Khayelitsha Community Trust

Committed to the upliftment of Khayelitsha and its people

2010/2011 Annual Report

The optimism & energy of our youth, is our inspiration.

Khayelitsha Community Trust

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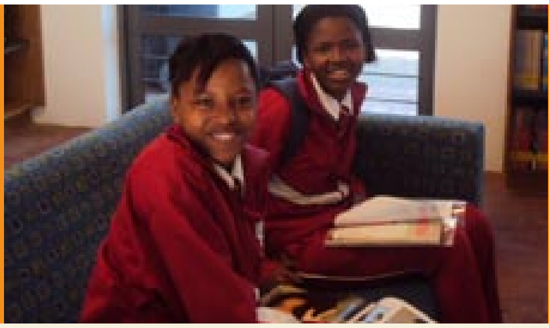
PART **ONE**

EXECUTIVE Summary


VISION

The Khayelitsha Community Trust ("KCT" or "The Trust") strives to empower the community of Khayelitsha through the promotion of social and economic development.

MISSION

The Khayelitsha Community Trust is a municipal entity of the City of Cape Town which aims to advance the Khayelitsha Business District (KBD) through the development of commercial, residential and communal facilities.*

**During the year under review KCT was a municipal entity of the City of Cape Town.*



The **Chairperson's** Report

Bulelwa Belu-Toni
CHAIRPERSON

Overview

Another year has come and gone, and the Khayelitsha Community Trust Board of Trustees completely focused on achieving its mandate. Once again, my sincere appreciation is extended to the Board members of the Trust who served diligently throughout the busy year, guided by the Board Charter.

Our board successfully provided leadership through exercising an oversight responsibility regarding financial and related internal controls, performance reporting and compliance. The board has developed and approved a risk management strategy to ensure that regular risk assessments, including consideration of IT risks and fraud prevention are conducted and that satisfactory risk management functions to address the risks are implemented and monitored.

The board, through its approved budget, has ensured that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively.

Through its Audit Committee, the board ensures that there is promotion of accountability through monitoring and evaluating responses to risks and the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations.

◄ *Public participation brainstorming session*

Governance

- Scheduled board meetings were attended by Trustees in order to strategically position KCT to achieve its stated objectives.
- Both Trustees and the management of KCT engaged with professional teams regarding the Urban Development Framework of the land designated to KCT for development.
- Attendance of established committees enabled operations to take place efficiently.
- The development and approval of the Board Charter that is in line with our Policies was finalised.
- Report back meetings were conducted with primary stakeholders, especially the Khayelitsha Development Forum (KDF) executive, where they were updated on the progress of project planning.
- Executive Management through the CEO interacted with Khayelitsha leaders through feedback sessions at the KDF Plenary meetings.
- Submissions of progress reports to the Shareholder Management Unit of the City of Cape Town on the progress of achieving Councillors' objectives in relation to the Trust's mandate.
- Scheduled meetings took place with the Auditor-General to monitor quarterly performance of the Trust as a Municipal Entity.
- Meetings were conducted with the Executive Mayor and City of Cape Town (CoCT) officials regarding the future status of the Trust and the structuring of the relationship for future funding of the Trust.
- Legal opinion was sought on the changes to the Trust Deed, and the amended Trust Deed was later approved by the Board of Trustees, with the support of the City.

◄ *Retail Centre*

- We communicated constantly with our financiers RMB during the year to discuss and agree on development related milestones for projects related to their funding of the Retail Centre.
- Successful meetings were conducted with prospective partners on various projects such as housing, phase 2 development of the Retail Centre, private hospital development, educational facilities and computers for schools in Khayelitsha.
- Support services such as internal audits and other outsourced services were conducted following the approved Supply Chain Management Policy of KCT.
- Strategic relationships were established with key role players, in the private sector, public sector and the local business community.

The Retail Centre

We are pleased to report that the Retail Centre is trading ahead of budget and has achieved appreciation in value in real terms. We have been working closely with our financiers to identify a suitable Facilities and Asset Management Company to replace Advent who resigned during the year under review. Advent has been instrumental in ensuring that we achieve almost a 100% tenancy and endeavoured at all times to have a mix of local and national tenants. The Management of the Retail Centre, together with our financiers were able to successfully identify Hermans and Roman Property Management Company, a 100% black-owned entity, to manage the asset on behalf of its shareholders for KBD Retail Properties (Pty) Ltd (KRETAIL).

The new company advertised in local newspapers for local security and cleaning companies that can provide services to the Retail Centre, in line with the Trust's Empowerment Strategy. The executive management team is currently identifying a tertiary institution with an accredited facilities management programme in which to place unemployed graduates from Khayelitsha in anticipation of a succession plan, or for an intake of local people as employees of KRETAIL in future.

Progress has been made regarding the Phase two project of the Retail Centre. The executive management with the evaluation and adjudication committee has been working tirelessly to ensure that the Urban Development Framework (UDF), submitted by the team of professional consultants, receives input and comments from the relevant officials at both City and Provincial level with the intention to solicit approvals on the proposed Urban Design Framework (UDF) mooted by KCT for the remaining undeveloped Khayelitsha Business District (KBD) land.

Aerial view of Show Village

The request for proposals has been finalised. The response was disappointing with a limited number of submissions of interest received and very few actual proposals received. The process is at its final stage and the Board will review the recommendations from the adjudication committee.

The executive management is currently searching for a suitable service provider that will facilitate a community equity raising programme in order to attract local investors. Upon Board approval, the scheme will be launched and will be extensively advertised in order to encourage community members to participate.

Office Block

A needs assessment has been conducted and completed. The offices form part of the UDF and have been highlighted as an integrated precinct that will link the public hospital and retail precincts. Some portion of the office block is anticipated to be rental stock for apartments for people working in the area, but it is not yet certain if they wish to purchase property. It is anticipated that the ground floor will be allocated to fast food outlets or restaurants that will capture the foot traffic movement between the Khayelitsha District Hospital and the KBD.

Housing Delivery

Management has made extensive progress in forging strategic partnerships with partners who will enable the Trust and KBD Housing (Pty) Ltd (KHOUSING) to develop housing stock for resale. The executive management of KCT and that of Cape Town Community Housing Company (CTCHC) are currently going through the finalisation of a Memorandum of Understanding, where they will formalise their relationship as developers for the housing project. The City of Cape Town Housing Department, Provincial Human Settlement and CTCHC, have forged a partnership for housing delivery. Once again, Rand Merchant Bank (RMB) has been a part of this project through the proposed provision of finance, we are grateful to their team for sharing the KCT vision.

Management is currently sourcing funds for bulk infrastructure and finalising approval of the house plans by the CoCT. The Housing Development is planned to be phased and will be integrated where there will be Breaking New Grounds (BNG) and Gap housing in order to accommodate integrated income earning groups.

Some of the KCT staff members will be based at the satellite office in Khayelitsha in order to prepare and interact closely with the primary stakeholders in preparation for housing development, where local subcontractors and local labor will be sourced.

Intensify communication and capacity building with Khayelitsha residents, especially the business community.

Khayelitsha Business District: Retail Centre, Multi-purpose Centre, Public Swimming Pools, Magistrate Office, Home Affairs

Show Village Property

The Trust, through its executive management, is engaging with a Non Governmental Organization (NGO) which is interested in investing in property in Khayelitsha to support children and youth with HIV+ status, enabling them to gather for extra-mural and sporting activities in order to remain healthy. The Trust is currently negotiating with the leaders and the professional team of the NGO with regards to the value of property and any potential partnership arrangement between the two organisations.

Medical Facility

KCT has been involved in negotiations with certain medical practitioners. The team has applied for a license to operate a private hospital to be built in Khayelitsha which is set to compliment the services to be provided by the public hospital. Local medical doctors have been approached to collaborate with the group who will develop this hospital. The private hospital is at its embroyonic stage, the investors and KCT's relevant primary stake-holders are busy with feasibility studies. It is envisaged that this project will be developed in 2013.

Plans for the New Financial Year

1. Review the existing policies and procedures to ensure compliance and relevance to the new independent status of the Trust, that is no longer a municipal entity with effect from 1 July 2011
2. Continue to increase the capacity of the KCT and its subsidiaries as new responsibilities are finalised.
3. Continue to raise funds from alternative sources for different KCT projects.
4. Intensify communications and capacity building with Khayelitsha residents, especially the business community.
5. Continue to timeously submit progress reports to our primary stakeholders on KCT and its investment companies.
6. Confirm the funding for infrastructure for housing bulk services.
7. Continue to source alternative office space in Khayelitsha for KCT and its investment companies staff compliment.
8. Appoint contractors and sub-contractors for civil works.
9. Solicit funding for Phase 1 & 2 Housing Development from various financial institutions that are currently in negotiations with the KCT management.
10. Building of Phase 1 and Phase 2 housing units.
11. Finalisation of the appointment of a successful bidder for phase 2 retail development.
12. Raising awareness and marketing of shares as "Equity raising Strategy" for KCT in promoting local ownership through investment.
13. Continue to monitor progress on development of the remaining precincts for the Office Block and Private Hospital.

Chief Executive Officer's Report

Mkhululi Gaula
CEO

1. Introduction

The year under review has been characterized by the consolidation of the key development plans that the Khayelitsha Community Trust (KCT) has identified as part of Phase 2 development of the Khayelitsha Business District (KBD). So much has been done by way of initial investments in the 1st Phase of the KBD development. The completed Urban Design Framework (UDF) for Phase 2 seeks to build on the past achievements and attract further investment for the future growth and development of Khayelitsha. The Phase 2 UDF initiatives entail the expansion and refurbishment of the R90 million retail centre that was completed with funding from the Rand Merchant Bank (RMB) in 2005, the development of a business /office park that is wholly owned by KCT, the establishment of a 60-bed private hospital, the roll-out of approximately 3000 residential units and the possible conversion of the Show Village into an HIV/AIDS Child Healthcare Facility.

All these plans require not only substantial funding but also rigorous interaction with the local community. On this score, KCT has been involved in a number of public relations exercises including consultation with key local stakeholders like the Khayelitsha Development Forum (KDF) and local councillors to ensure that KCT plans and programs speak directly and relevantly to the needs of the local community at large.

2. Background

In 2003, KCT was established as a municipal entity responsible for coordinating the development of the KBD on behalf of the City of Cape Town. However due to changes in law since the formation of KCT, the City of Cape Town and the Trust have agreed to change its legal status. KCT will no longer be deemed to be a municipal entity but will be able to operate independently effective from 1 July 2011.

Until now, KCT has been regulated by the same laws governing municipalities in particular the Municipal Systems Act and the Municipal Finance Management Act (MFMA) as a means for accounting on its overall performance and financial expenditure. In terms of its development agenda, KCT has derived its policies mainly from the City of Cape Town's Integrated Development Plans (IDPs) that prioritize the provision of housing, integrated transport plans, environmental preservation and sustainable local economic development initiatives.


Khayelitsha Magistrates Court


VPUU volunteers

Hence in the execution of all its developmental programs, KCT has been administratively accountable to the City's Shareholder Management Unit.

During a strategic planning workshop in January 2011, KCT endorsed a Spatial Development Plan that has been drafted by a group of consultants as part of the organization's drive to initiate Phase 2 of the KBD development. The 2011/2012 financial year will be largely dedicated to facilitating the implementation of these developments. However, major challenges rest with the time it takes for the City of Cape Town Municipality to approve the subdivision and zoning applications as well as finalizing environmental impact assessments. Benefitting from the good working relations KCT enjoys with the City of Cape Town the latter challenges are by no means insurmountable. Hence despite all these challenges, KCT is well-positioned to undertake such developments successfully.

In previous financial years the organization has received unqualified audit opinions from the Auditor-General notwithstanding some reference to under-expenditure. The past financial year has also seen the organization bolstering its administrative capacity by hiring two additional executives to its management echelon – the Chief Operations Officer and the Communications Manager who were employed by KBD Management (Pty) Ltd (KMANCO). This has contributed positively in KCT being able to mitigate some of the high risks that have been plaguing it. Except for the delays in implementing the housing development, uppermost in these risks has been the inability to profile KCT within the Khayelitsha community and threatened sustainability as a result of the formidable fundraising challenges.

3. Growth & Sustainability Plans

3.1 Equity Raising Strategy

The Chief Operations Officer is currently considering an equity raising strategy that will see the Khayelitsha community participating in a multi-million rand public share ownership scheme initiated by KCT. This strategy is aimed at inviting potential investors to buy shares towards the ultimate ownership of the Khayelitsha retail centre by the community. Quite soon a preferred service provider who shall be a reputable finance advisory group will be appointed to drive this public share initiative on behalf of KCT.

Should this strategy be approved by the KCT Board and the community, its major benefit will be the fact that for the first time people of Khayelitsha will take pride in owning such a lucrative asset as major, if not 100%, shareholders. Nowhere in the country has such a bold truly broad-based black economic empowerment initiative been undertaken on an existing retail centre. The equity raised will also be used in financing the expansion plans mentioned earlier as well as improving the trading conditions of the informal traders located right next to the Khayelitsha Mall.

3.2 Housing development

Plans are afoot to roll-out a mixed development housing project comprising a maximum of 2000 residential units on a 23 ha piece of land located right at the KBD. KCT is working very closely with the City of Cape Town's Housing Directorate and through the Urban Renewal Unit substantial inroads have been achieved in getting closer to the implementation date. Currently, a R20 million Urban Settlements Development Grant (USDG) funding application is being lodged with the City's Department of Housing Finance and Leases for the provision of bulk infrastructure and reticulation services.

Phase 1 of the housing project will deliver 676 Gap housing units in partnership with RMB and FNB Housing and the layout plans have already been approved by the municipality. Phase 2 planning processes are underway where KCT seeks to partner with Cape Town Community Housing Company (CTCHC) for the delivery of 682 institutional subsidy housing units targeting the joint income category of R3500 per month. Through CTCHC, KCT will be able to benefit from the National Housing Finance Corporation's (NHFC) top-up loan funding that will contribute to improving the quality of the units thus ensuring that the aesthetics of the KBD development are greatly enhanced.

3.3 Private Hospital development

A group of medical practitioners operating in and around Khayelitsha has approached KCT for the establishment of a specialized 60-bed health facility in Khayelitsha. After several presentations and the submission of a detailed business plan, the KCT Board has agreed to earmark a piece of land for this proposition. The project is currently at a stage where both parties are negotiating the terms of the agreement for greater emphasis on equity structuring and duration thereof. The advantage of a private hospital is to ensure that Khayelitsha is on a par with other surrounding communities like Mitchell's Plain, Bellville and Gatesville where medical centres are available.

The envisioned private hospital.

OR Thambo Sports Complex

I strongly believe that given the mammoth tasks ahead we shall rise to the occasion and achieve more significant delivery milestones.

3.4 Ubuntu Africa Child Healthcare facility

KCT is also in talks with a US-originated NGO known as Ubuntu Africa Child Healthcare for either the conversion of KCT's 9-unit Show Village into a HIV/AIDS healthcare facility or the purchasing or leasing of a piece of land for purposes of establishing the facility. The beneficiaries in this program are children from Khayelitsha that are affected and infected with HIV/AIDS and cannot receive proper treatment from their families either due to financial difficulties, neglect by elders or as orphans. The process is presently at a stage where both parties need to finalize the purchase price or the financial terms governing the acquisition of the facility.

4. Conclusion

Besides the abovementioned capital intensive infrastructure and investment projects, KCT is also involved in a number of softer programs that aim to provide immediate benefit to the community. For instance, KCT has signed an agreement with an organization known as CSS Tirisano for the distribution of computers to Khayelitsha-based schools and needy NGOs. The computers will be maintained free of charge for a period of one year and the duration of this donation is over a period of three years consecutively. The parties involved are currently finalizing the logistics of the handover process which include diagnosing the safety precautions undertaken by the beneficiaries to minimize the risk of theft and damage to the goods.

Finally, I would like to take this opportunity to thank the trustees for their steadfast commitment in guiding KCT personnel on all matters relating to the smooth operations of the organization. Many thanks to my colleagues as well for contributing so immensely towards ensuring that the overall organizational objectives are pursued tirelessly. The staff performance appraisals that were conducted recently and whose outcomes were overwhelmingly approved by the Board is a case in point in attesting to the latter. Without your dedication and commitment to the ideals of lifting up economically the community of Khayelitsha we would not have come this far and I strongly believe that given the mammoth tasks ahead we shall be able to rise to the occasion and achieve more significant delivery milestones.

Mkhululi Gaula
Chief Executive Officer

Our Operational Team:
(fltr) Phumla Dlungwana, Thanduxolo Wili, Quintus Williamson, Mkhululi Gaula, Nosomi Mdyesha & Liezle Saayman.

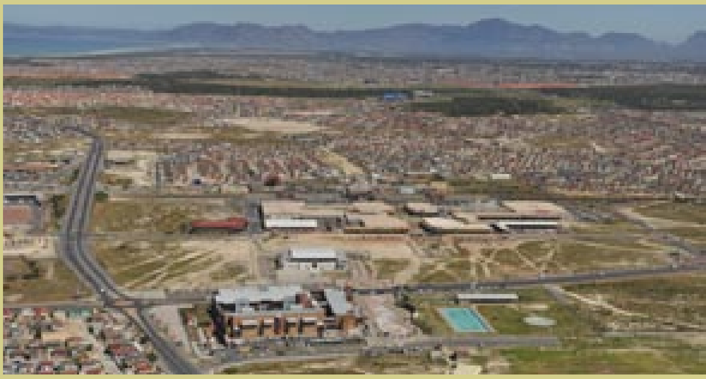
Our Executive Management:
Chief Operations Officer & Chief Executive Officer

Our Financial Manager:
Samela Titus

(fltr) Our Communications Manager, acting Financial Manager and Administrative Secretary

VPUU: Harare Prescinct 3

Soccer fever hits the Retail Centre



Khayelitsha Business District

KCT's **Objectives**

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

I. To acquire land and development rights
II. To establish a development entity/entities to implement the development
III. Through and with other parties, to procure community facilities;
IV. Through and with other parties, to procure the promotion, facilitation and support access to the land and use of the land;
V. To procure the management of the business district;
VI. To introduce and implement an empowerment strategy;
VII. To raise funds to achieve all of the above
VIII. To determine the terms and conditions and manner in which surplus funding from grants received will be distributed/ invested.

The Phase 1 review and the assessment of organisational capacity and the stakeholders' workshop elucidated further goals and objectives:

- To improve the functionality and operations of the Retail Centre by providing it with a roof over the pedestrian mall, expanding on 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 demands and also importantly the preferences of the 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 understand the short-, medium- and long-term role of KCT in Khayelitsha against the backdrop of existing agreements and the needs profile of Khayelitsha.

The long-term objective of KCT is to meet its mandate to uplift and empower the community of Khayelitsha.

On the latter goal, the objectives of KCT stretch beyond the development and management of the KBD, all the way to empowering and uplifting 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, goals must be formulated for the short, medium and long-term.

In the short-term the objectives are:

1. To capacitate the institutional structures to ensure that human resources are 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 demands, optimally utilising available bulk.

In the medium term the objectives are:

1. To finalise the construction of Phase 2 of the KBD
2. To settle outstanding loan amounts as efficiently as possible
3. To forge and maintain a creative and strategic approach to partnerships and collaboration agreements with Khayelitsha's relevant stakeholders
4. To develop and maintain an up-to-date community needs profile of Khayelitsha and match this with the 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. Over a period of time becoming financially self-sustaining, investing in further developments and programmes that align with the primary objective of KCT to alleviate poverty in Khayelitsha.
4. Monitoring the implementation of a Community Benefits Strategy that identifies direct (ownership through shares) and indirect (access to services and facilities and the economic spin-offs of the KBD development) benefits to the community.

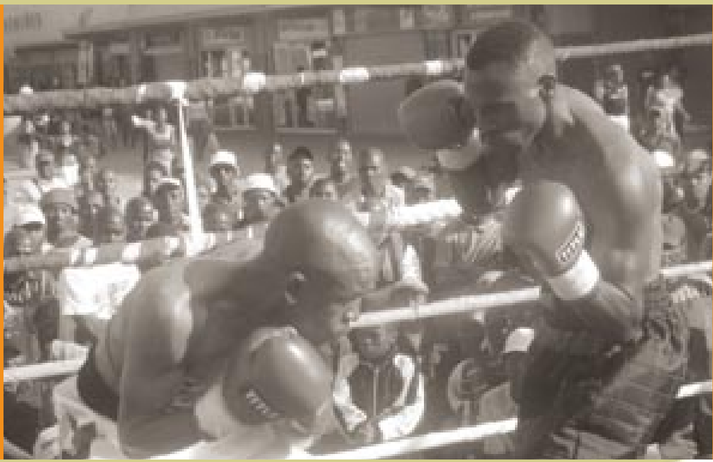
Seated: Our previous Executive Mayor Alderman Dan Plato, Ms. Bulelwa Belu-Toni (Chairperson)
Standing: Mr. Mkhululi Gaula (CEO)

City of Cape Town's **Objectives**

The City of Cape Town's objectives for Khayelitsha include:

- Creating an environment which is conducive to the growth of the community's economy;
- Enabling universal access to basic services;
- Effective management of City's infrastructure and resources;
- Improving public transport systems and services;
- Improving and developing integrated human settlements;
- Delivering housing opportunities;
- Fostering a safe and secure environment;
- Facilitating the development of a healthy and socially inclusive society;
- Ensuring enhanced service delivery with efficient institutional arrangements;
- Facilitating the conservation of natural resources;
- Establishing effective community engagement channels;
- Managing key financial areas such as income control, cash flow, indigent support, alternative income opportunities, asset management and risk management.

> The KCT is committed to the sustainable development of Khayelitsha.



"Punches in Bunches" boxing tournament at Khayelitsha Mall held in June.

Mkhululi Gaula, Nosipho Mahlanyana, Fezile Cotani, Thando Siwisa at the World Design Capital Bid Book presentation in Khayelitsha.

2010/2011 **Performance Highlights**

The highlights of KCT's 2010/2011 operations includes, inter alia;

- The KBD Phase 2 UDF was approved by the board and is currently with the City of Cape Town for consideration and approval.
- A Memorandum of Understanding (MoU) has been entered into between KCT and CTCHC for the implementation of institutional subsidy units.
- Settled some outstanding loans held by KRETAIL with RMB in accordance with requirements set out in agreements between the entities.
- Organised HIV/AIDS Awareness Boxing Tournament at the Retail Centre
- Finalised KCT's partnership with the City of Cape Town, Cape Town Partnership and VPUU in hosting the presentation of the World Design Capital 2014 bid book to the Mayor in Khayelitsha.
- Approved KCT's partnership with CSS Tirisano where computers will be donated to needy schools and NGO's in Khayelitsha.
- KCT has managed to achieve yet another unqualified opinion for the 2010/2011 financial year.

Children at the library.

Bulewa Makalima-Ngewana handing over the bid book to current Mayor Patricia de Lille. KCT co-hosting the event.

The current mayor, Patricia de Lille said; "We are building an inclusive city, one based around five pillars: the opportunity city, the safe city, the caring city, the inclusive city and the efficient city. Design is a tool for all of these areas of building a truly inclusive city. It is able to inform us as to how we can best provide employment and upliftment to improve the quality of life of our citizens."

City of Cape Town mayor, Patricia de Lille and Mkhululi Gaula at the WDC 2014 Bid Book presentation.

Mandela Sport Stadium

PART **TWO**

GOVERNANCE & INSTITUTIONAL Arrangements

Khayelitsha is shedding off its stigma of being a township where crime and unemployment is high and is transforming into a township where communities are working together with government and private investors to make Khayelitsha a better place to live.

An introduction to Khayelitsha

Khayelitsha was established in 1985 as a solution to the huge growing black population that was illegally settling in townships such as Nyanga and Crossroads. Many of these individuals were people who had left the Eastern Cape for the prospects of finding a better living in Cape Town. Xhosa is the language that is mostly spoken in the area and most residents predominately migrate from the Eastern Cape in search of better resources, employment and educational opportunities.

Khayelitsha is the fastest growing township and is the second largest township in South Africa, the first being Soweto in Johannesburg and the third being Mdantsane in the Eastern Cape. Khayelitsha is a Xhosa term briefly translated as 'our new home' and has an estimated 1, 5 million residents varying from the old and young, affluent and poor.

The rapid growth of Khayelitsha is also testament to how many improvements have taken place in the township. Khayelitsha is one of the provinces national Urban Renewal Nodes where the plan is to see Khayelitsha transformed from a township into a suburb by 2020.

A glimpse of Khayelitsha

Khayelitsha is slowly shedding off its stigma of being a township where crime and unemployment is high. It is transforming into a township where communities are working together with government and private investors to make Khayelitsha a better place to live. Khayelitsha now has numerous shopping centres, a BMX race course, a swimming pool, a multi-purpose centre, a magistrate office, licensing centre and many more amenities.

Tourism is increasing as is evident in the rise of B&B's that are often visited by Hollywood celebrities to create exposure. Khayelitsha is a township that is destined for bigger and better opportunities, but there are many improvements still desperately needed. However Khayelitsha is slowly shedding most of the stereotypes that have been associated with the township for far too long and is now slowly transforming into an envisioned suburb.

The 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 a "Cooperation and Collaboration Agreement" with Rand Merchant Bank (RMB), whereby RMB would secure the necessary private sector funding to initiate phase 1 of the KBD development.

The Board of Trustees

Bulelwa Belu-Toni
CHAIRPERSON

Mandla Maxongo
DEPUTY CHAIRPERSON

Anthony Coombe
CHAIRPERSON: Audit Committee

John Biesman-Simons
CHAIRPERSON: Finance Committee

Xoliswa Daku
CHAIRPERSON: HR Committee

Mvuyisi Macikama
MEMBER

Attendance of Board & Sub-committee Meetings

DETAILS OF THE BOARD OF TRUSTEES			
BOARD MEMBER	CAPACITY	POSITION	RACE &GENDER
Bulelwa Belu-Toni	Non-executive	Chairperson	Black Female
Mandla Maxongo	Non-executive	Deputy Chairperson	Black Male
Anthony Coombe	Non-executive	Member	White Male
John Biesman-Simons	Non-executive	Member	White Male
Xoliswa Daku	Non-executive	Member	Black Female
Mvuyisi Macikama	Non-executive	Member	Black Male

BOARD MEETINGS FOR THE 2010/2011 FINANCIAL YEAR			
BOARD MEMBER	POSITION	ATTENDANCE	TOTAL NUMBER OF MEETINGS
Bulelwa Belu-Toni	Chairperson	5	5
Mandla Maxongo	Deputy Chairperson	2	5
Anthony Coombe	Member	5	5
John Biesman- Simons	Member	4	5
Xoliswa Daku	Member	4	5
Mvuyisi Macikama	Member	0	5

SPECIAL BOARD MEETINGS FOR THE 2010/2011 FINANCIAL YEAR			
BOARD MEMBER	POSITION	ATTENDANCE	TOTAL NUMBER OF MEETINGS
Bulelwa Belu-Toni	Chairperson	3	3
Mandla Maxongo	Deputy Chairperson	3	3
Anthony Coombe	Member	2	3
John Biesman-Simons	Member	2	3
Xoliswa Daku	Member	2	3
Mvuyisi Macikama	Member	0	3

ANNUAL GENERAL MEETING FOR THE 2010/2011 FINANCIAL YEAR			
BOARD MEMBER	POSITION	ATTENDANCE	TOTAL NUMBER OF MEETINGS
Bulelwa Belu-Toni	Chairperson	1	1
Mandla Maxongo	Deputy Chairperson	1	1
Anthony Coombe	Member	1	1
John Biesman-Simons	Member	0	1
Xoliswa Daku	Member	0	1
Mvuyisi Macikama	Member	0	1

Attendance of Board & Sub-committee Meetings

(CONTINUED)

FINANCE COMITTEE MEETINGS FOR THE 2010/2011 FINANCIAL YEAR			
BOARD MEMBER	POSITION	ATTENDANCE	TOTAL NUMBER OF MEETINGS
John Biesman- Simons	Chairperson	4	4
Mvuyisi Macikama	Member	0	4

HUMAN RESOURCES AND REMUNERATION COMMITTEE MEETINGS FOR THE 2010/2011 FINANCIAL YEAR			
BOARD MEMBER	POSITION	ATTENDANCE	TOTAL NUMBER OF MEETINGS
Xoliswa Daku	Chairperson	3	3
Mandla Maxongo	Member	2	3
Bulelwa Belu-Toni	Member	3	3

AUDIT COMMITTEE MEETINGS FOR THE 2010/2011 FINANCIAL YEAR			
BOARD MEMBER	POSITION	ATTENDANCE	TOTAL NUMBER OF MEETINGS
Anthony Coombe	Chairperson	4	4
John Biesman- Simons	Member	4	4
Xoliswa Daku	Member	3	4

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 and regulatory reform.

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

Municipal Offices developed by Stock & Stocks.

Key Performance Area	Key Performance Indicators
Social & Economic Development	***1. Projects prioritisation against criteria such as:*** • The extent to which market demand is being met. • The overall feasibility of the project and potential to create financial returns 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 trustees and employees participated in training and other initiatives to enhance their skills and knowledge. ***2. Transparency and Accountability*** • The extent to which Trustees were 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 deadlines. • The extent to which the opinion of the Auditor-General was unmodified. ***3. Stakeholder relations*** • All initiatives should be planned in collaboration with KCT stakeholders, supported by the external communications strategy. ***4. Employee and Trustee Performance*** • All Trustees and Employees must be subjected to performance contracts set against their job descriptions. ***5. Risk Management*** • A thorough risk assessment processes should be followed for all major corporate and strategic decisions. These assessments should be properly documented.
Financial Performance	***The extent to which KCT, KMANCO and investment 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 investment companies. • Attraction of partners, funders and investors. • Ability to generate a surplus for re-investment.

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 nodes 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 aimed at alleviating congestion by providing sustainable transport alternatives.

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 progressed with the implementation of its empowerment strategy.

Equitable and effective service delivery

The appointment of the KCT CEO, the establishment of an effective working environment and KCT's new satellite office at the Khayelitsha Training Centre, will aid in the improvement of service delivery to the community of Khayelitsha. Furthermore, the investment company, KMANCO has been capacitated.

Safety & Security - Violence Prevention through Urban Upgrading (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 Violence Prevention through Urban Upgrading (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 organisation and initiatives.

Integrated Human Settlements

In 2005 KCT entered into a Land Availability Agreement with the City of Cape Town Municipality for the development of housing units on a 23 ha piece of land. Through funding from RMB a 9-unit Show Village was built but the units could not be sold due to the subsequent economic recession that resulted in the development being delayed.

The project has since been revitalized beginning with the redrafting of the building plans and submission thereof to the parent municipality. It is envisaged that approximately 2000 residential units will be constructed through various phases of mixed typologies.

Phase 1: KCT is in the process of lodging a funding application for the provision of bulk infrastructure services to build 400 institutional subsidy housing units targeting income earners of R3 500 per month or less. The Urban Settlements Development Grant (USDG) is to be tapped into to fund the R25 million infrastructure services. As soon as the money is secured KCT will embark on an open public tender process to appoint a contractor that will install the civil services. The City of Cape Town through its Housing Directorate and the Urban Renewal Programme has positioned itself as a critical partner towards the success of the project. To ensure that good quality control is achieved, KCT is entering into a strategic delivery partnership with CTCHC. Through top-up funding from the National Housing Finance Corporation (NHFC) who are the 100% shareholders in CTCHC, phase 1 & 2 therefore promise to deliver quality units befitting a CBD development.

Phase 2: Similar with Phase 1, KCT is also engaging the City of Cape Town for subdivision application approval that will unleash the roll-out of an additional 500 institutional housing subsidy units on a 11 ha piece of land as part of the KBD housing project. This phase is also intended to target the poorest of the poor, that is, those that are earning a joint income of R3500 per month. The major social benefit in this phase is not only the fact that decent shelter will be provided for the low income category but also the fact that they will enjoy the benefits associated with living in the KBD. Once fully developed, the KBD will resemble state-of-the-art aesthetics and services accessibility of any highly urbanized metropolitan node.

The same applies with the roll-out of subsequent phases – the aim is to ensure that the local community is exposed to various choices through different housing products that are delivered. The KCT Board has also emphasized the fact that these buildings must embody the concept of energy efficiency by encouraging the use of alternative building technologies / methods.

◄ *Proposed housing project at the KBD.*

Phase 3: Through intense engagements with the community of Khayelitsha, the need for decent quality houses has been raised repeatedly. In fact, it is being strongly recommended that this project must include some gap housing component. This is being targeted to form part of Phase 3 where in the region of 300 units will be constructed. The aim is to target families earning around R10 000 joint income per month.

Various typologies like 3 storey walk-ups, duplexes/semi-detached units and semi-detached simplexes will be built comprising higher-end finishes. In order to serve and fit within the affordability levels of the Khayelitsha community, the price range of these units will range from R250 000 to R300 000. The major finance institutions in the country will be approached to provide both the development funding as well as end-user finance for the project.

Conclusion

The 2011/12 financial year is being prioritized to serve as the year of implementation and delivery on the Khayelitsha Business District housing project. In line with is mandate of providing economic upliftment to the Khayelitsha community, KCT can ill-afford to delay prioritization of providing decent shelter benefitting the poorest of the poor hence the greater emphasis is on rolling out more of the institutional subsidy housing units.

PART **THREE**

The **KCT PERFORMANCE** Report

Khayelitsha Community Trust Performance Report 2010/11

While the Trust was a municipal entity of the City of Cape Town ("the City") until 30 June 2011, it aligned its performance measurement approach with that of the City'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 City as required by the MFMA.

The following objectives were set by the Trust for the reporting period of 2010/11:

1. *To ensure compliance by KCT with all relevant corporate governance and legislative requirements:*

This has been achieved as follows:

- The Trust has approved a Risk Management Strategy during the 2010/11 financial year
- The Audit committee met at least four times during the 2010/11 financial year
- The Trust had an internal audit function in place during the 2010/11 financial year
- The Trust submitted an updated Business plan and budget for the 2011/12 financial year to the parent municipality no later than 150 days before the start of the financial year as required by section 87 of MFMA
- The Trust established an Executive Management committee in order to expedite decision making processes in service delivery.

2010/11

Budget Date	Performance Indicators	Target Performance	Actual Performance	Reason for variance and remedial action
30/06/11	Hold 8 board meetings for monitoring compliance and service delivery.	8 Trustee Meetings. 4 Audit Committee meetings.	8 Trustee meetings; 4 Audit Committee meetings.	Target achieved.
01/04/11	To review the implementation of the KCT Human and Financial Capacitation Plan and take a decision as to the self-sustainability and efficacy of the capacitated structures.	KCT Human and Capacitation Plan reviewed, appoint CEO & Project Manager, replace Directors of KBD Management Company as required, manage financial reporting of Investment Companies.	KCT structure has been reviewed as a result KCT will no longer be a municipal entity; Project manager for housing project has been contracted; the COO of KMANCO manages the financial reporting of the investment companies; the appointment of additional Directors for investment companies is pending the final approval of the Shareholders.	Nominated additional directors for the investment companies to be finalised once KCT Board, as shareholders, has approved.
From appointment of staff	Cover initial salary costs of capacitated investment companies for a period of one year (from appointment of staff members), after which review their performance and ability to self-sustain.	R1,176,415	R1,128,059	Administrative secretary appointed from February 2011.

2009/10 (prior year)

Budget Date	Performance Indicators	Target Performance	Actual Performance	Reason for variance and remedial action
30/06/10	Hold 8 Board Meetings for monitoring compliance and service delivery.	8 Trustee Meetings. 4 Audit Committee meetings.	8 Trustee Meetings; 6 Audit Committee meetings.	Target achieved.
01/10/09	Board to appoint an ad-hoc bid specification and adjudication committee for the appointment of legal, recruitment and selection consultants to implement a legally compliant and capacitated set of structures for KCT, KMANCO and its Investment companies.	Ad-hoc bid adjudication committee appointed.	The City's Shareholder Management Unit is assisting the Trust in obtaining legal advice.	The City's Shareholder Management Unit is assisting the Trust in obtaining legal advice on compliance with regards to its structures. At year end, discussions on the matter were still in progress between the City's Shareholder Management Unit and the attorneys
21/10/09	Completion of the bid evaluation by the ad-hoc adjudication committee.	Bid evaluation completed.	The City's shareholder management unit is assisting the Trust in obtaining legal advice.	At year end, discussions were still in progress by the City's Shareholder Management Unit with the attorneys.
02/11/09	Appoint legal and recruitment and selection consultants to implement a legally compliant and capacitated set of structures for KCT, KMANCO and its Investment Companies.	R296,353	R139,942	Savings due to the City assisting with obtaining legal advice on the compliance matter of the structure of KCT and its Investment Companies
From appointment of staff	Cover initial salary costs of capacitated investment companies for a period of one year (from appointment of staff members), after which review their performance and ability to self-sustain	R2,092,763	R890,143	Capacitation of investment companies not finalised in current year.

2. *To facilitate affordable residential development in Khayelitsha Business District.*

Progress made as follows::

- The Trust established a housing working committee to expedite the implementation of the housing project
- The Trust developed a business plan for the housing project as a tool for sourcing alternative funding for the construction of houses
- The Trust contracted consultants who include amongst others a project manager and, engineers to assist in the implementation of the housing. Payments amounting to R1,128,059 were made towards the implementation of housing during the 2011 financial year.

2010/11

Budget Date	Performance Indicators	Target Performance	Actual Performance	Reason for variance and remedial action
01/07/10 & ongoing	Monitor and evaluate the housing working committee through regular feedback sessions.	COO & CEO to meet with appointed housing working committee monthly & contracted committee members to submit progress reports.	Monthly meetings held until December 2010 thereafter meetings held bi-monthly due to delays caused in the funding approval processes of financiers. Progress reports from housing committee working committee members reviewed and signed by COO.	Due to delays in the funding approval processes of financiers, the working committee did not meet monthly. The Trust has entered into a Memorandum of Understanding with the Cape Town Community Housing Company as a means for expediting delivery in the housing project.
30/12/10	Alternative funding sourced for Housing Project.	Funding sourced.	A funding application is being lodged with the City of Cape Town for the installation of bulk infrastructure services through the Urban Settlements Development Grant (USDG).	Funding has not yet been secured from RMB which has indicated interest in partnering with KCT in providing development & end-user finance on the project. A Memorandum of Understanding (MoU) has been entered into between KCT and Cape Town Community Housing Company for the implementation of institutional subsidy units and top-up loan funding will be obtained from National Housing Finance Corporation (NHFC).

2009/10 (prior year)

Budget Date	Performance Indicators	Target Performance	Actual Performance	Reason for variance and remedial action
31/07/09	Meet with the City of Cape Town officials to investigate alternative funding.	Trust to meet with City officials & have outcome of possible alternative funding.	At a meeting attended by the Trust chair with the City officials & the Mayor in July 2009, it was agreed that a housing task team be established to provide motivations for funding required for housing.	The Task Team was subsequently established in November 2009 and is currently in the process of developing new building plans that are affordable to the Khayelitsha local community.
30/06/10	Alternative funding sourced for Housing Project by 30 June 2010	Funding sourced.	Development funding that includes top structure funding for the housing units and payments for the professional fees has been secured with RMB.	Appointed professional team is in progress of developing new specifications with costs for the housing units. Negotiations will be entered into with the City of Cape Town for cross subsidization on the bulk infrastructure costs that will also result in the reduction of the housing unit costs.

3. To facilitate the upgrading of bulk electricity supply in Khayelitsha Business District.

2009/10 (prior year)

Budget Date	Performance Indicators	Target Performance	Actual Performance	Reason for variance and remedial action
	Establish networks for housing project, municipal offices, hospital and extension of the Retail Centre.	R353,647	R353,647	Target achieved.

4. To update the development plan and operational and decision-making framework for Khayelitsha Business District.

This has been achieved as follows:

- The service delivery agreement payments for the professional team appointed for the updating of the development plan extended over the 2010/11 financial year.

2010/11

Budget Date	Performance Indicators	Target Performance	Actual Performance	Reason for variance and remedial action
	Appointment of consultants to provide revised development plan for KBD and approval thereof. Appoint specialists (Urban Planners, Town Planners, Engineers, Architects, Public Participation Specialists, Socio-Economic planners etc).	R3,790,840	R3,107,590.57	Specialist consultants were appointed with savings in costs. The development plan has not yet been approved by the City though it has just been submitted for consideration and approval.
01/07/10 & Ongoing	Monitor and evaluate the performance of the professional planning team through regular feedback sessions and coordination with KMANCO Directors.	Contracted project manager to hold monthly meetings with the professional team. COO of KMANCO to meet with contracted project manager bi-monthly to obtain feedback.	The contracted project manager held monthly meetings with professional team and provided minutes of meetings to COO. COO held meetings with contracted project manager bi-monthly where progress reports were submitted by the professional team were reviewed and by the COO prior to being submitted for payment.	Target achieved.
31/05/11	To adopt a full development framework and necessary technical planning documents, tenanting and financing strategies and urban management frameworks for Phase 2 implementation.	Updated development plan approved.	Negotiations with PRASA have been conducted & development framework approved by the KCT Board. This is awaiting City approval.	On submission of the development plan to the City of Cape Town, the latter referred the KCT report back for further consultation with City structures like the Planning & Environmental Portfolio Committee (Pepco) for consideration. The development plan has been submitted to the City of Cape Town and is now awaiting a decision by Council.

2009/10 (prior year)

Budget Date	Performance Indicators	Target Performance	Actual Performance	Reason for variance and remedial action
31/08/09	Liaise with CoCT & GCIS officials on the outcome of the municipal offices needs assessment and ensure this is integrated into the brief for appointed professional planning team.	Integrate outcome of needs assessment into brief.	Outcomes of the needs assessment process performed by the City of Cape Town's consultants was completed in May 2010. The report is still being reviewed for approval by the City's internal structures.	Delay in the appointment of needs assessment consultants by the City caused by the City finalizing its service delivery model. Report to be provided to professional team once approved by the City and KCT Board.
31/07/09	Liaise with Intersite & SARCC with regards to outcome of market research procured by Intersite for the land adjacent to the KBD & ensure ongoing collaboration is accounted for in the brief for appointed professional planning team.	Professional planning team brief finalised with information from Intersite & SARCC.	Information received from SARCC; confirmed by ACG Architects.	Target achieved.
01/10/09	Board to appoint an ad-hoc bid specification and adjudication committee for the appointment of specialists for the revised development plan.	Members of the adjudication committee appointed.	Members were appointed at a Board meeting held in November 2009.	Target achieved.
16/10/09	Site inspection process with specialists completed.	Site inspection completed.	Site inspection not conducted.	It was decided that the site inspection won't be as effective because bidders had to first grapple with Phase 1 development plans. Hence as a substitute to the site inspection the following documents were served: 1. KBD Phase1 review 2. Khayelitsha spatial zone 3. KBD planning information document.
29/10/09	Completion of the bid evaluation by the ad-hoc adjudication committee.	Bid evaluation to be completed.	Bid evaluation completed on 1/12/09	Target achieved.
09/11/09	Appointment of consultants to provide revised development plan for KBD and approval thereof. Appoint specialists (Urban Planners, Town Planners, Engineers, Architects, Public Participation Specialists, Socio-Economic planners etc)	R3,363,334	R1,325,894	Savings in costs resulting from quotations received and accepted being less than budgeted figures. Payments to consultants made according to service delivery agreements. Balance of payments to be made end September 2010.

5. *To adopt a full development framework and necessary technical planning documents, tenanting and financing strategies and urban management frameworks for Phase 2 implementation.*

This has been achieved as follows:

2010/11

Budget Date	Performance Indicators	Target Performance	Actual Performance	Reason for variance and remedial action
31/05/11	Finalise and approve an urban framework for the KBD, that has successfully been through a public participation process; Finalise and approve a set of architectural/building plans for Phase 2 of the KBD; Finalise and approve a costing and financial modelling (including return on investment projections) for Phase 2 of the KBD.	Updated development plan approved.	Negotiations with PRASA have been conducted & development framework that successfully went through a public participation process has been approved by the KCT Board but only awaiting City approval.	On submission of the development plan to the City of Cape Town, the latter referred the KCT report back for further consultation with City structures like the Planning & Environmental Portfolio Committee (Pepco) for consideration. The development plan has been submitted to the City of Cape Town and is now awaiting a decision by Council.

6. *To secure alternative funding sources of funding to cover the construction costs of Phase 2 development of the KBD, based on the outcome of the urban planning process.*

Progress made as follows:

- An expression of interest was advertised in local and national newspapers in August 2010 calling for interested parties for further development of the Khayelitsha Business District which received 8 responses
- Tender process was followed which received 5 responses of which only 2 companies made the final deadline set for further evaluation by the appointed evaluation committee.

2010/11

Budget Date	Performance Indicators	Target Performance	Actual Performance	Reason for variance and remedial action
01/07/10	Board to appoint an ad-hoc bid specification and adjudication committee for the appointment of consultants to devise a strategy to raise equity from the community in accordance with existing agreements with RMB.	Members of the adjudication committee appointed	Adjudication and evaluation committee members appointed in November 2010	The Equity Raising Strategy is in the process of being formulated and submitted to the Board for implementation.
31/08/10	Completion of the bid evaluation by the ad-hoc adjudication committee.	Bid evaluation to be completed.	Bid evaluation completed.	Target achieved.
01/10/10	Appoint consultants to devise a strategy to raise equity from the community in accordance with existing agreements with RMB.	Appoint consultants.	The internal Evaluation Committee working on the retail centre bid / tender submission is recommending to the Board a different procurement process to be followed for raising alternative sources of finance for Phase 2 developments.	Presentations are awaited from reputable finance institutions like Grant Thornton, KPMG, PriceWaterhouseCoopers on the appropriate model for rolling out a public share ownership initiative on the Retail Centre & the possibility of securing community equity for financing the rest of Phase 2 developments.
30/06/11	Review recommendations of consultants and adopt a suitable strategy & communicate the strategy and targets to KMANCO Directors	Adopt strategy.	Refer to above.	Refer to above.

2009/10 (prior year)

Budget Date	Performance Indicators	Target Performance	Actual Performance	Reason for variance and remedial action
01/10/09	Board to appoint an ad-hoc bid specification and adjudication committee for the appointment of consultants to devise a strategy to raise equity from the community in accordance with existing agreements with RMB.	Members of the adjudication committee appointed	To be considered at Board meeting scheduled for August 2010.	The development plan for KBD phase 2 that is not yet completed will inform initiatives requiring securing sources for funding. An expression of interest has been advertised in local and national newspapers.
21/10/09	Completion of the bid evaluation by the ad-hoc adjudication committee.	Bid evaluation completed.	Refer to above.	Refer to above.
09/11/09	Appoint consultants to devise a strategy to raise equity from the community in accordance with existing agreements with RMB.	Consultants appointed.	To be considered at Board meeting scheduled for August 2010.	An expression of interest has been advertised in local and national newspapers.
30/06/10	Review recommendations of consultants and adopt a suitable strategy & communicate the strategy and targets to KMANCO Directors	Adopt strategy	Refer to above.	An expression of interest has been advertised in local and national newspapers.

7. *Implementation of KBD development plan.*

This is to be achieved as follows:

2010/11

Budget Date	Performance Indicators	Target Performance	Actual Performance	Reason for variance and remedial action
Ongoing	Provision of public parking area (planning and upgrading)	Planning & upgrading public parking.	Temporary parking provided in the Retail Centre by the City. Recommendations for additional parking have been made by the professional team in the updated development framework.	To be addressed in the implementation of phase 2 development plan.
Ongoing	Improvement of public space and environment (planning and upgrading).	Continued improvement of public space.	No improvement to public space in current year.	Improvements done by the City as and when required.
Ongoing	Taxi rank (planning and upgrading).	Continued planning & upgrading of taxi rank.	No upgrades required in current year. Taxi rank currently operational for long distance taxis. Negotiations in place for short distance operators.	The taxi operators will move over to the new taxi rank once the housing project gets underway as there is currently insufficient commuter demand.
As per outcome of specialist-planning	Construction of municipal offices as recommended by CoCT needs assessment & Thusong Centre guidelines.	Commence construction of municipal offices.	The completed needs assess-ment report was submitted to the City in order to commence with construction.	Awaiting City approvals of the completed needs assessment.
Ongoing	Construction of relevant commercial facilities as per the Phase 2 development framework, a deliverable of the professional planning team.	Commence implementation of Phase 2 development framework.	Implementation to commence once City has approved the development framework.	The development plan has not yet been approved by the City though it has been submitted for consideration and approval.

2009/10

Budget Date	Performance Indicators	Target Performance	Actual Performance	Reason for variance and remedial action
Ongoing	Provision of public parking area (planning and upgrading)	Planning & upgrading public parking.	Temporary parking provided in the Retail Centre by the City. Professional team in progress with the development plan for phase 2 which includes the upgrading of public parking.	To be addressed in the implementation of phase 2 development plan.
Ongoing	Improvement of public space and environment (planning and upgrading).	Continued improvement of public space.	No improvement to public space in current year.	Improvements done by the City as and when required.
Ongoing	Taxi rank (planning and upgrading).	Continued planning & upgrading of taxi rank.	No upgrades required in current year. Taxi rank currently operational for long distance taxis. Negotiations in place for short distance operations.	The taxi operators will move over to the new taxi rank once the housing project gets underway as there is currently no sufficient commuter demand.
Ongoing	Construction of municipal offices as recommended by CoCT needs assessment & Thusong Centre guidelines.	Commence construction of municipal offices.	Needs assessment completed.	The needs assessment report will be tabled at the Mayoral meeting scheduled for September 2010 for final decisions prior to implementation.
Ongoing	Construction of relevant commercial facilities as per the Phase 2 development framework, a deliverable of the professional planning team.	Commence implementation of Phase 2 development framework.	Professional team in progress with the development framework for Phase 2.	Completion of planning envisaged for September 2010. Construction to commence after approval of the Phase 2 development framework.

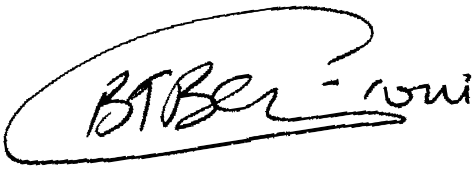
KCT maintains effective, efficient and transparent systems of financial, risk management and internal control.

Look Out Hill

Legislation compliance

- The KCT is operating a bank account in its name as required by the MFMA - Section 85 (1) to (3).
- The KCT has a Chief Executive Officer in accordance with section 93J of the Municipal Systems Act who is the accounting officer of the Trust.
- 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 assets and liabilities 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 and Audit 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 Supply Chain Management (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 allocations received from the City as required by section 123 of the MFMA.
- KCT has developed and approved its own Fraud Prevention Plan as required by Section 95(c)(i) of MFMA.

Performance report approved by the Board of Trustees on 14 November 2011.



Bulelwa Belu-Toni
CHAIRPERSON: Khayelitsha Community Trust

PART **FOUR**

Report of the **AUDIT COMMITTEE**

Report of the **Audit Committee**
FOR THE YEAR ENDED 30 JUNE 2011

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 2011.

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.

Name of Member	Number of meetings attended
Mr AC Coombe (Chairperson)	4 out of 4
Ms X Daku	3 out of 4
Mr RJ Biesman-Simons	4 out of 4

The Chief Executive Officer and Finance Manager as well as representatives of the Internal Auditors and the Auditor-General are standing attendees at each meeting of the Audit Committee, which has direct access to these attendees in the fulfillment of its responsibilities.

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 acted within its terms of reference, which have been approved by the Board of Trustees and within the reporting framework of the MFMA.

EFFICIENCY AND EFFECTIVENESS OF INTERNAL CONTROL

The systems of internal control are designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed.

Based on our review and evaluation of the audit work of the outsourced Internal Auditors and of 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 were operated effectively during the year ended 30 June 2011. Such weaknesses as were identified and reported to us have been or will be rectified by Management.

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

A risk register has been prepared, which was used by the Internal Auditors to prepare their audit coverage plans and to undertake audit work in the higher risk areas identified.

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 City Council are generally adequate to reflect reliably and accurately the results of the Trust in comparison with plans and budgets.

Management has undertaken to include statements of financial position and performance information in future quarterly management reports.

Report of the **Audit Committee** (continued)

FOR THE YEAR ENDED 30 JUNE 2011

EVENT SUBSEQUENT TO THE YEAR END

The trust deed has been amended, as a consequence of which the Trust is no longer a municipal entity with effect from 1 July 2011.

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 2011 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 has considered and concurs with the conclusions of the Auditor-General on the annual financial statements for the year ended 30 June 2011 and recommends them to the Board of Trustees for adoption.

A C Coombe
Chairperson of the Audit Committee
14 November 2011

One of the trophies awarded at the SAFA 5-a-side Soccer Tournament at the Retail Centre.

Training Centre

PART **FIVE**

Report of the **AUDITOR-GENERAL**

REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL OF THE CITY OF CAPE TOWN ON THE KHAYELITSHA COMMUNITY TRUST

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Khayelitsha Community Trust, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets, cash flow statement, statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 62 to 85.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

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

4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Khayelitsha Community Trust as at 30 June 2011, and its financial performance, cash flows and statement of comparison of budget and actual amounts for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Material underspending of the budget

9. With reference to the statement of comparison of the budget and the actual amounts, Khayelitsha Community Trust has materially underspent its budget. At 30 June 2011, underspending amounted to R1 849 239 (16%). The impact of this underspending is that the trust had not achieved the following objectives in terms of its business plan:
   - to secure alternative funding sources to cover the construction costs of phase 2 development of the Khayelitsha Business District, based on the outcome of the urban planning process
   - implementation of Khayelitsha Business District development plan.

Restatement of corresponding figures

10. As disclosed in note 17 to the financial statements, the corresponding figures for 30 June 2010 have been restated as a result of errors discovered during 2011 in the financial statements of the Khayelitsha Community Trust at, and for the year ended, 30 June 2010.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages 35 to 45 and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

Usefulness of information

12. The reported performance information was deficient in respect of the following criteria:
    - Measurability: Indicators are not well defined and verifiable, and targets are not specific, measurable and time bound.

13. The following audit finding relates to the above criteria:
    - Planned and reported targets are not time bound. For the selected objectives, 35% of the planned and reported targets were not time bound in specifying the time period or deadline for delivery.

Compliance with laws and regulations
Investment

14. As disclosed in note 20 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.

Annual performance report

15. Contrary to the requirements of *General Notice 1111 of 2010*, issued in *Government Gazette No. 33872 of 15 December 2010*, the municipal entity did not submit its annual performance report for auditing together with the annual financial statements within two months after the end of the financial year.

INTERNAL CONTROL

16. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the finding on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

17. Adequate actions were not taken to mitigate the risk of non-compliance with laws and regulations. The accounting officer did not understand and exercise his oversight responsibility with regard to financial reporting and related internal control as the report on predetermined objectives was not reviewed and approved by management and the audit committee timeously to ensure that it was submitted to the Auditor-General on time. This led to the late submission of the report on predetermined objectives.

Performance management

18. Pertinent information was not identified and captured in a form and time frame to support performance reporting. Management had not applied a useful set of criteria for selecting performance targets that are specific, measurable, relevant and time bound when the business plan was finalised. This led to certain misstatements occurring relating to the verification and measurability of certain predetermined objective performance targets.

Auditor General

Cape Town
30 November 2011

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence


Khanya Park

PART SIX

Annual FINANCIAL Statements

for the year ended **30 June 2011**

The Khayelitsha Community Trust
(Masters reference T3011/2003)

Annual Financial Statements

FOR THE YEAR ENDED **30 JUNE 2011**

Country of registration	South Africa
Trustees	B Belu-Toni (Chair) M Maxongo (Deputy Chair) M V Macikama 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
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 2011**

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

Contents **Page**

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 system 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 57 to 85 were approved by the trustees on 14 November 2011 and signed on their behalf by:

Trustee BTBelu-Toni

Bulelwa Belu-Toni
CHAIRPERSON: Khayelitsha Community Trust

Trustee Maxongo

Mandla Maxongo
DEPUTY CHAIRPERSON: Khayelitsha Community Trust

Compilation Report of the Accountants to the 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 57 to 85 for the year ended 30 June 2011. 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
Partner: Marc Edelberg
14 November 2011
Cape Town

The Khayelitsha Community Trust

Report of the Trustees

FOR THE YEAR ENDED **30 JUNE 2011**

The trustees present their report for the year ended 30 June 2011. 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 various South African legislation, and more specifically the Municipal Finance Management Act (MFMA), 2003, on financial matters, and by its trust deed.

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

2. Financial results

The trust's net surplus for the year amounted to R 490,623 (2010 : R 499,587).

3. 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 R29,120 (2010 : R19,322) 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 affect the financial position as reflected at year end. The trust deed has been amended as a consequence of which the trust will no longer be a municipal entity with effect from 1 July 2011. The formalities of this change in status are being attended to.

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 Maxongo (Deputy Chair)
M V Macikama
X E Daku
A C Coombe
R J Biesman-Simons

6. Wholly owned investments

	Issued capital	% held		Number of shares	
Name	**R**	**2011**	**2010**	**2011**	**2010**
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 MFMA does not make any reference to a consolidation of a municipal entity with its investment companies due to the fact that the Systems Act does not permit a municipal entity to hold an investment in another entity. Consequently no consolidated financial statements have been prepared.

The Khayelitsha Community Trust

Statement of Financial Position

AS AT 30 JUNE 2011

	Notes	2011 R	2010 R
Assets			
Non-current assets		2,204,395	2,197,159
Plant and equipment	2	104,954	110,867
Investment property	3	1,634,196	1,634,196
Investment	4	100	100
Operating lease asset	5	465,145	451,996
Current assets		5,686,809	10,104,122
Trade and other receivables	6	1,317,717	1,453,782
Operating lease asset	5	8,812	3,349
Cash on hand and balances with banks	7	4,360,280	8,646,991
Total assets		7,891,204	12,301,281
Net assets and liabilities			
Net assets		4,084,916	3,594,293
Founding donation	8	100	100
Accumulated surplus		4,084,816	3,594,193
Non-current liabilities			
Borrowings	9	1,217,351	1,213,456
Current liabilities		2,588,937	7,493,532
Deferred revenue - government grants	10	2,287,501	6,449,818
Trade and other payables	11	222,531	964,809
Current portion of borrowings	9	78,905	78,905
Total net assets and liabilities		**7,891,204**	12,301,281

The Khayelitsha Community Trust

Statement of Financial Performance

FOR THE YEAR ENDED **30 JUNE 2011**

	Notes	2011 R	2010 R
Revenue			
Rental income		191,601	180,870
Other revenue		9,869,211	6,781,315
Grant funding - City of Cape Town	10	9,516,507	6,391,880
Interest received		302,704	379,400
Profit on foreign exchange		-	35
Sundry income		50,000	10,000
Total revenue		10,060,812	6,962,185
Expenditure (Refer to page 64)		**(9,570,189)**	(6,462,598)
Net surplus		**490,623**	499,587

The Khayelitsha Community Trust

Statement of Financial Performance

FOR THE YEAR ENDED **30 JUNE 2011**

	Notes	2011 R	2010 R
Accounting fees		156,292	209,691
Advertising and marketing		184,366	259,666
Auditors' remuneration		455,141	401,922
- External audit		400,477	322,322
- Internal audit		54,664	79,600
Bank charges		3,372	2,149
Capacitation of investment companies	12.1	1,468,750	890,143
Cleaning		5,299	4,472
Computer expenses		7,517	15,748
Conference expenses		25,970	9,169
Consulting fees	12.2	4,772,183	1,894,768
Depreciation	2	35,033	33,009
Electricity and water		8,538	6,244
Entertainment		9,073	11,972
Infrastructure - electrical substation		-	310,216
Insurance		8,293	5,872
Interest		122,255	688,762
- Borrowings		122,255	121,602
- VAT		-	567,160
Lease rentals		139,009	126,699
Legal fees		252,925	23,756
Office relocation		65,632	-
Payroll services		8,628	6,804
Postage		6,103	6,394
Printing and stationery		104,435	70,908
Remuneration	12.3	1,435,729	1,181,799
Repairs and maintenance		3,591	2,470
Security		4,830	4,292
Sponsorship		28,980	4,400
Telephone and fax		40,348	39,731
Training and development		19,532	18,368
Travel - local		5,819	400
Trustees fees	12.4	192,546	232,774
Expenditure		**(9,570,189)**	(6,462,598)

The Khayelitsha Community Trust

Statement of Changes in Net Assets

FOR THE YEAR ENDED 30 JUNE 2011

	Founding donation R	Accumulated surplus R	Total R
Balance at 01 July 2009	100	3,094,606	3,094,706
Net surplus		499,587	499,587
Balance at 01 July 2010	100	3,594,193	3,594,293
Net surplus		490,623	490,623
Balance at 30 June 2011	100	**4,084,816**	4,084,916

The Khayelitsha Community Trust

Cash flow Statement

FOR THE YEAR ENDED **30 JUNE 2011**

	Notes	2011 R	2010 R
Cash flows (used in)/from operating activities		(4,178,686)	2,749,465
Cash receipts from grant funding	10	5,354,190	6,866,222
Cash paid to suppliers and employees	14.1	(9,977,806)	(4,040,628)
Cash (utilised in)/generated by operating activities		(4,623,616)	2,825,594
Interest paid	14.2	(39,453)	(598,722)
Rent received	14.3	181,679	143,193
Interest received	14.4	302,704	379,400
Cash flows used in investing activities			
Expenditure to maintain operating capacity			
Plant and equipment acquired	2	(29,120)	(19,322)
Cash flows used in financing activities			
Repayment of loan		(78,905)	(78,905)
(Decrease)/increase in cash and cash equivalents		(4,286,711)	2,651,238
Cash and cash equivalents at beginning of the year	14.5	8,646,991	5,995,753
Cash and cash equivalents at end of the year	14.5	**4,360,280**	8,646,991

Notes to the Financial Statements

FOR THE YEAR ENDED **30 JUNE 2011**

1. Accounting policies

1.1 Basis of preparation

The financial statements are prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance, including any interpretations of such Statements issued by the Accounting Practices Board.

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

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 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.

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.

The lease asset is not depreciated as it is deemed to have an indefinite useful life.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

1.4 Investment property

Investment properties are held to earn rental income and 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, 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

Income received from government grants is recognised in the Statement of financial performance as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

1.7 Impairment of assets

The trust assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the trust estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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.

1.9 Financial instruments

Classification

The trust classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial recognition and measurement

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.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

1.9 Financial instruments (continued)

Impairment of financial assets

At each reporting date the trust assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Impairment losses are recognised in profit or loss.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

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 trust, 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.

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 Plant and equipment

All plant and equipment is initially recorded at cost less any impairment in value.

Infrastructure where no control can be exercised by the entity 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 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 amount, 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 they are incurred.

1.12 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.

Employee benefits are recognised as an expense in the statement of financial performance, in the expenditure line item in the period in which they are incurred.

Notes to the Financial Statements

FOR THE YEAR ENDED **30 JUNE 2011**

1.13 New standards and Interpretations

1.13.1 Standards and Interpretations adopted in the current year

In the current year, the entity has early adopted the following standard that is relevant to its operations:

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

The entity has adopted the standard for the first time in the 2011 annual financial statements. The adoption of the standard has resulted in the presentation of the Statement of Comparison of Budget and Actual amounts.

1.13.2 Standards and Interpretations approved but not yet effective

The entity has chosen not to early adopt the following standards and interpretations, which have been published and are not yet effective for the year ended 30 June 2011:

Standard		Effective date
GRAP 21	- Impairment of non-cash-generating assets	1 April 2012
GRAP 23	- Revenue from non-exchange transactions	1 April 2012
GRAP 26	- Impairment of cash-generating assets	1 April 2012
GRAP 103	- Heritage Assets	1 April 2012

All the above standards, where applicable and relevant to the entity's operations, will be complied with in the financial statements for the accounting period beginning 1 July 2012. Preliminary investigations indicated that the impact of the standards on the financial statements will be minimal and will only lead to additional disclosures.

Standards and interpretations, which have been published, but for which an effective date has not yet been set are as follows:

Standard		Effective date
GRAP 18	- Segment Reporting	not determined
GRAP 25	- Employee Benefits	not determined
GRAP 104	- Financial Instruments	not determined
GRAP 105	- Transfer of functions between entities under common control	not determined
GRAP 106	- Transfer of functions between entities not under common control	not determined
GRAP 107	- Mergers	not determined

All the above standards, where applicable and relevant to the entity's operations, will be complied with in the financial statements once the effective date has been set. Preliminary investigations indicated that the impact of the standards on the financial statements will be minimal and will only lead to additional disclosures.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

2. Plant and equipment

	2011			2010		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	R	R	R	R	R	R
Owned assets						
Furniture and fittings	116,164	52,134	64,030	109,664	35,992	73,672
Office equipment	27,750	16,791	10,959	27,750	11,796	15,954
Computer equipment	70,156	40,191	29,965	47,536	26,295	21,241
	214,070	109,116	104,954	184,950	74,083	110,867

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

2011	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
	R	R	R	R	R
Owned assets					
Furniture and fittings	73,672	6,500	-	(16,142)	64,030
Office equipment	15,954	-	-	(4,995)	10,959
Computer equipment	21,241	22,620	-	(13,896)	29,965
	110,867	29,120	-	(35,033)	104,954

2010	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
	R	R	R	R	R
Owned assets					
Furniture and fittings	83,077	7,784	(1,129)	(16,060)	73,672
Office equipment	21,256	-	(306)	(4,996)	15,954
Computer equipment	22,055	11,538	(399)	(11,953)	21,241
	126,388	19,322	(1,834)	(33,009)	110,867

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
3. Investment property		
Land, at cost	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 municipal value of R11,000,000 at 30 June 2011 (2010: R8,800,000).

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

	2011 R	2010 R
Rental income	191,601	180,870

4. Investment

	2011 R	2010 R
Unlisted shares at cost	100	100

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

	2011 R	2010 R
Unlisted		
KBD Management (Pty) Ltd	100	100

5. Operating lease asset

	2011 R	2010 R
Opening balance	455,345	423,877
Movement	18,612	31,468
	473,957	455,345
Non-current assets	465,145	451,996
Current assets	8,812	3,349
	473,957	455,345

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

The prior year short term portion has been reclassified in the current year.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
6. Trade and other receivables		
Short term loans - refer note 15	1,073,542	1,073,542
- Provision for impairment - KBD Housing (Pty) Ltd	(77,032)	(77,032)
Deposit	27,162	27,162
Accrued income - Metrorail	10,624	19,312
Prepayment	52,563	54,485
VAT	230,858	356,313
	1,317,717	1,453,782

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 2011, trade and other receivables of R77,032 (2010: R 77,032) were impaired and provided for.

Reconciliation of provision for impairment of trade and other receivables

	2011 R	2010 R
Opening balance	77,032	77,032
Provision for impairment	-	-
	77,032	77,032

Trade and other receivables past due amounting to R996,510 (2010: R 996,510) are not impaired as the probability for recoverability has been assessed as likely.

Trade and other receivables amounting to R10,624 (2010: R19,312) are within their repayment limits.

	2011 R	2010 R
7. Cash and cash equivalents		
Cash on hand	2,245	808
ABSA cheque account	4,358,035	8,646,183
	4,360,280	8,646,991
8. Founding donation		
Donation made - 2003	100	100

Notes to the Financial Statements

FOR THE YEAR ENDED **30 JUNE 2011**

	2011 R	2010 R
9. Borrowings		
Unsecured		
The City of Cape Town - at amortised cost	1,296,256	1,292,361
The liability bears interest at 10% per annum. The capital of R1,420,290 is repayable in annual instalments of R78,905 together with any interest due for the year, over 18 years, commencing 30 November 2007.		
Less: Short term portion included in current liabilities	(78,905)	(78,905)
	1,217,351	1,213,456
10. Deferred revenue - government grants		
Balance at beginning of year	6,449,818	5,975,476
Received during the year	5,354,190	6,866,222
Transferred to statement of financial performance	(9,516,507)	(6,391,880)
Balance at end of year	2,287,501	6,449,818
Estimated expenditure in respect of deferred revenue:		
Employment related expenditure	518,068	1,191,339
General expenditure	428,236	1,167,667
Contracting services	1,310,610	4,017,571
Capital expenditure	30,587	73,241
	2,287,501	6,449,818
The trust has an obligation to refund any unspent grant funding received from the City of Cape Town.		
11. Trade and other payables		
Trade payables	78,205	170,389
Accruals - professional fees	87,837	70,260
Accruals - PAYE, UIF, SDL	52,562	54,485
Accruals - contracting fees	-	632,197
Accruals - other	-	33,978
Deposit - Metrorail	3,500	3,500
Sundry creditor	427	-
	222,531	964,809

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
12. Operating expenditure		
12.1 Capacitation of investment companies		
KBD Housing (Pty) Ltd	7,634	4,468
KBD Management (Pty) Ltd	1,209,901	739,659
KBD Retail Properties (Pty) Ltd	251,215	146,016
	1,468,750	890,143
Costs to assist the operations of the underlying investment companies.		
12.2 Consulting fees		
Development plan	3,120,883	1,754,826
Legal and recruitment	441,210	139,942
Housing development plan	1,210,090	-
	4,772,183	1,894,768
12.3 Management remuneration		
Included in remuneration of R1,435,729 (2010: R1,181,799) are the following amounts paid to management:		
CEO (2010: 9 months)		
- Salary	573,312	387,448
- Allowances	90,000	67,500
- Benefits	-	-
Financial manager		
- Salary	606,963	531,684
- Allowances	-	43,320
- Benefits	-	-
	1,270,275	1,029,952
12.4 Trustee fees		
Non-executive		
For services as trustees	192,546	232,774

13. Taxation

No provision has been made for taxation as the trust has 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.

Notes to the Financial Statements

FOR THE YEAR ENDED **30 JUNE 2011**

	2011 R	2010 R
14. Notes to the cash flow statement		
14.1 Cash paid to suppliers and employees		
Net surplus for the year	490,623	499,587
Adjustments for:		
Depreciation	35,033	33,009
Interest received	(302,704)	(379,400)
Interest paid	122,255	688,762
Transferred out of deferred revenue	(9,516,507)	(6,391,880)
Other non-cash items - disposals of PPE	-	1,834
Operating lease rental	(191,601)	(180,870)
	(9,362,901)	(5,728,958)
Movements in working capital		
Decrease in trade and other receivables	127,375	2,102,881
Decrease in trade and other payables	(742,280)	(414,551)
	(9,977,806)	(4,040,628)
14.2 Reconciliation of interest paid		
Recognised in statement of financial performance	122,255	688,762
Adjustment for nominal interest	(82,802)	(90,040)
Payments made	**39,453**	598,722
14.3 Reconciliation of rent received		
Recognised in statement of financial performance	191,601	180,870
Adjustment for rent accrual	8,690	(6,209)
Adjustment for rental straightlining	(18,612)	(31,468)
Payments received	**181,679**	143,193
14.4 Reconciliation of interest received		
Recognised in statement of financial performance	302,704	379,400
	302,704	379,400
14.5 Cash and cash equivalents		
Cash on hand and balances with banks.	**4,360,280**	8,646,991
15. Related parties		
Transactions with related parties:		
Grant funding received - The City of Cape Town	**5,354,190**	6,866,222
Balances owing by related parties:		
KBD Management (Pty) Ltd	730,794	730,794
KBD Retail Properties (Pty) Ltd	265,716	265,716
KBD Housing (Pty) Ltd	77,032	77,032
	1,073,542	1,073,542

	2011 R	2010 R
Balances owing to related parties:		
The City of Cape Town	1,296,256	1,292,361
Deferred revenue - The City of Cape Town	2,287,501	6,449,818
	3,583,757	7,742,179

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.

Management has served as directors of the following companies related to the Trust:

MXS Gaula (CEO Khayelitsha Community Trust)
- Director in KBD Management (Pty) Ltd and KBD Retail Properties (Pty) Ltd

S Titus (Financial Manager Khayelitsha Community Trust)
- Director in KBD Management (Pty) Ltd and KBD Retail Properties (Pty) Ltd.

Management are not remunerated for serving as directors in KBD Management (Pty) Ltd and KBD Retail Properties (Pty) Ltd. No other business transactions took place between the Khayelitsha Community Trust and key management personnel or their close family members during the year under review. Management remuneration is disclosed in note 12.3.

A number of trustees hold positions in other entities, where they may have significant influence over the financial or operating policies of these entities. The following are considered to be such instances:

B Belu-Toni
- Shareholder in eKwik Build Housing Company (Pty) Ltd

M Maxongo
- Partner to the Power Group

Trustee fees are disclosed in note 12.4.

16. Commitments

Infrastructural operating commitment

	2011 R	2010 R
The trust was contractually committed to additional infrastructure expenditure amounting to:	-	353,647

These were financed by existing cash balances.

	2011 R	2010 R
16. Commitments (continued)		
Operating lease commitments		
The future minimum rentals receivable under non-cancellable operating leases are as follows:		
Not later than 1 year	186,343	172,989
Later than 1 year and not later than 5 years	599,270	627,803
Later than 5 years	1,775,363	1,933,173
	2,540,976	2,733,965

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 above mentioned land to Metrorail for a period of 5 years commencing 5 October 2007.

17. Correction of errors

Deviations in supply chain management policy were not disclosed in 2010, resulting in additional comparative disclosures now being shown in note 18.

Deferred revenue - government grants was incorrectly disclosed as a non-current liability in the prior year. In the current year the comparative information was adjusted and deferred revenue is now disclosed as a current liability in 2010 and 2011.

In the previous period the future operating lease receivable commitment was disclosed based on the straight-lined amounts. In the current year this has been corrected to reflect the contractual amounts and the comparative amount has been adjusted accordingly.

18. Additional disclosures

Supply chain management regulations

In terms of Section 36 of the Municipal Supply Chain Management Regulations, any deviation from supply chain management policy needs to be approved/condoned by the Accounting Officer, and noted by the Board of Trustees. The expenses incurred, as listed below, have been approved/condoned by the Accounting Officer and noted by the Board of Trustees.

Reasons for deviations in appointment of consultants:
Single source supplier with expertise in commercial development; familiarity with project.

Reason for deviations less than R200,000:
Continuity and familiarity with project.

Incident

	2011 R	2010 R
Appointment of consultants	300,000	-
Deviations of less than R200,000	171,000	119,271
Total amount condoned	**471,000**	119,271

19. 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 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 2011

Fixed rate

	<1 year	1-5 years	> 5 years	Total
	R	R	R	R
Unsecured borrowings	78,905	315,620	901,731	1,296,256

Floating rate

	<1 year	1-5 years	> 5 years	Total
	R	R	R	R
Cash and cash equivalents	4,358,035	-	-	4,358,035

Year ended 30 June 2010

Fixed rate

	<1 year	1-5 years	> 5 years	Total
	R	R	R	R
Unsecured borrowings	168,945	315,620	807,796	1,292,361

Floating rate

	<1 year	1-5 years	> 5 years	Total
	R	R	R	R
Cash and cash equivalents	8,646,183	-	-	8,646,183

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.

19. Financial instruments (continued)

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.

20. Non-compliance with legislation

During the year under review, the following requirement of the Local Government: Municipal Systems Act, 2000 (MSA) 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. Financial assets by category

2011	Loans and receivables R	Fair value through profit or loss - held for trading R	Total R
Investment	-	100	100
Trade and other receivables	1,034,296	-	1,034,296
Cash and cash equivalents	4,360,280	-	4,360,280
	5,394,576	100	5,394,676

2010	Loans and receivables R	Fair value through profit or loss - held for trading R	Total R
Investment	-	100	100
Trade and other receivables	1,042,984	-	1,042,984
Cash and cash equivalents	8,646,991	-	8,646,991
	9,689,975	100	9,690,075

22. Financial liabilities by category

2011	Financial liabilities at amortised cost R	Fair value through profit or loss - held for trading R	Fair value through profit or loss - designated R	Total R
Borrowings	1,296,256	-	-	1,296,256
Trade and other payables	222,531	-	-	222,531
	1,518,787	-	-	1,518,787

2010	Financial liabilities at amortised cost R	Fair value through profit or loss - held for trading R	Fair value through profit or loss designated R	Total - R
Borrowings	1,292,361	-	-	1,292,361
Trade and other payables	964,809	-	-	964,809
	2,257,170	-	-	2,257,170

23. Reconciliation between budget and statement of financial performance

	2011 R	2010 R
Reconciliation of budget surplus with the surplus in the statement of financial performance:		
Net surplus per statement of financial performance	490,623	499,587
Adjusted for:		
Revenue and other income		
Rental Income	(5,083)	1,448
Grant funding	1,357,501	474,342
Interest received	147,296	70,600
Sundry income	-	(10,035)
Expenditure		
Employee benefits	(117,802)	19,441
Administrative expenses	(224,870)	(131,513)
Professional and special services	(284,189)	(2,800,250)
Capacitation of investment companies	(1,222,277)	(1,202,620)
Net surplus/(deficit) per approved budget	141,199	(3,079,000)

The Khayelitsha Community Trust

Statement of Comparison of Budget and Actual amounts

FOR THE YEAR ENDED **30 JUNE 2011**

	2011 Actual R	2011 Budget R	Variance R	% Variance	Explanation of significant variances
Revenue					
Rental Income	191,601	186,518	-5,083	-3%	
Other revenue					
Grant funding - City of Cape Town	9,516,507	10,874,008	1,357,501	12%	Actual based on accounting adjustments.
Funding carried forward from prior year	6,449,818	6,449,818	0	0%	
COCT - Grant funding	3,066,689	4,424,190	1,357,501	31%	Variable with expenses incurred. Refer expense variance explanations below.
Interest received	302,704	450,000	147,296	33%	Timing difference linked to prime rate and bank balance
Sundry Income	50,000	50,000	0	0%	
Total revenue	10,060,812	11,560,526	1,499,715	13%	
Expenditure					
Accounting fees	156,292	223,450	67,158	30%	Engaged quotations accepted at less than budgeted amount.
Advertising and marketing	184,366	230,000	45,634	20%	Engaged quotations accepted at less than budgeted amount.
Auditors' remuneration	455,141	456,440	1,299	0%	
- External audit	400,477	401,440	963	0%	
- Internal audit	54,664	55,000	336	1%	
Bank charges	3,372	4,454	1,082	24%	
Capacitation of investment companies	1,468,750	2,691,027	1,222,277	45%	Payments as per needs of investment companies (Note 12.1). Audit of KBD Management (Pty) Ltd and KBD Housing (Pty) Ltd not carried out at year end. Treatment of loans not finalised. Administrative Secretary appointed from February 2011.
Cleaning	5,299	9,600	4,301	45%	
Computer expenses	7,517	15,042	7,525	50%	
Conference expenses	25,970	37,211	11,241	30%	Budgeted amounts include entertainment and local travel.
Consulting fees	4,772,183	4,940,840	168,657	3%	Engaged quotations accepted at less than budgeted amount (Note 12.2).

The Khayelitsha Community Trust

Statement of Comparison of Budget and Actual amounts (continued)

FOR THE YEAR ENDED **30 JUNE 2011**

	2011 Actual R	2011 Budget R	Variance R	% Variance	Explanation of significant variances
Depreciation	35,033	40,000	4,967	12%	
Electricity and water	8,538	12,292	3,754	31%	
Entertainment	9,073	13,001	3,927	100%	
Insurance	8,293	19,065	10,772	56%	
Interest - borrowings	122,255	39,453	-82,802	-210%	Variance relates to non cashflow nominal interest (Note 14.2).
Lease rentals	139,009	139,300	291	0%	
Legal fees	252,925	300,000	47,075	16%	Engaged quotations accepted at less than budgeted amount.
Office relocation	65,632	177,521	111,889	63%	Office relocation was deferred.
Payroll services and recruitment	8,628	30,000	21,372	71%	Budgeted amount includes recruitment. Recruitment appointment was done internally.
Postage	6,103	8,799	2,696	31%	
Printing and stationery	104,435	120,561	16,126	13%	Payments in accordance with trust's prerequisites, engaged quotations accepted at less than budgeted amount.
Remuneration	1,435,729	1,463,277	27,548	2%	
Repairs and maintenance	3,591	8,000	4,409	55%	
Security	4,830	15,296	10,466	68%	
Sponsorship	28,980	29,000	20	0%	
Telephone and fax	40,348	60,560	20,212	33%	Payments in accordance with trust's prerequisites.
Training and development	19,532	44,000	24,468	56%	Timing difference on expenditure.
Travel - local	5,819	8,338	2,519	30%	
Trustees fees	192,546	282,800	90,254	32%	Fewer board meetings due to capacitation of staff.
Total Expenditure	9,570,189	11,419,327	1,849,139	16%	

Abbreviations

KRETAIL ....Khayelitsha Business District Retail Properties

KMANCO ....Khayelitsha Business District Management (Pty) Ltd

KHOUSING................Khayelitsha Business District Housing

KENTREPRENEURS .....Khayelitsha Business District Entrepreneurs

KDF...........................Khayelitsha Development Forum

VPUU........................Violence Prevention through Urban Upgrading

CoCT / City ....City of Cape Town

URP ....Urban Renewal Project

KBD ....Khayelitsha Business District

IDP............................Integrated Development Plans

RMB..........................Rand Merchant Bank

GCIS ....Government Communication and Information System

NGO ....Non Governmental Organization

Pepco........................Planning & Environmental Portfolio Committee

SARCC ....South African Rail Commuter Corporation

MFMA ....Municipal Finance Management Act (MFMA)

HR ....Human Resources

SCM..........................Supply Chain Management

GRAP ....Generally Recognised Accounting Practices

MSA ....Municipal Systems Act

BNG..........................Breaking New Grounds

UDF ....Urban Design Framework

CTCHC ....Cape Town Community Housing Company

USDG........................Urban Settlements Development Grant

NHFC........................National Housing Finance Corporation

GCIS ....Government Communication and Information System

KFW..........................German Development Bank

MOU ....Memorandum of Understanding

PRASA ....Passenger Rail Agency of South Africa

Notes

Khayelitsha Community Trust

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Photography:
Images of Khayelitsha KBD projects by Bruce Sutherland of the City of Cape Town
CTP photographers Jess Henson & Anita van Zyl for 2014 World Design Capital bid images