# Report by the Board on the annual financial statements

**For the year ended 31 March 2009**

This report is presented in terms of Treasury Regulation 28.1.1, the Public Finance Management Act, Act No. 1 of 1999, as amended, and is focused on the financial results and financial position of the National Development Agency. Information pertaining to the National Development Agency's state of affairs, its business and performance against pre-determined objectives are disclosed elsewhere in the annual report. The prescribed disclosure of emoluments in terms of Treasury Regulation 28.1.1 is reflected in note 11 of the annual financial statements.

The Board acknowledges that it is responsible for the preparation and integrity of the annual financial statements and related information included in the annual report. In order for the Board to discharge these responsibilities, as well as those bestowed on it in terms of the Public Finance Management Act and other applicable legislation, it has developed, and maintains a system of internal controls.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions executed and recorded in accordance with generally accepted business practices, as well as the Board's policies and procedures. Monitoring of these controls includes a regular review of their operations by the Board and independent oversight by an audit committee.

The financial statements are prepared in accordance with South African Statements of Generally Recognised Accounting Practice and incorporate disclosure in line with the accounting philosophy of the Board and the requirements of the Public Finance Management Act. The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board believes that the National Development Agency, as an agency of government that is assured of continued government funding, will be a going concern in the year ahead and has, for this reason, adopted the going concern basis in preparing the annual financial statements.

The annual financial statements, as set out on pages 50 to 69 were approved by the Board and are signed on its behalf by:

Rt Reverend Bishop M Mpumlwana
Chairperson of the Board

Rashida Issel
Chief Executive Officer

*For the year ended 31 March 2009*

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | R | R |
| **Revenue** | | | |
| Transfer payments from government | 4 | 136 267 000 | 129 163 000 |
| Interest | | 26 675 528 | 25 681 428 |
| Other income | 5 | 3 324 902 | 817 676 |
| **Total revenue** | | **166 267 430** | **155 662 104** |
| **Expenses** | | | |
| Accommodation and travel | | 3 120 987 | 2 532 374 |
| Audit fees | | 2 272 297 | 1 258 063 |
| Board fees | 11.1 & 11.2 | 1 269 137 | 624 387 |
| Executive remuneration | 11.3 & 11.4 | 9 323 943 | 8 349 054 |
| Committed poverty eradication projects | 18 | 114 236 418 | 133 072 628 |
| Projects support costs | 6 | 4 191 700 | 4 571 618 |
| Ineligible expenditure due to European Union | 17 | - | 5 605 656 |
| Consulting and professional fees | 10 | 8 784 431 | 13 614 298 |
| Depreciation | 7 | 1 454 258 | 1 117 452 |
| Amortisation of intangible asset | 13 | 366 541 | 143 442 |
| Loss on disposal of property, plant and equipment | 13 | 217 562 | 27 971 |
| Impairment of receivable | 15 | - | 138 526 |
| Marketing and communication costs | 8 | 2 193 856 | 4 776 180 |
| Operating leases – offices | | 3 734 206 | 2 912 270 |
| Water and lights | | 958 959 | - |
| Operating leases – equipment | | 414 748 | 680 551 |
| Repairs and maintenance | | 579 230 | 234 460 |
| Information Technology infrastructure maintenance | | 313 182 | - |
| Printing and stationery | | 1 343 544 | 899 604 |
| Seminars, workshops and conferences | | 1 617 057 | 1 929 408 |
| Staff costs | 12 | 33 968 972 | 29 963 394 |
| Telephone and faxes | | 1 612 866 | 2 122 689 |
| Relocation of offices | | 2 343 266 | - |
| Miscellaneous costs | 9 | 4 512 780 | 2 533 161 |
| **Total expenses** | | **198 829 940** | **217 107 186** |
| **Net deficit for the year** | 27 | **( 32 562 510)** | **(61 445 082)** |

*For the year ended 31 March 2009*

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | R | R |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | 3 314 585 | 4 061 706 |
| Intangible asset | 13 | 1 434 122 | 1 577 860 |
| | | **4 748 707** | **5 639 566** |
| **Current assets** | | | |
| Cash and cash equivalents | 14 | 246 519 366 | 278 650 078 |
| | | | |
| Accounts receivable | 15 | 2 049 660 | 4 037 010 |
| | | **248 569 026** | **282 687 088** |
| | | | |
| **Total assets** | | **253 317 733** | **288 326 654** |
| | | | |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Accounts payable | 16 | 7 840 394 | 4 055 863 |
| Provisions | 17 | 2 007 887 | 2 513 500 |
| Government-funded committed projects | 19 | 179 641 909 | 188 209 136 |
| European Union payable | 18 | 21 668 312 | 20 348 768 |
| **Total liabilities** | | **211 158 502** | **215 127 267** |
| | | | |
| **Net assets** | | **42 159 231** | **73 199 387** |
| | | | |
| **Represented by:** | | | |
| Projects fund | | 1 202 833 | 32 242 989 |
| Development fund | | 40 956 398 | 40 956 398 |
| **Total Net assets** | | **42 159 231** | **73 199 387** |
| | | | |
| | | **253 317 733** | **288 326 654** |

*For the year ended 31 March 2009*

| | Note | Development fund (See note 3.1) | Projects fund (See note 3.2) | Total |
|---|---|---|---|---|
| | | R | R | R |
| Balance at 1 April 2007 | | 46 562 054 | 86 032 107 | 132 594 161 |
| Net surplus (deficit) for the year | | - | (61 445 082) | (61 445 082) |
| Due to European Union | | (5 605 656) | 5 605 656 | - |
| Adjustment of committed projects | | - | 2 050 308 | 2 050 308 |
| Balance at 31 March 2008 | | **40 956 398** | **32 242 989** | **73 199 387** |
| Net surplus (deficit) for the year | | - | (32 562 510) | (32 562 510) |
| Adjustment of committed projects | | - | 1 522 354 | 1 522 354 |
| Balance at 31 March 2009 | | **40 956 398** | **1 202 833** | **42 159 231** |

"The Board acknowledges that it is responsible for the preparation and integrity of the annual financial statements and related information included in the annual report."

*For the year ended 31 March 2009*

| | Note | 2009 | 2008 |
|---|---|---|---|
| | | R | R |
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Transfer payments from government | 4 | 136 267 000 | 129 163 000 |
| Interest | 5 | 26 675 528 | 25 681 428 |
| Debtors | | 1 987 350 | (1 757 518) |
| Other | 5 | 3 272 320 | 789 705 |
| | | | |
| **Payments** | | | |
| To employees | 12 | (40 917 958) | (38 312 448) |
| To projects | 19 | (118 077 330) | (76 126 100) |
| To suppliers | | (40 242 702) | (36 621 872) |
| **Net cash flows from operating activities** | 20 | **(31 035 792)** | **2 816 195** |
| | | | |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | 13 | ( 924 699) | (2 360 559) |
| Acquisition of intangible asset | 13 | (222 803) | (1 721 302) |
| Proceeds from the disposal of property, plant and equipment | 5 | 52 582 | 36 400 |
| **Net cash flows from investing activities** | | **(1 094 920)** | **(4 045 461)** |
| | | | |
| **Decrease in cash and cash equivalents** | | **(32 130 712)** | **(1 229 266)** |
| **Cash and cash equivalents at beginning of year** | | **278 650 078** | **279 879 344** |
| **Cash and cash equivalents at end of year** | | **246 519 366** | **278 650 078** |

## 1. Accounting policies

**1.1 Principal accounting policies**
The financial statements incorporate the principal accounting policies set out below, which are consistent with those adopted in the previous financial year, except as referred to in note 1.2.

**1.2 Basis of preparation**
The financial statements have been prepared in accordance with the South African statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

| Standard of GRAP | Replaced Statement of GAAP |
|---|---|
| GRAP 1: Presentation of financial statements | AC101: Presentation of financial statements |
| GRAP 2: Cash flow statements | AC118: Cash flow statements |
| GRAP 3: Accounting policies, changes in accounting estimates and errors | AC103: Accounting policies, changes in accounting estimates and errors |

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

**Terminology differences:**

| Standard of GRAP | Replaced statement of GAAP |
|---|---|
| Statement of changes in net assets | Statement of changes in equity |
| Net assets | Equity |
| Surplus/deficit for the period | Profit/loss for the period |
| Accumulated surplus/deficit | Retained earnings |
| Contributions from owners | Share capital |
| Distributions to owners | Dividends |
| Reporting date | Balance sheet date |

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

**Specific information such as:**
(a) receivables from non-exchange transactions, including taxes and transfers;
(b) taxes and transfers payable;
(c) trade and other payables from non-exchange transactions; must be presented separately on the statement of financial position

**The amount and nature of any restrictions on cash balances is required to be disclosed.**
Paragraph 11 – 15 of GRAP 1 requires a comparison between actual and budget result for the financial period. The NDA did not set up the financial systems to enable the splitting of this information. Although the inclusion of budget information would enhance the usefulness of the financial statements, non disclosure will not affect fair presentation. However, in subsequent years, the NDA will include the information to comply with GRAP.

**1.3 Committed projects**
Committed project funds represent funds committed and allocated to specific projects for which contracts have been entered into and which await cash payments in terms of payment cycles per agreed contracts.

**1.4 Project withdrawal**
A project will be withdrawn from committed projects funds when the project no longer meets the requirements of a liability, i.e. there is no present obligation arising from past events and it is not probable that settlement of the liability will result in outflow of economic benefits.

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

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

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

Property, plant and equipment, comprising computer equipment, office equipment, furniture and motor vehicles, is stated at cost less accumulated depreciation and any accumulated impairment losses. Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in the statement of financial performance when the item is de-recognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The useful lives and residual values of property, plant and equipment are reviewed annually.

Depreciation is charged on the straight-line basis over the estimated useful lives of assets. The estimated maximum useful lives of property, plant and equipment are as follows:

| | |
|---|---|
| Computer equipment | 3 years |
| Equipment | 6 years |
| Furniture | 6 years |
| Motor vehicles | 5 years |
| Intangible asset | 5 years |

Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are charged against income. Leasehold improvements and minor asset items are also expensed directly against income.

The surplus or deficit on the disposal of property, plant and equipment is the difference between the net disposal proceeds and the carrying amount of the asset. Surpluses and deficits are recognised in the income statement.

**1.6 Intangible assets**
The cost of an intangible asset is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the entity; and

- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire, construct or prepare the asset for its intended use.

The useful lives of intangible assets are finite. Intangible assets are amortised on the straight line basis over the estimated useful life of five (5) years.

**1.7 Impairment**

The carrying amounts of all assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of net selling price and value in use.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the statement of financial performance whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment been recognised in prior years.

**1.8 Leases**

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

*Operating leases*

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

**1.9 Financial instruments**

*Initial recognition*

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

*Measurement*

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 profit or loss 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.

Trade and other receivables are carried at amortised cost less any accumulated impairment.

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.

Trade and other payables are carried at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

*Financial assets for which fair value approximate carrying value*

Fair values of financial assets carried at cost, including cash, deposits with banks, short-term receivables and accrued interest are considered to approximate their respective carrying values due to their short-term nature.

*Financial assets where fair value differs from cost*

Money market unit trusts are carried at their estimated fair value. Quoted market prices, where available, are used to determine the fair value of trading instruments. If quoted prices are not available, fair values are estimated by using pricing models, quoted prices of assets with similar characteristics or discounted cash flows.

*Financial liabilities for which fair value approximates carrying value*

Fair values of accounts payable and accrued liabilities are considered to approximate their respective carrying values due to their short-term nature.

*Impairment of financial instruments*

In the event of any financial instruments value being permanently impaired, the carrying value of the instrument will be adjusted to reflect the realisable value of the investments as determined.

Impairments of financial instruments are reviewed on an annual basis, and an impairment charge is included in the net income or loss in the period in which the impairment has arisen. In instances where previous impairment losses are reversed, changes previously recognised as expenses are included as income in net income or loss in the period in which the required reversals are identified.

*Offset*

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

**1.10 Revenue**

Revenue consists of transfer payment from government and other operating income, and is recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

**1.11 Interest**

Interest is recognised using the effective interest rate method, taking account of the principal outstanding and the effective rate over the period to maturity.

**1.12 Provisions**

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If the Agency has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

**1.13 Employee benefits**

*Post-employment benefits*

*Retirement*

The entity contributes to a defined contribution plan. Contributions to defined contribution funds are charged against income as incurred.

*Medical*

No contributions are made by the entity to the medical aid of retired employees.

*Short and long-term benefits*

The cost of all short-term employee benefits, such as salaries, bonuses, medical and other contributions is recognised during the period in which the employee renders the related service.

*Termination benefits*

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The entity recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

**1.14 Foreign currency transactions**

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

Cash flows arising from transactions in a foreign currency are recorded in rands by applying to the foreign currency amount the exchange rate between the rand and the foreign currency at the date of the cash flow.

**1.15 Comparatives**

Comparative figures have been restated, where necessary, to conform with changes in presentation in the current year.

## 2. Public sector practices and policies

**2.1 Inter-relationship with National Government**

The National Development Agency operates as a public entity within the influence sphere of the National Department of Social Development. In line with prevailing South African Government practices, the National Development Agency is not obliged to reimburse the national department for time spent by its officials on matters pertaining to the National Development Agency. The extent of this involvement is not quantifiable and has, consequently, not been disclosed in the financial statements.

**2.2 Fruitless and wasteful expenditure**

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

## 3. Funds under administration

**3.1 Development fund**

It represents funds provided by the Independent Development Trust to assist the National Development Agency in meeting its objectives. The funds can only be utilised in terms of the conditions of the original grant.

**3.2 Projects fund**

It represents funds not yet committed to specific development projects at year-end. The fund is built up from annual grants received from government, excluding a portion set aside for administrative expenditure. The capital can only be utilised for projects, which have been pre-approved by the Board of the National Development Agency.

| | 2009 R | 2008 R |
|---|---|---|

## 4. Revenue

| | 2009 R | 2008 R |
|---|---|---|
| Transfer payments received from Department of Social Development | 136 267 000 | 129 163 000 |

## 5. Other income

| | 2009 R | 2008 R |
|---|---|---|
| Write back of previously committed projects (see note 19) | 2 818 048 | 600 718 |
| Proceeds from disposal of property, plant and equipment | 52 582 | 36 400 |
| Refunds from projects | 400 244 | 180 558 |
| Other income (includes interest on staff loans and over deductions from staff provident fund and medical aid) | 54 028 | - |
| | **3 324 902** | **817 676** |

## 6. Project support costs

| | 2009 R | 2008 R |
|---|---|---|
| - Accommodation | 1 214 142 | 1 488 472 |
| - Car hire | 562 886 | 628 342 |
| - Air travel | 1 317 299 | 1 591 650 |
| - Subsistence and travel | 1 097 373 | 863 154 |
| | **4 191 700** | **4 571 618** |

## 7. Depreciation

| | 2009 R | 2008 R |
|---|---|---|
| Computer equipment | 825 354 | 575 972 |
| Office equipment | 236 322 | 144 356 |
| Furniture | 339 799 | 344 340 |
| Motor vehicles | 52 783 | 52 784 |
| | **1 454 258** | **1 117 452** |

## 8. Marketing and communication costs

| | 2009 R | 2008 R |
|---|---|---|
| Advertising | 512 121 | 1 432 501 |
| Promotional material | 298 082 | 446 058 |
| Project launches | 141 947 | 199 768 |
| Sign boards for NDA funded projects | 834 936 | 1 842 256 |
| Stakeholder engagement | 406 770 | 855 597 |
| | **2 193 856** | **4 776 180** |

## 9. Miscellaneous costs

| | 2009 R | 2008 R |
|---|---|---|
| Regional Services Council levies | - | 182 953 |
| Information Technology support | 283 689 | 76 707 |
| Bank charges | 359 290 | 456 017 |
| Board meetings | 171 821 | 138 829 |
| Catering | 414 663 | 420 554 |
| Cleaning | 395 455 | 447 982 |
| Insurance | 308 469 | 301 144 |
| Postage and courier | 329 182 | 342 636 |
| Security | 90 922 | 84 958 |
| Internet connectivity | 1 376 173 | - |
| Partnerships | 25 000 | - |
| Software licence renewals | 700 413 | - |
| Subscriptions and memberships | 57 703 | 81 381 |
| | **4 512 780** | **2 533 161** |

## 10. Consulting and professional fees

Consulting and professional fees is made up of consultants and legal fees and was spent as follows per department:

| | 2009 R | 2008 R |
|---|---|---|
| Chief Executive Officer's Office | 831 576 | 2 274 689 |
| Internal Audit | 301 578 | 334 508 |
| Finance | 645 447 | 741 426 |
| Information Technology | 547 693 | 2 475 002 |
| Projects | 416 016 | 322 475 |
| Human Resources | 1 284 929 | 1 013 160 |
| Capacity Building | 1 040 327 | 3 212 476 |
| Marketing | 486 903 | - |
| Research and Development | 3 229 962 | 3 240 562 |
| | **8 784 431** | **13 614 298** |

*For the year ended 31 March 2009*

**11. Salaries and allowances paid to members of the Board and executive management**

| 11.1 31 March 2009 – Board fees | Appointment date | Termination date | Fees for services as Board member | Basic salary | Performance bonus | Contributions to retirement, medical and life cover benefits | Total |
|---|---|---|---|---|---|---|---|
| | R | | R | | R | R | R |
| **Members of the Board** | | | | | | | |
| Bishop M Mpumlwana | 05/12/2003 | | 89 111 | - | - | - | 89 111 |
| Prof T Mayekiso | 05/12/2003 | | 186 034 | - | - | - | 186 034 |
| Ms M Manong | 05/12/2003 | | 126 514 | - | - | - | 126 514 |
| Mr M Faku | 27/01/2006 | | 45 120 | - | - | - | 45 120 |
| Dr T Masilela | 03/12/2003 | | 8 480 | - | - | - | 8 480 |
| Mr D Adler | 24/10/2007 | | 177 368 | - | - | - | 177 368 |
| Mr M Madzivhandila | 24/10/2007 | | 123 682 | - | - | - | 123 682 |
| Rev N Maphalala | 24/10/2007 | | - | - | - | - | - |
| Dr W Mgoqi | 24/10/2007 | | 114 920 | - | - | - | 114 920 |
| Mr S Mohlabi | 24/10/2007 | | - | - | - | - | - |
| Mr P Mokobane | 24/10/2007 | | 133 620 | - | - | - | 133 620 |
| Chief P Ngove | 24/10/2007 | | 105 220 | - | - | - | 105 220 |
| Mr M Pheelwane | 24/10/2007 | | 126 668 | - | - | - | 126 668 |
| **Audit Committee – Independent members** | | | | | | | |
| Mr K Mockler | 31/03/2008 | | 12 960 | - | - | - | 12 960 |
| Ms K Malapela | 17/05/2004 | | 19 440 | - | - | - | 19 440 |
| | | | **1 269 137** | **-** | **-** | **-** | **1 269 137** |

*For the year ended 31 March 2009*

**11. Salaries and allowances paid to members of the Board and executive management**

| 11.2 31 March 2008 – Board fees | Appointment date | Termination date | Fees for services as Board member | Basic salary | Performance bonus | Contributions to retirement, medical and life cover benefits | Total |
|---|---|---|---|---|---|---|---|
| | | | R | R | R | R | R |
| **Members of the Board** | | | | | | | |
| Ms N Moletsane | 05/12/2003 | 23/10/2007 | - | - | - | - | - |
| Bishop M Mpumlwana | 05/12/2003 | | 50 000 | - | - | | 50 000 |
| Ms J Daries | 05/12/2003 | 23/10/2007 | 57 500 | - | - | - | 57 500 |
| Prof T Mayekiso | 05/12/2003 | | 97 500 | - | - | - | 97 500 |
| Dr S Rule | 05/12/2003 | 23/10/2007 | 46 500 | - | - | - | 46 500 |
| Ms M Manong | 05/12/2003 | 23/10/2007 | 53 000 | - | - | - | 53 000 |
| Mr M Faku | 27/01/2006 | 23/10/2007 | 2 000 | - | - | - | 2 000 |
| Dr T Masilela | 03/12/2003 | 23/10/2007 | 19 500 | - | - | - | 19 500 |
| Mr D Adler | 24/10/2007 | | 54 000 | - | - | - | 54 000 |
| Mr M Madzivhandila | 24/10/2007 | | 46 000 | - | - | - | 46 000 |
| Rev N Maphalala | 24/10/2007 | | - | - | - | - | - |
| Dr W Mgoqi | 24/10/2007 | | 50 000 | - | - | - | 50 000 |
| Mr S Mohlabi | 24/10/2007 | | - | - | - | - | - |
| Mr P Mokobane | 24/10/2007 | | 46 500 | - | - | - | 46 500 |
| Chief P Ngove | 24/10/2007 | | 46 500 | - | - | - | 46 500 |
| Mr M Pheelwane | 24/10/2007 | | 30 000 | - | - | - | 30 000 |
| | | | | | | | |
| **Audit Committee – independent members** | | | | | | | |
| Mr A Velich ( Douglas and Velich) | 31/10/1002 | 31/03/2008 | 17 387 | - | - | - | 17 387 |
| Ms K Malapela (Ernst & Young) | 17/05/2004 | | 4 000 | - | - | - | 4 000 |
| Mr K Mockler | 24/10/2007 | | 4 000 | - | - | - | 4 000 |
| | | | 624 387 | - | - | - | 624 387 |

*For the year ended 31 March 2009*

**11. Salaries and allowances paid to members of the Board and executive management**

| 11.3 31 March 2009 – Executive management | | Appointment date | Termination date | Basic salary | Performance bonus | Contributions to retirement, medical and life cover benefits | Total |
|---|---|---|---|---|---|---|---|
| | | | | R | R | R | R |
| **Name** | **Designation** | | | | | | |
| Mr G Mokate | Chief executive officer * | 01/06/2005 | 31/03/2009 | 2 260 599 | - | 272 744 | 2 533 343 |
| Mr M Mofokeng | Chief financial officer | 01/12/2004 | 30/09/2008 | 493 549 | - | 94 218 | 587 767 |
| Ms K Kemp | Company secretary | 01/06/2008 | | 561 463 | - | 98 537 | 660 000 |
| Mr DM Ncube | Chief financial officer | 01/10/2008 | | 167 157 | - | 46 034 | 213 191 |
| Mr S Lewatle | Director human resources | 01/11/2008 | | 253 345 | - | 82 168 | 335 513 |
| Ms J Jeftha | Director human resources | 01/07/2007 | 01/07/2008 | 309 894 | - | 66 811 | 376 705 |
| Mr MR Mogano | Director projects | 01/07/2003 | | 775 600 | 15 043 | 173 346 | 963 989 |
| Ms LC Mangcu | Director marketing and communication | 05/05/2003 | | 711 589 | 27 853 | 35 000 | 774 442 |
| Ms H Mansour | Director internal audit | 24/11/2005 | | 732 866 | 15 050 | 167 277 | 915 193 |
| Prof P Ewang | Director research and development | 24/11/2005 | | 730 510 | 17 928 | 210 195 | 958 633 |
| Ms R Issel | Chief operating officer | 01/08/2007 | | 852 126 | 10 600 | 142 441 | 1 005 167 |
| | | | | **7 848 698** | **86 474** | **1 388 771** | **9 323 943** |

** Included in Mr Mokate's remuneration is his severance payout of R 1 310 112. Mr Mokate's employment contract was terminated in March 2009.*

| 11.4 31 March 2008 – Executive management | | | | R | R | R | R |
|---|---|---|---|---|---|---|---|
| **Name** | **Designation** | | | | | | |
| Mr G Mokate | Chief Executive Officer | 01/06/2005 | | 891 654 | 54 969 | 174 920 | 1 121 543 |
| Mr M Mofokeng | Chief Financial Officer | 01/12/2004 | | 695 762 | 28 118 | 134 548 | 858 428 |
| Mr DD Wilcox | Company Secretary | 01/07/2002 | 30/11/2007 | 1 733 666 | 11 877 | 98 537 | 1 844 080 |
| Ms N Antonis | Director Human Resources | 01/07/2003 | 30/04/2007 | 64 050 | - | 14 456 | 78 506 |
| Ms J Jeftha | Director Human Resources | 01/07/2007 | | 479 488 | - | 86 740 | 566 228 |
| Mr MR Mogano | Director Projects | 01/07/2003 | | 725 910 | 28 118 | 121 491 | 875 519 |
| Ms LC Mangcu | Director Marketing and Communication | 05/05/2003 | | 711 589 | 27 853 | 35 000 | 774 442 |
| Ms H Mansour | Director Internal Audit | 24/11/2005 | | 729 402 | 42 197 | 97 076 | 868 675 |
| Prof P Ewang | Director Research and Development | 24/11/2005 | | 660 537 | - | 133 784 | 794 321 |
| Ms R Issel | Chief Operating Officer | 01/08/2007 | | 495 431 | - | 71 881 | 567 312 |
| | | | | **7 187 489** | **193 132** | **968 433** | **8 349 054** |

*Note: Included in Mr DD Wilcox's basic salary is his severance payout to the amount of R 1 270 893. Mr Wilcox's employment contract was terminated in December 2007.*

**12. Staff costs**

| Department | 2008/2009 Amount | % Split | 2007/2008 Amount | % Split |
|---|---|---|---|---|
| **Mandate costs** | **22 873 166** | **58%** | **19 751 600** | **56%** |
| Projects provincial cost | 17 334 841 | 44% | 15 187 773 | 43% |
| Projects national cost | 3 252 318 | 8% | 2 808 111 | 8% |
| Research and development | 2 286 007 | 6% | 1 755 716 | 5% |
| **Governance cost** | **4 725 852** | **12%** | **5 763 434** | **16%** |
| Internal audit | 3 286 022 | 8% | 2 923 130 | 8% |
| Risk, legal and company secretary | 1 439 830 | 4% | 2 840 304 | 8% |
| **Marketing and communication** | **2 459 066** | **6%** | **2 258 575** | **6%** |
| Marketing and communication | 2 459 066 | 6% | 2 258 575 | 6% |
| **Support cost** | **9 595 334** | **24%** | **7 781 844** | **22%** |
| CEO's office | 3 916 110 | 10% | 2 391 095 | 7% |
| Finance and Information Technology | 3 650 095 | 9% | 2 555 455 | 7% |
| Human Resource | 2 029 129 | 5% | 2 835 294 | 8% |
| **Total** | **39 653 418** | **100%** | **35 555 453** | **100%** |
| **Other staff costs** | **3 639 497** | | **2 756 995** | |
| Staff training costs | 652 597 | | 490 307 | |
| Performance bonus | 1 529 768 | | - | |
| Other staff-related costs | 1 457 132 | | 2 266 688 | |
| **Total staff costs** | **43 292 915** | | **38 312 448** | |
| **Less executive remuneration** | 9 323 943 | | 8 349 054 | |
| **Staff costs** | **33 968 972** | | **29 963 394** | |

*For the year ended 31 March 2009*

**13. Property, plant and equipment**

| | Depreciation rate (%) | Cost (R) | Accumulated depreciation (R) | Carrying amount (R) |
|---|---|---|---|---|
| 31 March 2009 | | | | |
| Computer equipment | 33,33 | 2 837 773 | 1 521 013 | 1 316 760 |
| Office equipment | 16.67 | 1 451 570 | 510 356 | 941 213 |
| Furniture | 16.67 | 1 935 965 | 944 469 | 991 496 |
| Motor vehicles | 20.00 | 263 918 | 198 802 | 65 116 |
| | | **6 489 226** | **3 174 641** | **3 314 585** |

Reconciliation of carrying amounts:

| | R | R | R | | R |
|---|---|---|---|---|---|
| | Computer equipment | Office equipment | Furniture | Motor vehicles | Total |
| Carrying amount 1 April 2008 | 1 543 602 | 994 021 | 1 406 184 | 117 899 | 4 061 706 |
| Additions during the year | 641 955 | 204 155 | 78 589 | - | 924 699 |
| Disposals during the year | ( 43 443) | (20 641) | (153 478) | - | (217 562) |
| Depreciation during the year | (825 354) | (236 322) | (339 799) | (52 783) | (1 454 258) |
| Carrying amount 31 March 2009 | **1 316 760** | **941 213** | **991 496** | **65 116** | **3 314 585** |

| | Depreciation rate | Cost | Accumulated depreciation | Carrying amount |
|---|---|---|---|---|
| | % | R | R | R |
| 31 March 2008 | | | | |
| Computer equipment | 33,33 | 2 320 889 | 777 287 | 1 543 602 |
| Office equipment | 16.67 | 1 287 988 | 293 967 | 994 021 |
| Furniture | 16.67 | 2 144 784 | 738 600 | 1 406 184 |
| Motor vehicles | 20.00 | 263 918 | 146 019 | 117 899 |
| | | **6 017 579** | **1 955 873** | **4 061 706** |

*For the year ended 31 March 2009*

**Reconciliation of carrying amount**

| | R | R | R | | R |
|---|---|---|---|---|---|
| | Computer equipment | Office equipment | Furniture | Motor vehicles | Total |
| Carrying amount 1 April 2007 | 655 083 | 614 230 | 1 406 575 | 170 683 | 2 846 570 |
| Additions during the year | 1 488 074 | 528 536 | 343 949 | - | 2 360 559 |
| Disposals during the year | (23 583) | (4 388) | - | - | (27 971) |
| Depreciation during the year | (575 972) | (144 356) | (344 340) | (52 784) | (1 117 452) |
| Carrying amount 31 March 2008 | **1 543 602** | **994 021** | **1 406 184** | **117 899** | **4 061 706** |

**Reconciliation of carrying amounts:**
**Intangible assets**

| | Opening carrying amount | Additions | Amortisation during the year | Closing carrying amount |
|---|---|---|---|---|
| | | R | R | R |
| 31 March 2009 | | | | |
| Intangible assets | 1 577 860 | 222 803 | (366 541) | 1 434 122 |

**Intangible assets**

| | Amortisation rate | Cost | Accumulated amortisation | Carrying amount |
|---|---|---|---|---|
| | % | R | R | R |
| 31 March 2008 | | | | |
| Intangible assets | 20,00 | 1 721 302 | (143 442) | 1 577 860 |

The intangible asset represents the Enterprise Resources Planning software.

*For the year ended 31 March 2009*

| | 2009 | 2008 |
|---|---|---|
| | R | R |

## 14. Cash and cash equivalents

| | | |
|---|---|---|
| Cash on hand | 24 601 | 44 161 |
| Call and current accounts | 51 264 909 | 2 353 470 |
| Money market accounts | 179 965 923 | 262 248 320 |
| Call and current accounts – European Union | 15 263 933 | 14 004 127 |
| **Total** | **246 519 366** | **278 650 078** |

## 15. Accounts receivable

| | | |
|---|---|---|
| Employee-related advances | 31 087 | 30 105 |
| SARS | - | 138 526 |
| Impairment of SARS debtor | - | (138 526) |
| Interest accrued | 1 580 425 | 3 704 973 |
| Other receivables | 438 148 | 282 094 |
| | 2 049 660 | 4 017 172 |
| Ex-employee debtor | - | 19 838 |
| **Total** | **2 049 660** | **4 037 010** |

*For the year ended 31 March 2009*

| | 2009 | 2008 |
|---|---|---|
| | R | R |

## 16. Accounts payable

| | | |
|---|---|---|
| Trade creditors * | 6 575 504 | 3 801 323 |
| Staff creditors (travel claims) | 146 126 | 103 856 |
| Operating lease liabilities | 314 137 | 115 725 |
| Other creditors | 804 627 | 34 959 |
| **Total accounts payable** | **7 840 394** | **4 055 863** |

*For the year ended 31 March 2009*

| | 2009 | 2008 |
|---|---|---|
| | R | R |

***Included in the trade creditors are the following major accounts**

| | | |
|---|---|---|
| Forensic audit services | 566 585 | - |
| HR business process mapping project | 996 177 | - |
| Severance payout for former CEO | 1 310 112 | - |
| Performance bonus | 800 000 | - |
| Legal settlement | - | 650 000 |

## 17. Provisions

| | | |
|---|---|---|
| **Provision for leave** | | |
| - Opening balance | 2 004 410 | 972 987 |
| - Movement | (421 433) | 1 031 423 |
| - Closing balance | **1 582 977** | **2 004 410** |
| | | |
| **Provision for 13th cheque** | | |
| - Opening balance | 509 090 | 439 787 |
| - Provision raised | 1 829 145 | 1 904 559 |
| - 13th Cheque pay-out | (1 913 325) | (1 835 256) |
| - Closing balance | **424 910** | **509 090** |
| | | |
| **Total provisions** | **2 007 887** | **2 513 500** |

## 18. European Union payable

| | | |
|---|---|---|
| Withdrawn commitments | 7 806 146 | 7 806 146 |
| Ineligible expenditure | 5 605 656 | 5 605 656 |
| Interest | 8 256 510 | 6 936 966 |
| **Total** | **21 668 312** | **20 348 768** |

*For the year ended 31 March 2009*

| | 2009 | 2008 |
|---|---|---|
| | R | R |
| **19. Government-funded committed projects** | | |
| Represents funds allocated and committed to specific projects and programmes for which contracts have been entered into, and await cash payments in terms of agreed upon payment cycles. | | |
| Opening balance | 188 209 136 | 133 913 634 |
| Committed poverty eradication projects | 114 236 418 | 133 072 628 |
| Cash disbursements in terms of committed projects | (118 077 330) | (76 126 100) |
| Write backs/projects withdrawal | (2 818 048) | (600 718) |
| Adjustment of committed projects to administration funds | (1 522 354) | (2 050 308) |
| Adjustment of committed projects | (385 913) | - |
| **Total** | **179 641 909** | **188 209 136** |

**20. Note to the cash flow statement**

| | 2009 | 2008 |
|---|---|---|
| **Surplus (deficit) from operations** | **(32 562 510)** | **(61 445 082)** |
| Adjusted for non-cash flow items: | | |
| Depreciation of property, plant and equipment | 1 454 258 | 1 117 452 |
| Amortisation of Intangible assets | 366 541 | 143 442 |
| Net Profit/(loss) on retirement of property, plant and equipment | 217 562 | 27 971 |
| Provision for doubtful debts | - | 138 526 |
| Non-operating income | (52 582) | (36 400) |
| Adjustment of projects to administration fund | 1 522 354 | 2 050 309 |
| **Operating deficit before changes in working capital** | **(29 054 377)** | **(58 003 782)** |
| | | |
| (Increase)/decrease in accounts receivable | 1 987 350 | (1 757 518) |
| Increase/(decrease) in accounts payable and provisions | 3 278 918 | 1 646 878 |
| Increase in EU payable | 1 319 544 | 6 635 115 |
| | | |
| (Decrease)/increase in committed projects | ( 8 567 227) | 54 295 502 |
| **Cash (utilised)/generated by operations** | **(31 035 792)** | **2 816 195** |

**21. Financial risk management**

**Interest rate risk**
Interest rate risk is the risk that the value of a financial asset will fluctuate due to movements in market interest rates. The entity is exposed to interest rate risk as certain investments are held in money market unit trusts.

**Credit risk**
Credit risk is the risk that the counter-party to a financial asset will default on its obligation, in part or in total, thereby causing loss to the entity. This risk is being managed by the entity by only investing funds at large reputable financial institutions in the Republic of South Africa.

**Currency risk**
Currency risk in the risk that the value of a financial asset or liability will fluctuate due to changes in foreign exchange rates. The entity is not exposed to currency risk as a foreign currency denominated grant is receivable from the EU.

**22. Taxation**

No provision has been made for income tax as the National Development Agency is exempt from income tax in terms of Section 30 of the Income Tax Act 1962 as amended.

**23. Committed operating leases**

| | R | R | R |
|---|---|---|---|
| **31 March 2008** | **Not later than 1 year** | **Between 2 and 5 years** | **Later than 5 years** |
| Total future minimum lease payments under non-cancellable operating leases. | 400 730 | - | - |
| **31 March 2009** | **Not later than 1 year** | **Between 2 and 5 years** | **Later than 5 years** |
| Total future minimum lease payments under non-cancellable operating leases. | 4 198 258 | 6 519 485 | - |

**24. Guarantees**

A bank guarantee for an amount of R300 000 has been issued by the BOE bank as a continuing covering security for the payment of monies due by the National Development Agency, in respect of the lease of premises at 31 Princess of Wales Terrace, Parktown.

**25. Contingent asset**

During the criminal investigation of the accounts clerk who misappropriated NDA funds, assets to the value of R2 700 000 were recovered by the National Prosecuting Authority (NPA). The NPA will pay over the balance of the liquidated assets, less their expenses, over to the NDA. There is no change in the status of this contingent asset, debtor since this matter was last reported in March 2008.

**26. Irregular expenditure**

Included in the expenses is irregular expenditure that did not follow the procurement process as defined in the approved procurement policy. This expenditure amounts to R2 583 251. Management will investigate all these cases and take corrective action.

*However, in addition one must acknowledge that the NDA's true potential for excellence lies not only in its financial activity, but in a triple-bottom-line approach which also includes social and environmental considerations.*

**27. Reconciliation of net deficit**

*For the year ended 31 March 2009*

| | 2009 | 2008 |
|---|---|---|
| | R | R |
| Transfer payment from government | 136 267 000 | 129 163 000 |
| Interest income | 26 675 528 | 25 681 428 |
| Other income | 3 324 902 | 817 676 |
| **Total revenue** | **166 267 430** | **155 662 104** |
| Less: Committed projects for current year | (73 081 617) | (56 101 450) |
| **Surplus before prior year commitments and operating costs** | **93 185 813** | **99 560 654** |
| Less: Operating costs | (84 593 522) | (84 034 558) |
| **Net surplus for current period** | **8 592 291** | **15 526 096** |
| Less: Current commitment from prior years | (41 154 801) | (76 971 178) |
| **Net deficit for the year** | **(32 562 510)** | **(61 445 082)** |

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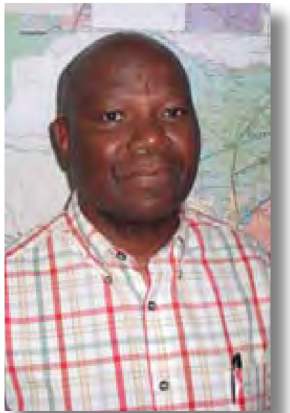

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| | |
|---|---|
| **CBO** | Community-based organisations |
| **CCMA** | Commission for Conciliation Mediation and Arbitration |
| **CEO** | Chief executive officer |
| **CSO** | Civil society organisation |
| **DSD** | Department of Social Development |
| **MANCO** | Management and Finance Committee |
| **NCOP** | National Council of Provinces |
| **NDA** | National Development Agency |
| **NGO** | Non-government organisation |
| **NPO** | Not-for-profit organisation |
| **PFMA** | Public Finance Management Act |
| **PMC** | Project management cycle |
| **NMM** | Nelson Mandela Metropole |

NDA
National
Development
Agency

*National Development Agency*

(NDA) 2008/9 Annual Report

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