil	Rnil	Provision is made in the 2008/09 budget which is yet to be approved by the City of Cape Town. Appointment of architects to be done once budget has been approved.
30/06/08	Appointment of contractors	Construction costs are part of project costs	Rnil	Consultants to be appointed by October 2008 taking into account time frames of approval of budget by the City and transfer of funds

6. To initiate the development of service station in Khayelitsha Business District

- From the recommendations done by the Urban-economists through the review of phase development plan, the Board agreed to no longer pursue this project as reports received indicated that it is no longer a viable project.

2007/08 (prior year)

BUDGET DATE	PERFORMANCE INDICATORS	BUDGET PROVISION	ACTUAL EXPENDITURE	REASON FOR VARIANCE AND REMEDIAL ACTION
30/09/07	Building plans and funding, land, management and supply agreements finalised	R200,000	Rnil	Preliminary discussions have been entered into with oil companies to test the viability of and interest for this development.
30/01/08	Contractor on site	Construction costs part of projects costs	Construction costs part of projects costs	This process to commence once the oil company has been selected. Process to be completed by November 2008.

7. To initiate integrated CBD management within Khayelitsha Business District. Progress as follows:

- Consultants were appointed in October 2008 in terms of the Trust's SCM Policy.
- A report was provided by the consultants with recommendations.
- Process to be taken further by the Trust after receipt of report from the Urban planners.

2008/09

BUDGET DATE	PERFORMANCE INDICATORS	BUDGET PROVISION	ACTUAL EXPENDITURE	REASON FOR VARIANCE AND REMEDIAL ACTION
30/09/08	Appointment of consultants and establish management strategy	R150,000	R60,000	Consultants paid as per quotation supplied and approved
01/01/09	Established management strategy and finalise service delivery agreement with City, service providers and clients	Included in the cost of appointment of consultants	Rnil	Process to be taken further once report from Urban planners has been provided.

2007/08 (prior year)

BUDGET DATE	PERFORMANCE INDICATORS	BUDGET PROVISION	ACTUAL EXPENDITURE	REASON FOR VARIANCE AND REMEDIAL ACTION
01/01/08	Appointment of consultants and establish management strategy and entity and finalise delivery agreement with the City, service providers and clients	R150,000	Rnil	Consultants to be appointed by October 2008, taking into consideration of time frames for approval of budget by the City and transfer of funds

8. To initiate development of an empowerment plan and programme. This has been achieved as follows:

- Consultants were appointed in August 2008 through a formal bidding process.
- An empowerment plan and implementation programme was developed and approved by the Board.
- As part of its empowerment plan, the Trust partnered with the Khayelitsha Development Forum ("KDF") in the hosting of the Khayelitsha awards held in November 2008.

2008/09

BUDGET DATE	PERFORMANCE INDICATORS	BUDGET PROVISION	ACTUAL EXPENDITURE	REASON FOR VARIANCE AND REMEDIAL ACTION
30/09/08	Initiate appointment of empowerment consultants	R150,000	R150,000	

2007/08 (prior year)

BUDGET DATE	PERFORMANCE INDICATORS	BUDGET PROVISION	ACTUAL EXPENDITURE	REASON FOR VARIANCE AND REMEDIAL ACTION
30/06/07 and ongoing	Initiate appointment of empowerment consultants	R150,000	Rnil	Work to commence from date of confirmation of transfer of funds from the City

9. To improve communication with relevant stakeholders. This has been achieved as follows:

- Consultants were appointed to develop a marketing strategy for the Trust
- CEO of the Trust will drive the implementation of the marketing strategy
- The Trust has a website www.kctrust.org
- The Trust held its second AGM in December 2008
- The Trust has produced brochures and newsletters which were distributed to 5 libraries in Khayelitsha.
- As part of its marketing plan, the Trust partnered with the Khayelitsha Development Forum ("KDF") in the hosting of the Khayelitsha awards held in November 2008

2008/09

BUDGET DATE	PERFORMANCE INDICATORS	BUDGET PROVISION	ACTUAL EXPENDITURE	REASON FOR VARIANCE AND REMEDIAL ACTION
30/06/08	Formalise marketing strategy and appointment of marketing consultants	R350,000	R320,544	Payments to consultants done as per service delivery agreements

2007/08 (prior year)

BUDGET DATE	PERFORMANCE INDICATORS	BUDGET PROVISION	ACTUAL EXPENDITURE	REASON FOR VARIANCE AND REMEDIAL ACTION
30/06/08	Formalise marketing strategy and appointment of marketing consultants	R350,000	R169,725	The empowerment budget was utilised as the appointment of consultants became urgent; however provision of R350,000 was made in the adjustment budget for 2007/08 which was never transferred

10. To compile a business strategy for the development of commercial and other facilities in the KBD and other areas. This has been achieved as follows:

- The consultants were appointed in October 2008 in terms of the Trust's SCM Policy
- A strategic workshop was held in October 2008 with stakeholders and relevant City departments
- A business strategy was developed and approved by the Board during the 2008/09 financial year

2008/09

BUDGET DATE	PERFORMANCE INDICATORS	BUDGET PROVISION	ACTUAL EXPENDITURE	REASON FOR VARIANCE AND REMEDIAL ACTION
30/09/08	Appointment of specialist team	R300,000	R150,000	Payments to consultants done according to quotations supplied and accepted
30/12/08	Business strategy in place	Rnil	Rnil	

2007/08 (prior year)

BUDGET DATE	PERFORMANCE INDICATORS	BUDGET PROVISION	ACTUAL EXPENDITURE	REASON FOR VARIANCE AND REMEDIAL ACTION
30/07/07	Appointment of specialist team	R300,000	Rnil	Consultants to be appointed by October 2008, taking into consideration of time frames for approval of budget by the City and transfer of funds
30/12/07	Business strategy in place	Rnil	Rnil	

Legislation compliance

- The KCT is operating a bank account in its name as required by the MFMA - Sections 85(1) to (3).
- The KCT appointed a Chief Executive Officer in accordance to section 93J of the Municipal Systems Act who is the accounting officer of the Trust. Though the CEO resigned end of January 2009, the trust appointed the Financial Manager as the acting CEO for the rest of the 2009 financial year. The newly appointed CEO commenced duties in October 2009.
- KCT keeps full and proper accounting records, as are necessary to fairly present the state of affairs and business of the municipal entity as required by the MFMA - Section 95(b).
- The Trustees remuneration matters are disclosed in the AFS
- The CEO and senior management of the Trust's remuneration details are disclosed separately in the AFS
- KCT maintains effective, efficient and transparent systems of financial, risk management and internal control. A Financial Policy was approved and in place during the 2008/09 reporting year as required by Section 95 to 100 of the MFMA
- The KCT has an internal audit function in place
- KCT developed and approved its HR policies
- The KCT maintains a management, accounting and information system that properly accounts for proper assets and liabilities of the management systems of the Trust. The Finance committee has an oversight function on these systems
- The KCT has processes in place to ensure that irregular, fruitless and wasteful expenditure and other losses are prevented. The Finance committee has an oversight function on these processes.
- KCT adopted its own Delegations of Authority policy
- The KCT has a system of expenditure control including procedures for the approval, authorisation, withdrawal and payment of funds as required by section 99 of MFMA. The Finance committee has an authorisation function in this system
- The KCT developed, approved and followed its own SCM Policy during the reporting year
- The KCT submitted a business plan and budget to its Parent Municipality at least 150 days prior to start of the financial year as required by Section 87 of MFMA
- The Trust's Audit Committee met at least 4 times during the reporting year as required by Section 166(4)(b) of the MFMA
- The AFS of the KCT disclosed information on all allocation received from the City as required by section 123 of the MFMA.

Performance report approved by the Board of Trustees on 26 August 2009.

Ms Bulelwa Belu-Toni

Chairperson: Khayelitsha Community Trust

MFMA: Municipal regulations on minimum competency levels

Every municipality must submit this schedule to National Treasury disclosing for the 6 months ending 31 December and 30 June:

1. the total number of financial and supply chain management officials employed by the municipality and each of its municipal entities, and of those officials:
2. how many have undertaken a competency assessment, and
3. how many have complying performance agreements, including the attainment of competencies as a performance target.
4. Should you wish to provide additional information please include comments in the box below or forward a separate letter to the National Treasury MFMA Implementation Unit, Private Bag X115, Pretoria, 0001.

The schedule must be submitted no later than one month after the 6 month period end (i.e.30 January and 30 July). No extension of time will be given. This information must also be reflected in the municipality's Annual Report as at the end of the financial year to which the report relates. A municipal entity must submit its information to the parent municipality no later than 20 January and 20 July and also reflect this in its own Annual Report.

DECLARATION: The Municipal Manager/ Chief Executive Officer certifies this to be a true and accurate record of the implementation of the MFMA Municipal regulations on Competency Levels for officials in the municipality and/ or municipal entity for the six month period.

DESCRIPTION	A. TOTAL NUMBER OF OFFICIALS EMPLOYED BY MUNICIPALITY (REGULATION 14(4)(A) AND (C))	B. TOTAL NUMBER OF OFFICIALS EMPLOYED BY MUNICIPAL ENTITIES (REGULATION 14(4)(A) AND (C)	CONSOLIDATED: TOTAL OF A AND B	CONSOLIDATED: COMPETENCY ASSESSMENTS COMPLETED FOR A AND B (REGULATION 14(4)(B) AND (D))	CONSOLIDATED: TOTAL NUMBER OF OFFICIALS WHOSE PERFORMANCE AGREEMENTS COMPLY WITH REGULATION 16 (REGULATION 14(4)(F))	CONSOLIDATED: TOTAL NUMBER OF OFFICIALS THAT MEET PRESCRIBED COMPETENCY LEVELS (REGULATION 14(4)(E))
FInancial Official						
Accounting officer	0	1	1	0	0	0
Chief financial officer	0	0	0	0	0	0
Senior managers	0	1	1	0	0	0
Any other financial officials	0	0	0	0	0	0
Supply Chain Management Units						
Heads of supply chain management units	0	0	0	0	0	0
Supply chain management senior managers	0	0	0	0	0	0
TOTAL	0	2	2	0	0	0
Comments						

Report of the Audit Committee to the Board of Trustees

Part 4

To the Board of Trustees and to the Executive Mayoral Committee and Council for the City of Cape Town

We are pleased to present our report for the financial year ended 30 June 2009.

Audit committee members and attendance

The names of audit committee members and their attendance at committee meetings during the financial year are set out below.

AUDIT COMMITTEE MEMBER	POSITION	ATTENDANCE	TOTAL NUMBER OF MEETINGS
Mr. Anthony Coombe	Chairperson	7	7
Mr. John Biesman-Simons	Member	6	7
Ms. Xoliswa Daku	Member	5	7

Audit committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 166 of the Municipal Finance Management Act, No 56 of 2003 (MFMA). The Committee also reports that it has drafted appropriate terms of reference, which were approved by the Board of Trustees. The Committee has acted within its terms of reference and the reporting framework of the MFMA.

Efficiency and effectiveness of internal control

Based on our review and evaluation of the audit work of the Internal Auditors and the Auditor-General, as reported to us for the year under review, the Audit Committee is of the opinion that the systems of internal control were generally adequate and operated for the most part effectively during the year ended 30 June 2009. Weaknesses identified and reported to us have been or will be rectified by Management.

The Audit Committee undertakes to monitor corrective action to ensure that further internal checking and control measures are implemented, so as to improve the internal control environment.

Quality of management reports

The Audit Committee is of the view that the content and quality of monthly and quarterly management reports presented to Management and to the Council for the City of Cape Town are generally adequate to reflect reliably and accurately the financial position and results of the Trust in comparison with plans and budgets.

Review and evaluation of the annual financial statements

The Committee has:

- Reviewed and discussed with the Auditor-General the audited annual financial statements and their report thereon for the year ended 30 June 2009 to be included in the annual report of the Trust;
- Reviewed management responses to the final management letter issued by the Auditor-General;
- Reviewed the appropriateness of the accounting policies and practices; and
- Reviewed adjustments resulting from the annual audit.

Conclusion

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements for the year ended 30 June 2009 and is of the opinion that the audited annual financial statements, read together with the report of the Auditor-General, should be accepted by the Board of Trustees and by the Council for the City of Cape Town.

A C Coombe

Chairperson of the Audit Committee

18 November 2009

Report of the Auditor General

Part 5

Report of the Auditor-General to the Western Cape Provincial Parliament and The City of Cape Town Municipality on the Financial Statements And Performance Information of the Khayelitsha Community Trust For The Year Ended 30 June 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Khayelitsha Community Trust (KCT) which comprise the statement of financial position as at 30 June 2009, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 62 to 86.

The accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Khayelitsha Community Trust in this respect will be limited to reporting on non-compliance with this disclosure requirement.

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

Opinion

8. In my opinion the financial statements present fairly, in all material respects, the financial position of the Khayelitsha Community Trust as at 30 June 2009 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 and in the manner required by the MFMA.

Basis of accounting

9. The municipal entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in note 1.1 to the financial statements.

Other matters

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

Municipal Systems Act (Act no 30 of 2000) (MSA)

10. As disclosed in note 21.1 to the financial statements, the Trust held an investment in a corporate body in contravention of section 93K of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000). This investment was acquired prior to the promulgation of the amendment to the legislation.

Governance framework

11. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting authority and executive management and are reflected in the key governance responsibilities addressed below:

Key governance responsibilities

12. The MFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which we have assessed as follows:

NO	MATTER	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	■	
Quality of financial statements and related management information			
2	The financial statements were not subject to any material amendments resulting from the audit.		■
3	The annual report was submitted for consideration prior to the tabling of the auditor's report.	■	
Timeliness of financial statements and management information			
4	The annual financial statements were submitted for auditing as per the legislated deadlines (section 126 of the MFMA).	■	
Availability of key officials during audit			
5	Key officials were available throughout the audit process.	■	
Development of and compliance with risk management, effective internal control and governance practices			
6	Audit committee • The municipal entity had an audit committee in operation throughout the financial year.	■	
	• The audit committee operates in accordance with approved, written terms of reference.	■	
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	■	
7	Internal audit • The municipal entity had an internal audit function in operation throughout the financial year.	■	
	• The internal audit function operates in terms of an approved internal audit plan.	■	
	• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.	■	
8	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	■	
9	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	■	
10	The information systems were appropriate to facilitate the preparation of the financial statements.	■	
11	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 95(c)(i) of the MFMA.		■
12	Delegations of responsibility are in place, as set out in section106 of the MFMA.	■	

NO	MATTER	Y	N
Follow-up of audit findings			
13	The prior year audit findings have been substantially addressed.	■	
14	SCOPA resolutions have been substantially implemented.	Not applicable	
Issues relating to the reporting of performance information			
15	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	■	
16	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	■	
17	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Khayelitsha Community Trust against its mandate, predetermined objectives, outputs, indicators and targets (section 87 of the MFMA).	■	
18	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	■	

13. The municipal entity experienced some difficulties in producing financial statements for audit purposes that were free from errors and omissions, although not in all instances material. This situation could have led to a qualification of the financial statements had the municipal entity not adjusted their financial statements during the audit, based on my findings.

14. This is indicative of a situation where actions are not taken to address risks to the achievement of financial reporting objectives.The internal audit's audit plan and the audit committee's oversight should include processes to identify such risks to ensure that they are considered for reporting purposes.

15. A risk management strategy should be documented and used which includes a fraud prevention plan.

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

16. I have reviewed the performance information as set out on pages 27 to 41.

The accounting authority's responsibilities for the performance information

17. In terms of section 121(4)(d) of the MFMA, the annual report of a municipal entity must include an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and its parent municipality.

The Auditor-General's responsibility

18. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008.*

19. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

20. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant unresolved findings have been identified as a result of my review.

APPRECIATION

21. The assistance rendered by the staff of the Khayelitsha Community Trust during the audit is sincerely appreciated.

Auditor-General

Cape Town

10 December 2009

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Multi- Purpose Centre: Khayelistha


Annual Financial Statements of the
Khayelitsha Community Trust
Part 6

The Khayelitsha Community Trust (Masters reference T3011/2003) Annual Financial Statements for the year ended 30 June 2009

Country of registration	South Africa
Trustees	B Belu-Toni (Chair) M V Macikama M Maxongo X E Daku A C Coombe R J Biesman-Simons
Registered office	c/o Webber Wentzel Inc 15th Floor Convention Tower Cape Town 8001
Business address	Office 15 1st Floor Old Dutch Square Bellville 7530
Attorneys	Webber Wentzel Inc
Accountants	Mazars Moores Rowland
Auditor	The Auditor-General
Founding entity	The City of Cape Town
Banker	ABSA Bank Limited

The Khayelitsha Community Trust Annual Financial Statements for the year ended 30 June 2009

The reports and statements set out below comprise the annual financial statements presented to trustees:

Contents

Approval and statement of responsibility

The trustees are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The accountants are responsible for compiling the financial statements and related information, in accordance with the statement of International Standards on Related Services applicable to compilation engagements.

The trustees are also responsible for the trust's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the trustees to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the trustees have every reason to believe that the trust has adequate resources in place to continue in operation for the foreseeable future.

The financial statements which appear on pages 60 to 86 were approved by the trustees on 18 November 2009 and signed on their behalf by:

Trustee

Trustee

Compilation Report of the Accountants to Khayelitsha Community Trust

On the basis of information provided by the trustees we have compiled, in accordance with the statement of International Standards on Related Services applicable to compilation engagements the annual financial statements of The Khayelitsha Community Trust set out on pages 60 to 86 for the year ended 30 June 2009. These financial statements are the responsibility of the trust's trustees. We have not audited or reviewed these financial statements, and accordingly express no assurance thereon.

MAZARS MOORES ROWLAND

Mazars Moores Rowland

Partner: Marc Edelberg

18 November 2009

The Khayelitsha Community Trust Report of the Trustees for the year ended 30 June 2009

Cape Town

The trustees present their report for the year ended 30 June 2009. This report forms part of the financial statements.

1. General review

The trust was created under South African law in terms of the Khayelitsha Business District Project, by the City of Cape Town for the benefit of the residents of Khayelitsha. As a municipal entity it is governed by its trust deed and South African legislation, specifically the Municipal Finance Management Act (MFMA), 2003.

The trust carries on the business of property and investment holding. There have been no major change in the nature of the business during the year.

During the year, the Trust registered for VAT, backdated to inception of the Trust in 2003. The impact of this is set out in note 13.

2. Financial results and distributions

The trust's surplus after taxation for the year amounted to R 1,944,358 (2008 : R 754,684).

3. Property, plant and equipment and investment property.

There have been no major changes in the investment property during the year or any changes in the policy relating to its use.

Property, plant and equipment of R1,834 (2008 : R165,628) was acquired during the year.

4. Events subsequent to year end

There have been no facts or circumstances of a material nature that have occurred between the accounting date and the date of this report that affects the financial position as reflected at year end.

The Khayelitsha Community Trust
Report of the Trustees
for the year ended 30 June 2009 (continued)

5. Trustees

The trustees of the trust during the accounting year and up to the date of this report were as follows:

B Belu-Toni (Chair)

M V Macikama

M Maxongo

X E Daku

A C Coombe

R J Biesman-Simons

M Bayat (Trustee until 16 February 2009)

6. Wholly owned investments

NAME	ISSUED CAPITAL R	% HELD 2009	% HELD 2008	NUMBER OF SHARES 2009	NUMBER OF SHARES 2008
Direct					
KBD Management (Pty) Ltd	100	100	100	100	100
Indirect					
KBD Retail Properties (Pty) Ltd	300	100	100	300	300
KBD Housing (Pty) Ltd	300	100	100	300	300

The Khayelitsha Community Trust
Statement of Financial Position
as at 30 June 2009

	Notes	2009 R	2008 R
Assets			
Non-current assets		2,184,561	2,169,928
Property, plant and equipment	2	126,388	155,630
Investment property	3	1,634,196	1,634,196
Investment	4	100	100
Operating lease asset	5	423,877	380,002
Current assets		9,546,207	5,227,941
Trade and other receivables	6	3,550,454	733,100
Cash and cash equivalents	7	5,995,753	4,494,841
Total assets		11,730,768	7,397,869
Net assets and liabilities			
Net assets		3,094,706	1,150,348
Founding donation	8	100	100
Accumulated surplus		3,094,606	1,150,248
Non-current liabilities		7,177,797	5,976,939
Borrowings	9	1,202,321	1,277,265
Deferred revenue - government grants	10	5,975,476	4,532,479
Deferred tax	11	-	167,195
Current liabilities		1,458,265	270,582
Taxation		-	48,333
Trade and other payables	12	1,379,360	144,983
Current portion of borrowings	9	78,905	77,266
Total net assets and liabilities		11,730,768	7,397,869

The Khayelitsha Community Trust
Statement of Financial Performance
for the year ended 30 June 2009

	Notes	2009 R	2008 R
Revenue		1,562,404	178,780
Rental income		191,602	178,780
Sundry income	13	1,370,802	-
Other revenue		6,198,567	6,146,559
Grant funding - City of Cape Town	10	5,818,850	5,617,712
Interest received		379,717	528,847
Total revenue		7,760,971	6,325,339
Expenditure		(6,032,141)	(5,607,974)
Accounting fees		250,464	138,225
Administration fees		-	59,880
Advertising and marketing		404,443	191,118
Auditors' remuneration		611,095	13,840
- External audit		536,180	13,840
- Internal audit		74,915	-
Bank charges		5,788	8,982
Cleaning		3,358	1,790
Computer expenses		3,148	6,162
Conference expenses		(7,093)	1,779
Consulting fees		627,252	21,033
Depreciation		31,076	9,998
Electricity and water		5,018	980
Entertainment		9,023	7,431
General expenses		-	1,146
Infrastructure - electrical substation		2,354,981	3,600,699
Insurance		4,537	-
Interest-borrowings		123,957	118,118
Lease rentals		95,623	75,510
Legal fees		86,949	405,715
Payroll services		5,985	5,267
Postage		1,866	359
Printing and stationery		59,914	25,591

The Khayelitsha Community Trust
Statement of Financial Performance
for the year ended 30 June 2009 (continued)

	Notes	2009	2008
Provision for impairment on short term loan	6	49,258	27,774
Repairs and maintenance		7,303	7,822
Remuneration	14.1	1,015,012	612,509
Secretarial fees		-	2,590
Security		4,224	4,425
Telephone and fax		37,359	14,515
Travel - local		563	1,425
Trustees fees	14.2	241,038	243,291
Surplus before taxation		1,728,830	717,365
Taxation	15	215,528	37,319
Net surplus		1,944,358	754,684

The Khayelitsha Community Trust
Statement of Changes in Net Assets
for the year ended 30 June 2009

	Founding donation R	Accumulated surplus R	Total R
Balance at 01 July 2007	100	395,564	395,664
Net surplus		754,684	754,684
Balance at 01 July 2008	100	1,150,248	1,150,348
Net surplus		1,944,358	1,944,358
Balance at 30 June 2009	100	3,094,606	3,094,706

The Khayelitsha Community Trust
Cash Flow Statement
for the year ended 30 June 2009

	Notes	2009 R	2008 R
Cash flows from / (used in) operating activities		1,576,051	(5,397,223)
Cash receipts from grant funding		7,836,631	-
Cash paid to suppliers and employees	16.1	(6,241,421)	(5,615,541)
Cash generated by/(utilised in) operating activities		1,595,210	(5,615,541)
Interest paid	16.2	(39,452)	-
Increase in short term loans		(507,151)	(241,254)
Increase in deposits		-	(27,161)
Rent received	16.3	147,727	-
Taxation refunded	16.4	-	-
Interest received	16.5	379,717	486,733
Cash flows used in investing activities			
Expenditure for expansion			
Property, plant and equipment acquired		(1,834)	(165,628)
Cash flows used in financing activities			
Repayment of loan		(73,305)	-
Increase/(decrease) in cash and cash equivalents		1,500,912	(5,562,851)
Cash and cash equivalents at beginning of the year	16.6	4,494,841	10,057,692
Cash and cash equivalents at end of the year	16.6	5,995,753	4,494,841

The Khayelitsha Community Trust
Notes to the Financial Statements
for the year ended 30 June 2009

1. Accounting policies

1.1 Basis of preparation

The financial statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP	**Replaced Statement of GAAP**
GRAP1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP2: Cash flow statements	AC118: Cash flow statements
GRAP3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies, changes in accounting estimates and errors

Currently the recognition and measurement of principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 and 3 has resulted in the following significant changes in the presentation of the financial statements:

i. Terminology differences:

Standard of GRAP	**Replaced Statement of GAAP**
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit	Profit/loss
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends

ii. The cash flow statement can only be prepared in accordance with the direct method.

iii. Specific information has been presented separately on the statement of financial position such as:

(a) receivables from non-exchange transactions, including taxes and transfers;

(b) taxes and transfers payable;

(c) trade and other payables from non-exchange transactions.

iv. Amount and nature of any restrictions on cash balances is required.

Paragraph 11 – 15 of GRAP1 has not been implemented due to the fact that the budget reporting standard has not been developed by the local standard setter and the international standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objective of the financial statements.

The financial statements have been prepared on a going concern basis using a combination of the historical cost and fair value basis of accounting. Those categories to which the fair value basis of accounting has been applied are indicated in the individual accounting policy notes below.

1.2 Revenue recognition

The trust earns revenue from rental income.

Revenue from rental agreements is recognised in accordance with the accounting policy for operating leases.

Grant funding is recognised in accordance with the accounting policy for government grants.
Interest revenue is recognised in the statement of financial performance, using the effective interest rate method.

1.3 Leases

Leases of assets where the trust assumes substantially all the benefits and risks of ownership are classified as finance leases. Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases.

Operating leases - lessor

Operating lease income is recognised as income on a straight-line basis over the lease term. The difference between the amounts recognised as income and the contractual income are recognised as an operating lease asset or liability. These items are not discounted.

Income for leases is disclosed under revenue in the statement of financial performance.

The Khayelitsha Community Trust
Notes to the Financial Statements
for the year ended 30 June 2009 (continued)

Contingent rentals are not accounted for on a straight-line basis, and are recognised as revenue when the amounts can be reliably measured.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

1.4 Investment property

Investment properties are held to earn rental income and to appreciate in capital value. Owner-occupied properties are held for production and administrative purposes. This distinguishes owner-occupied properties from investment properties.

Investment properties are stated at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of financial performance, while any amounts in revaluation and other reserves relating to that investment property are transferred to retained earnings.

1.5 Investments

Non-current investments are shown at cost and adjustments are made only where, in the opinion of the trustees, the investment is impaired. Where an investment has been impaired, it is recognised as an expense in the period in which the impairment is identified. Investments are not revalued, as fair value cannot be determined at this early stage of development.

1.6 Government grants

Government grants are recognised when there is reasonable assurance that:
- the trust will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

The Khayelitsha Community Trust
Notes to the Financial Statements
for the year ended 30 June 2009 (continued)

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the statement of financial performance (separately). Repayment of a grant related to income is applied first against any unamortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.7 Provisions

The present value of future payments for surplus lease properties under non-cancellable operating leases is recognised as a liability, net of sub-leasing revenue, in the period in which it is determined that the leased property will be of no future benefit to the trust.

1.8 Significant judgements

In preparing the annual financial statements, the trustees are 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.

The Khayelitsha Community Trust
Notes to the Financial Statements
for the year ended 30 June 2009 (continued)

1.9 Financial instruments

Initial recognition

Financial assets and liabilities are recognised when the trust becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of financial performance when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the company, unless otherwise stated.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Loans receivable

Loans receivable are stated at amortised cost less impairment losses using the effective interest rate method by applying the interest rates determined on initial recognition. Cumulative interest is recognised in profit or loss on an effective interest rate basis over the period of the loan.

Loans receivable which have no fixed repayment terms and bear no interest are stated at the amount initially recognised less impairment losses.

The Khayelitsha Community Trust
Notes to the Financial Statements
for the year ended 30 June 2009 (continued)

Borrowings

Borrowings are initially measured at fair value, which is the cash consideration received less transaction costs. Subsequently, borrowings are measured at amortised cost using the effective interest rate method. The amortised cost method results in the accrual of interest in each period by applying the effective interest rate implicit to the outstanding balance on the borrowings. Borrowings are reduced when repayments are made.

1.10 Property, plant and equipment

All property, plant and equipment are initially recorded at cost and any impairment in value.

Infrastructure where no control can be exercised by the trust is not deemed to be capital in nature and is expensed in full in the statement of financial performance.

Depreciation is calculated on the straight-line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives as follows:

- Furniture and fittings 6 years
- Office equipment 5 years
- Computer equipment 3 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amount.

1.11 Borrowing cost

Borrowing costs arise on the borrowing of funds and are recognised as an expense in the statement of financial performance, in the interest line item in the period in which such cost are incurred.

1.12 Deferred taxation

Deferred taxation is provided at legislated future rates using the balance sheet liability method. Full provision is made for all temporary differences between the tax base of an asset or liability and its balance sheet carrying amount.

The Khayelitsha Community Trust
Notes to the Financial Statements
for the year ended 30 June 2009 (continued)

No deferred tax liability is recognised in those circumstances where the initial recognition of an asset or liability has no impact on accounting profit or taxable income.

Assets are not raised in respect of the deferred taxation on assessed losses unless it is probable that future taxable profits will be available against which the deferred tax asset can be realised in the foreseeable future.

1.13 Employee benefits

Short term employee benefits

The cost of short-term employee benefits, those payable within 12 months after the service is rendered, such as wages, salaries, paid annual leave and sick leave, bonuses, and other allowances are recognised in the period in which the service is rendered and are not discounted.

The Khayelitsha Community Trust
Notes to the Financial Statements
for the year ended 30 June 2009 (continued)

2. Property, plant and equipment

	2009			2008		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
	R	**R**	**R**	**R**	**R**	**R**
Owned assets						
Furniture and fittings	103,009	19,932	83,077	101,880	4,650	97,230
Office equipment	28,057	6,801	21,256	27,750	1,806	25,944
Computer equipment	36,397	14,342	22,055	35,998	3,542	32,456
	167,463	41,075	126,388	165,628	9,998	155,630

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year	**Additions**	**Depreciation**	**Carrying value at end of year**
	R	**R**	**R**	**R**
2009				
Owned assets				
Furniture and fittings	97,230	1,127	15,280	83,077
Office equipment	25,944	308	4,996	21,256
Computer equipment	32,456	399	10,800	22,055
	155,630	1,834	31,076	126,388

	Carrying value at beginning of year	**Additions**	**Depreciation**	**Carrying value at end of year**
	R	**R**	**R**	**R**
2008				
Owned assets				
Furniture and fittings	-	101,880	4,650	97,230
Office equipment	-	27,750	1,806	25,944
Computer equipment	-	35,998	3,542	32,456
	-	165,628	9,998	155,630

The Khayelitsha Community Trust
Notes to the Financial Statements
for the year ended 30 June 2009 (continued)

	2009	2008
	R	R

3. Investment property

	2009 R	2008 R
Cost less depreciation		
Balance at beginning of year	1,634,196	1,634,196
Balance at end of year	1,634,196	1,634,196
Comprising of		
Cost	1,634,196	1,634,196
Accumulated depreciation	-	-
	1,634,196	1,634,196

Investment property consists of land, being erf 58857 and 58858 (portion of erf 18730) Khayelitsha, measuring approximately 47,343 square metres in extent. A retail centre has been constructed on the land by the lessee. Ownership of the buildings will revert to the trust after the lease period of 20 years. The land had a fair value of R8 140 000 at 30 June 2009 (2008 - R7 600 000).

The following amounts, included in the statement of financial performance, relate to this property:

	2009 R	2008 R
Rental income	191,602	178,780

4. Investment

	2009 R	2008 R
Unlisted shares at cost	100	100

The trust holds 100% of the issued ordinary shares of the following company:

	2009 R	2008 R
Unlisted		
KBD Management (Pty) Ltd	100	100
	100	100

5. Operating lease asset

	2009 R	2008 R
Opening balance	380,002	327,409
Movement	43,875	52,593
	423,877	380,002

The operating lease asset comprises the cumulative differences on the effect of accounting for operating leases on a straight-line basis in terms of note 1.3.

The Khayelitsha Community Trust
Notes to the Financial Statements
for the year ended 30 June 2009 (continued)

	2009	2008
	R	R

6. Trade and other receivables

	2009 R	2008 R
City of Cape Town	2,498,541	-
Short term loans - refer note 18	1,073,542	538,773
- Provision for impairment - KBD Housing (Pty) Ltd	(77,032)	(27,774)
Deposit	27,162	27,162
Accrued interest	-	42,440
Accrued income - Metrorail	10,731	31,500
Accrued income - KBD Management (Pty) Ltd	-	94,687
Prepayment	17,510	26,312
	3,550,454	733,100

The short term loan owing by KBD Housing (Pty) Ltd, a subsidiary of the trust's wholly owned investment, KBD Management (Pty) Ltd, has been subordinated in favour of other creditors, until the assets of the company, fairly valued, exceeds its liabilities.

Trade and other receivables impaired

As of 30 June 2009, trade and other receivables of R 77,032 (2008:R 27,774) were impaired and provided for.

Reconciliation of provision for impairment of trade and other receivables

	2009 R	2008 R
Opening balance	27,774	-
Provision for impairment	49,258	27,774
	77,032	27,774

Trade and other receivables past due amounting to R996 510 (2008: R510 999) are not impaired as the probability for recoverability has been assessed as likely.

Fully performing debts amounting to R2 509 272 (2008: R126 187) are within their limits.

7. Cash and cash equivalents

	2009 R	2008 R
Cash on hand	2,000	2,000
Nedbank - Corporate Saver Account	-	7,215
Nedbank - Corporate Saver Account	-	60,074
Nedbank - Corporate Saver Account	-	4,425,552
ABSA	5,993,753	-
	5,995,753	4,494,841

The Khayelitsha Community Trust
Notes to the Financial Statements
for the year ended 30 June 2009 (continued)

	2009 R	2008 R
8. Founding donation		
Donation made - 2003	100	100

9. Borrowings

	2009 R	2008 R
Unsecured		
The City of Cape Town - at amortised cost	1,281,226	1,354,531

The liability bears interest at 10% per annum. The capital amount of R1 420 290 is repayable in annual instalments of R78 905, together with any interest due for the year, over 18 years ending.

	2009 R	2008 R
Less: Short term portion included in current liabilities	(78,905)	(77,266)
	1,202,321	1,277,265

10. Deferred revenue - government grants

	2009 R	2008 R
Balance at beginning of year	4,532,479	10,150,191
Received during the year	7,836,631	-
Adjustments for VAT	(574,784)	-
Transferred to statement of financial performance	(5,818,850)	(5,617,712)
Balance at end of year	5,975,476	4,532,479
Estimated expenditure in respect of deferred revenue		
Employment related expenditure	143,398	(86,065)
General expenditure	(784,036)	(76,060)
Contracting services	1,211,786	811,723
Projects	5,042,478	4,028,509
Capital expenditure	361,850	(145,628)
	5,975,476	4,532,479

The trust has an obligation to refund any unspent grant funding received from the City of Cape Town.

11. Deferred tax

	2009 R	2008 R
Balance at beginning of year	(167,195)	(204,514)
Movements during year attributable to:		
- Temporary differences reversed	167,195	37,319
Balance at end of year	-	(167,195)

11. Deferred tax (continued)

	2009 R	2008 R
The balance comprises:		
- Fair value adjustments	-	(26,304)
- Operating lease asset	-	(152,000)
- Provision for impairment	-	(11,109)
	-	(167,195)

The trust has successfully applied for status as a public benefit organisation and this was granted in the current year.
The full deferred tax liability was reversed as the trust is exempt from income tax, retrospective to the year of assessment ending June 2003.

12. Trade and other payables

	2009 R	2008 R
VAT	1,128,053	-
Accruals - professional fees	224,597	31,570
Accruals - PAYE, UIF SDL	17,510	26,312
Accruals - marketing	5,700	63,470
Accruals - trustees fees	-	20,681
Accruals - other	-	2,950
Deposit - Metrorail	3,500	-
	1,379,360	144,983

13. Sundry income

During the year under review, the Trust was advised that it should register as a vendor in terms of the Value Added Tax Act, with effect from the inception of the Trust. The Trust's application to register for VAT purposes was approved, backdated to inception of the Trust in 2003.

	2009 R	2008 R
In terms of IFRS, the impact of this backdated registration has been accounted for in the current year. The net effect is a reduction in current year expenses, with prior year inputs being accounted for as sundry income.	1,370,802	-

Had the Trust been registered for VAT purposes from inception, the impact on the reported results would have been as follows:

The Khayelitsha Community Trust
Notes to the Financial Statements
for the year ended 30 June 2009 (continued)

	2009 R	2008 R
13. Sundry income (continued)		
Statement of financial position:		
Property, plant and equipment	-	(22,176)
Deferred revenue - government grants	-	574,784
Opening retained earnings	-	(649,460)
Trade and other receivables	-	1,420,914
Vat owing	-	(774,568)
Statement of financial performance		
Other expenses	-	(549,494)

14. Remuneration

14.1 Management remuneration

Included in remuneration of R 1,015,012 (2008: R612,509) are the following amounts paid to management:

	2009 R	2008 R
CEO		
- Salary	270,756	347,850
- Allowances	52,670	66,150
- Benefits	-	-
Financial manager		
- Salary	461,365	128,307
- Allowances	62,905	20,000
- Benefits	-	-
	847,696	562,307

During the year the CEO resigned on 30 January 2009 and the financial manager acted in that capacity from that date.

14.2 Trustee fees

	2009 R	2008 R
Non-executive		
For services as trustees	241,038	243,291

The Khayelitsha Community Trust
Notes to the Financial Statements
for the year ended 30 June 2009 (continued)

15. Taxation

	2009 R	2008 R
South African normal tax		
- Prior year reversal	(48,333)	-
- Deferred tax		
Current year	(167,195)	(37,319)
Tax for the year	(215,528)	(37,319)

No provision has been made for 2009 taxation as the trust has successfully been granted status as a public benefit organisation in terms of section 30 of the Income Tax Act and therefore is exempt from normal tax in terms of section 10 (1) (cN) of the Income Tax Act.

16. Notes to the cash flow statement

16.1 Cash paid to suppliers and employees

	2009 R	2008 R
Net surplus for the year before taxation	1,728,830	717,365
Adjustments for:		
Depreciation	31,076	9,998
Interest received	(379,717)	(528,847)
Interest paid	123,957	118,118
Transferred out of deferred revenue	(5,818,850)	(5,617,712)
Impairment of short term loan	49,258	27,774
Operating lease rental	(191,602)	(178,780)
Increase in deposits	-	53,473
	(4,457,048)	(5,398,611)
Movements in working capital		
Increase in trade and other receivables	(3,018,750)	(53,473)
Increase/(decrease) in trade and other payables	1,234,377	(163,457)
	(6,241,421)	(5,615,541)

16.2 Reconciliation of interest paid

	2009 R	2008 R
Charge in statement of financial performance	123,957	118,118
Adjustment for interest accrual	(84,505)	(118,118)
Payment made	39,452	-

The Khayelitsha Community Trust
Notes to the Financial Statements
for the year ended 30 June 2009 (continued)

	2009	2008
	R	R

16. Notes to the cash flow statement (continued)

16.3 Reconciliation of rent received

	2009 R	2008 R
Charge in statement of financial performance	191,602	178,780
Adjustment for rental accrued	-	(126,187)
Adjustment for rental straightlining	(43,875)	(52,593)
Payment received	147,727	-

16.4 Reconciliation of taxation paid

	2009 R	2008 R
Charge in statement of financial performance	215,528	37,319
Adjustment for deferred tax	(167,195)	(37,319)
Movement in taxation balance	(48,333)	-
	-	-

16.5 Reconciliation of interest received

	2009 R	2008 R
Charge in statement of financial performance	379,717	528,847
Adjustment for interest accrual	-	(42,114)
Payment received	379,717	486,733

16.6 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2009 R	2008 R
Cash and cash equivalents	5,995,753	4,494,841

17. Contingencies

	2009 R	2008 R
In the prior year the Trust was not registered as a Value Added Taxation (VAT) vendor. During the current year ended 30 June 2009 the Trust's VAT registration was approved - refer note 13.	-	(433,560)

There were no other contingent liabilities.

The Khayelitsha Community Trust
Notes to the Financial Statements
for the year ended 30 June 2009 (continued)

	2009	2008
	R	R

18. Related parties

	2009 R	2008 R
Transactions with related parties:		
Grant funding received - The City of Cape Town	7,836,631	-
Balances owing by related parties:		
KBD Management (Pty) Ltd	730,794	345,043
KBD Retail Properties (Pty) Ltd	265,716	165,956
KBD Housing (Pty) Ltd	77,032	27,774
	1,073,542	538,773
The City of Cape Town	2,498,541	-
Accrued Income - KBD Management (Pty) Ltd	-	94,687
	3,572,083	633,460

The loans are interest free.

	2009 R	2008 R
Balances owing to related parties:		
The City of Cape Town	1,262,480	1,420,290

The Khayelitsha Community Trust is the sole shareholder of KBD Management (Pty) Ltd.

KBD Management (Pty) Ltd is the sole shareholder of KBD Retail Properties (Pty) Ltd and KBD Housing (Pty) Ltd.

The Khayelitsha Community Trust is deemed a municipal entity with the founding entity being the City of Cape Town.

19. Commitments

Infrastructural revenue commitment

	2009 R	2008 R
The trust has commited itself for additional infrastructure expenditure in the 2010 financial year amounting to:	1,148,550	3,833,228

This will be financed by existing cash balances.

The Khayelitsha Community Trust
Notes to the Financial Statements
for the year ended 30 June 2009 (continued)

	2009	2008
	R	R

19. Commitments (continued)

Operating lease commitments

The future minimum rentals receivable under non-cancellable operating leases are as follows:		
Not later than 1 year	191,601	191,601
Later than 1 year and not later than 5 years	691,371	728,940
Later than 5 years	1,601,962	1,742,280
	2,484,934	2,662,821

The trust has leased its land to KBD Management (Pty) Ltd for a period of 20 years 9 months, commencing 7 March 2005.

The trust has also leased an unused portion of the abovementioned land to Metrorail for a period of 5 years commencing 5 October 2007.

20. Financial instruments

Fair values

The carrying amounts of cash and cash equivalents, receivables, payables and short term borrowings approximated their fair values due to the short term maturities of these assets and liabilities.

Liquidity risk management

The trust manages its liquidity risk by monitoring cash flows and ensuring that adequate cash is available or borrowing facilities are maintained.

Interest rate risk

As part of the process of managing the trust's interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates. Full details of interest rates relating to borrowings are detailed in note 9.

The Khayelitsha Community Trust
Notes to the Financial Statements
for the year ended 30 June 2009 (continued)

20. Financial instruments (continued)

The following table sets out the carrying amount, by maturity, of the trust's financial instruments that are exposed to interest rate risk:

Year ended 30 June 2009

Fixed rate

	< 1 year	1-5 years	> 5 years	Total
	R	R	R	R
Unsecured borrowings	78,905	315,620	886,701	1,281,226

Floating rate

	< 1 year	1-5 years	> 5 years	Total
	R	R	R	R
Cash and cash equivalents	5,995,753	-	-	5,995,753

Year ended 30 June 2008

Fixed rate

	< 1 year	1-5 years	> 5 years	Total
	R	R	R	R
Unsecured borrowings	77,266	315,620	961,645	1,354,531

Floating rate

	< 1 year	1-5 years	> 5 years	Total
	R	R	R	R
Cash and cash equivalents	4,494,841	-	-	4,494,841

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The other financial instruments of the trust that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

Credit risk

The trust maintains cash, cash equivalents, trade receivables and investments. The trust limits its counter party exposure arising from financial institutions by only dealing with well established financial institutions of high credit standing. The trust does not expect any counterparties to fail to meet their obligations, given their high credit standing.

The Khayelitsha Community Trust
Notes to the Financial Statements
for the year ended 30 June 2009 (continued)

21. Non-compliance with legislation

21.1 During the year under review, the following requirement of the Local Government: Municipal Systems Act, 2000 was not complied with:
- The trust held an investment in a corporate body in apparent contravention of section 93K of the Local Government: Municipality Systems Act, 2000. This investment was acquired prior to the promulgation of the amendment to this legislation, which had no retrospective requirement. Consequently, the Trustees are satisfied that the holding of this investment does not contravene the relevant legislation.

21.2 During the year under review, the following requirements of the Municipal Finance Management Act, 2003 (MFMA) was not complied with:
- A fraud prevention plan, as required by section 95(c)(i), was not yet in place.

22. Financial assets by category

2009	Loans and receivables	Fair value through profit or loss - held for trading	Total
	R	R	R
Investment	-	100	100
Operating lease asset	423,877	-	423,877
Trade and other receivables	3,532,944	-	3,532,944
Cash and cash equivalents	5,995,753	-	5,995,753
	9,952,574	**100**	**9,952,674**

2008	Loans and receivables	Fair value through profit or loss - held for trading	Total
Investment	-	100	100
Operating lease asset	380,002	-	380,002
Trade and other receivables	706,788	-	706,788
Cash and cash equivalents	4,494,841	-	4,494,841
	5,581,631	**100**	**5,581,731**

The Khayelitsha Community Trust
Notes to the Financial Statements
for the year ended 30 June 2009 (continued)

23. Financial liabilities by category

2009	Financial liabilities at amortised cost	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Total
	R	R	R	R
Borrowings	1,281,226	-	-	1,281,226
Trade and other payables	251,307	-	-	251,307
	1,532,533	**-**	**-**	**1,532,533**

2008	Financial liabilities at amortised cost	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Total
Borrowings	1,354,531	-	-	1,354,531
Trade and other payables	144,983	-	-	144,983
	1,499,514	**-**	**-**	**1,499,514**

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