



NDA

National  
Development  
Agency



# 13. Financial statements

For the year ended 31 March 2011

Contents	Page
Report of the Audit and Risk Committee	52
Report of the Auditor-General South Africa	53-54
Report by the Board on the Annual Financial Statements	55
Statement of Financial Performance	56
Statement of Financial Position	57
Statement of Changes in Net Assets	58
Cash Flow Statement	59
Notes to the Annual Financial Statements	60-82

## REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 31 March 2011

### 1. GENERAL

During the financial year under review, the term of the previous Board and the Audit and Risk Committee members came to an end. Therefore, the last Audit and Risk Committee meeting for the financial year under review was held on 28 September 2010. A new Audit and Risk Committee comprising of three Board members was subsequently appointed. The Chairperson of the Audit and Risk Committee is currently a member of the Board.

The Audit and Risk Committee is in the process of appointing one additional external member who has specific expertise pertinent to the mandate of the Committee.

The current members of the Audit and Risk Committee are:

- Ms T Shange
- Ms M Malapane
- Ms N Tolashe

The National Development Agency (NDA) Audit and Risk Committee's function is primarily to assist the Accounting Authority in discharging their responsibility in terms of the Public Finance Management Act, 1999 ( Act No. 1 of 1999 as amended).

The Committee is scheduled to meet at least four times a year. The Internal Audit reports directly to the Audit and Risk Committee, and the Committee liaises with the external auditors. The Chief Executive Officer is the ex-officio member of the Committee, while the Chief Financial Officer, along with other members of management, attends the committee meetings at the invitation of the Chairperson of the Committee.

### 2. THE AUDIT AND RISK COMMITTEE'S RESPONSIBILITY

The Audit and Risk Committee reports that it has complied with its responsibilities arising from the PFMA and Treasury Regulation. Further, the Audit Committee reports that it has adopted appropriate formal terms of reference as contained in the Audit and Risk Committee Charter, approved by the Board.

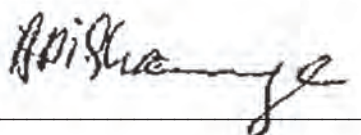
### 3. EFFECTIVENESS OF INTERNAL CONTROLS

The Audit and Risk Committee co-ordinates and monitors the Internal Audit function. Reports issued by the Internal Audit Directorate and the risk register presented have drawn the attention of the Audit and Risk Committee to significant control weaknesses, areas of non-compliance and key risks facing the entity.

The Audit and Risk Committee has further noted with concern the deficiencies highlighted in the Auditor-General's management letter.

### 4. EVALUATION OF THE FINANCIAL STATEMENTS

The Audit and Risk Committee has evaluated the Financial Statements of the NDA for the year ended March 31, 2011. Based on the information provided, particularly the significant control weaknesses, the Audit and Risk Committee concluded that the NDA complied with the financial regulations partially. The Audit and Risk Committee therefore recommends adoption of the Annual Financial Statements by the NDA Board of Directors.



Ms T Shange  
Chairperson of the NDA Audit Committee

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE NATIONAL DEVELOPMENT AGENCY

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I have audited the accompanying financial statements of the National Development Agency, which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 56 to 82.

#### Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) and the National Development Agency Act, 1998 (Act No. 108 of 1998), 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 (Act No. 108 of 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 National Development Agency as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) and the National Development Agency Act, 1998 (Act No. 108 of 1998).

#### Emphasis of matters

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

**Restatement of corresponding figures**

9. As disclosed in note 29 to the financial statements, the accumulated surplus for 31 March 2010 have been restated as a result of an error discovered during the year ended 31 March 2011 in the financial statements of the National Development Agency.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

10. 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 20 to 32 and material non-compliance with laws and regulations applicable to the National Development Agency.

**Predetermined objectives  
Usefulness of information**

11. The following criteria was used to assess the usefulness of the information reported:

- Measurability: Indicators are well defined and verifiable, and targets are specific, measurable and time bound.

12. The following audit finding relate to the above criteria:

- For the selected objectives, 33% of the planned and reported targets were not measurable in identifying the required performance.

**Compliance with laws and regulations  
Expenditure management**

13. The accounting authority did not take effective and/or appropriate steps to prevent irregular expenditure of R2 551 188 as per the requirements of section 51(1)(b)(ii) of the PFMA.

**INTERNAL CONTROL**

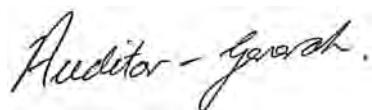
14. In accordance with the PAA and in terms of General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below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

**Leadership**

15. The performance of the entity is not measured against predetermined objectives, indicators and targets as required by the PFMA.

**Financial and performance management**

16. There are no appropriate means for monitoring compliance on a regular basis.



Pretoria  
31 July 2011



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

## Report by the Board on the Annual Financial Statements

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 9 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.

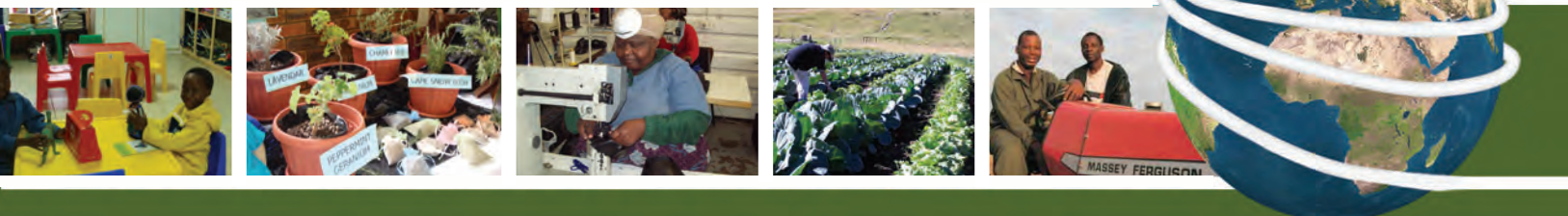
The annual financial statements, as set out on pages 55 to 81 were approved by the Board on 21 July 2011 are signed on its behalf by:



Chairperson of the Board



Chief Executive officer





## Statement of Financial Performance

For the year ended 31 March 2011

	Note	2011	2010
		R	R
<b>Revenue</b>			
<b>Non-exchange revenue</b>			
Transfer revenue	4	83 469 000	144 782 000
Other income	5	131 368	949
Net finance Income		10 075 421	16 239 085
<b>Total revenue</b>		<b>93 675 789</b>	<b>161 022 034</b>
<b>Expenditure</b>			
<b>Mandate expenses</b>			
		<b>47 955 280</b>	<b>89 643 788</b>
Committed poverty eradication projects		49 512 808	94 689 034
Reversal of committed poverty eradication projects		(9 119 877)	(12 361 533)
Projects monitoring and support		2 041 027	2 176 035
Business plans and compliance audits		645 381	993 539
Due-diligence reviews		1 897 233	1 448 744
Baseline studies and projects evaluations		1 403 843	1 189 229
RFP advertising		-	88 107
Studies and research commissioned		100 615	209 500
Projects branding and launches		179 859	306 930
Dialogues and CSO consultations		1 026 526	-
Capacity building		267 865	904 203
<b>Administration expenses</b>			
		<b>75 755 841</b>	<b>72 654 395</b>
Accommodation and travel		4 398 337	4 732 224
Audit fees		1 398 567	1 291 109
Board fees	8.1 & 8.2	1 119 219	1 800 038
Consulting and professional fees		2 343 525	2 341 546
Depreciation and amortisation		1 033 703	1 534 898
(Profit)/ Loss on disposal of assets		269 155	(48 732)
Marketing and communication	6	1 297 369	1 089 994
Operating leases		6 166 762	5 246 544
Repairs and Maintenance		424 284	671 827
Printing and Stationery		679 428	1 047 685
Seminars, workshops and conferences		549 153	795 964
Staff costs	9	51 439 193	46 396 708
IT communication costs		1 768 618	1 770 069
Telephone and faxes		736 469	961 589
Relocation of offices		8 997	-
Miscellaneous expenses	7	2 123 062	3 022 932
<b>Net deficit</b>	10	<b>(30 035 332)</b>	<b>(1 276 149)</b>

Statement of Financial Position  
As at 31 March 2011

For the year ended 31 March 2011

<b>Assets</b>	<i>Note</i>	<b>2011</b> R	<b>2010</b> R <b>Restated</b>
<b>Current assets</b>		<b>111 590 193</b>	<b>217 440 711</b>
Cash and cash equivalents	13	110 689 557	216 141 107
Exchange receivables	14	900 636	1 299 604
<b>Non-current assets</b>		<b>4 030 823</b>	<b>4 817 433</b>
Property, plant and equipment	11	3 105 385	3 772 131
Intangible asset	12	925 438	1 045 302
<b>Total assets</b>		<b>115 621 016</b>	<b>222 258 144</b>
<b>Liabilities</b>			
<b>Current liabilities</b>		<b>103 554 552</b>	<b>180 156 348</b>
Payables	15	3 632 006	4 431 091
Short-term employee benefits	16	4 005 806	3 108 139
Provision for Committed projects	18	95 916 740	150 105 053
European Union	17	-	22 512 065
<b>Total liabilities</b>		<b>103 554 552</b>	<b>180 156 348</b>
<b>Net assets</b>		<b>12 066 464</b>	<b>42 101 796</b>
Accumulated surplus		12 066 464	42 101 796
<b>Total liabilities &amp; Net assets</b>		<b>115 621 016</b>	<b>222 258 144</b>



## Statement of changes in net assets

For the year ended 31 March 2011

	<i>Notes</i>	Development fund R	Accumulated fund R	Total R
<b>Balance at 31 March 2009</b>		<b>40 956 399</b>	<b>1 785 816</b>	<b>42 742 215</b>
Restatement of IDT Fund to accumulated funds	30	(40 956 399)	40 956 399	-
<b>Balance at 31 March 2009 - restated</b>		<b>-</b>	<b>42 742 215</b>	<b>42 742 215</b>
Net deficit for the year		-	(1 276 149)	(1 276 149)
Adjustments to accumulated funds		-	635 730	635 730
<b>Balance at 31 March 2010</b>		<b>-</b>	<b>42 101 796</b>	<b>42 101 796</b>
Net deficit for the year		-	(30 035 332)	(30 035 332)
<b>Balance at 31 March 2011</b>		<b>-</b>	<b>12 066 464</b>	<b>12 066 464</b>



## Cash flow statement

For the year ended 31 March 2011

	Note	2011 R	2010 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfer revenue		83 469 000	144 782 000
Interest received		10 075 421	16 239 085
Receipts from debtors		189 569	770 056
Other receipts		131 369	949
<b>Payments</b>			
To Employees		(50 463 180)	(46 164 305)
To Projects		(94 518 765)	(111 133 336)
To Suppliers		(53 818 718)	(33 868 868)
<b>Net cash outflows from operating activities</b>	19	<b>(104 935 304 )</b>	<b>(29 374 419)</b>
<b>Cash outflows from investing activities</b>			
Acquisition of property, plant and equipment		(530 569)	(1 277 513)
Proceeds from the disposal of property, plant and equipment		14 323	273 673
<b>Net cash outflows from investing activities</b>		<b>(516 246)</b>	<b>(1 003 840)</b>
<b>Net decrease in cash and cash equivalent</b>		<b>(105 451 550)</b>	<b>(30 378 259)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>216 141 107</b>	<b>246 519 366</b>
<b>Cash and cash equivalents at end of year</b>	13	<b>110 689 557</b>	<b>216 141 107</b>



## 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 Recognised Accounting Practices (GRAP) 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 SA GAAP Statement as follows:

#### Standard of GRAP

GRAP 1: Presentation of financial statements  
 GRAP 2: Cash flow statements  
 GRAP 3: Accounting policies, changes in accounting estimates and errors  
 GRAP17: Property, plant and equipment  
 GRAP19: Provisions, Contingent Liabilities and Contingent Assets  
 GRAP 13: Leases  
 GRAP 102: Intangible assets  
 GRAP 14: Events after reporting date

#### Replaced Statement of GAAP

AC101: Presentation of financial statements  
 AC118: Cash flow statements  
 AC103: Accounting policies, changes in accounting estimates and errors estimates and errors  
 AC123: Property, plant and equipment  
 AC130: Provisions, Contingent Liabilities and Assets  
 AC105: Leases  
 AC129: Intangible Assets  
 AC107: Events after Balance Sheet date

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 and 19 has resulted in the following significant changes in the presentation of the financial statements:

#### 1.2.1 Terminology differences:

#### Standard of GRAP

Statement of financial performance  
 Statement of financial position  
 Statement of changes in net assets  
 Net assets  
 Surplus/deficit for the period  
 Accumulated surplus/deficit  
 Contributions from owners  
 Distributions to owners  
 Reporting date

#### Replaced Statement of GAAP

Income statement  
 Balance sheet  
 Statement of changes in equity  
 Equity  
 Profit/loss for the period  
 Retained earnings  
 Share capital  
 Dividends  
 Balance sheet date

1.2.1.1 The following GRAP statements have been issued by the Accounting Practice Board, but were not effective at reporting date and were considered in development of applicable Accounting Policies:

- GRAP 18 - Segment reporting
- GRAP 21 - Impairment of non-cash generating Assets
- GRAP 23 - Revenue from non-exchange Transactions
- GRAP 24 - Budget information
- GRAP 25 - Employee Benefits
- GRAP 26 - Impairment of Cash generating Assets
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Instruments

1.2.2. The cash flow statement can only be prepared in accordance with the direct method in accordance with GRAP 1.

1.2.3. Specific information, such as the following, must be presented separately on the statement of financial position in accordance with GRAP 1.

- (a) Receivables from non-exchange transactions, including taxes and transfers;
- (b) Taxes and transfers payable;
- (c) Trade and other payables from non-exchange transactions;

1.2.4. The amount and nature of any restrictions on cash balances is required and has been disclosed in note 14.

1.2.5. The NDA has applied the provisions of paragraph 14 of GRAP 1 which requires reconciliation between the statement of financial performance and the budget to be included in the financial statements.

### 1.3 Functional and presentation currency

These financial statements are presented in the South African Rand, which is the entity's functional currency. All financial information presented in the South African Rand has been rounded to the nearest rand.

### 1.4 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.

### 1.5 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.

### 1.6 Property, plant and equipment

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.

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

and equipment, the carrying amount of the replaced part is derecognised.

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 surplus or deficit 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 derecognised. The surplus or deficit 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.

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

Computer Equipment	3 - 8 years
Equipment	6 - 10 years
Furniture	6 - 10 years
Motor Vehicles	5 years

The useful lives, depreciation methods and the residual values are reviewed on an annual basis at the end of each financial year.

The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of financial performance as they are incurred. Leasehold improvements and minor asset items are also recognised directly in the statement of financial performance.

## 1.7 Intangible assets

Intangible assets that are acquired, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated brands, is recognised in surplus or deficit as incurred.

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Intangible assets are amortised on the straight-line basis over the estimated useful lives of five (5) years.

The surplus or deficit arising from the de-recognition of an intangible asset is recognised as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The surplus or deficit from de-recognition of an intangible asset is recognised in the statement of financial performance when the asset is derecognised.

## 1.8 Impairment

### *Non-financial assets*

The carrying amounts of the entity's non-financial assets, other than inventories, are reviewed at each reporting 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.

### **Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in surplus or deficit.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in surplus or deficit.

## **1.9 Leases**

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

### **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 recognised in surplus or deficit 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.

## **1.10 Financial instruments**

### **Non-derivative financial instruments**

The entity's non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through surplus or deficit, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Financial instruments are accounted for at settlement date using the settlement amount.

#### **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.

#### **Loans and receivables and financial liabilities measured at amortised cost**

These non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

#### **Financial assets for which fair value approximate carrying value**

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

#### **Financial liabilities for which fair value approximates carrying value**

The fair values of trade and other payables and accrued liabilities are considered to approximate their respective carrying values due to their short-term nature.

#### **Offset**

Where a legally enforceable right of offset exists for recognised non-derivative financial instruments, 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.

## **1.11 Revenue**

### **1.11.1 Non Exchange Revenue**

#### **Transfer Revenue**

Transfer revenue is an unconditional government grant related to operational costs that is measured at fair value of a consideration received and is recognised in surplus or deficit when the transfer becomes receivable. Revenue is recognised when received and none of the revenue is deferred.

#### **1.11.2 Exchange Revenue**

Exchange revenue is measured at the fair value of the consideration received or receivable. Exchange revenue comprises finance income 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.

#### **Finance income**

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in surplus or deficit



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

### 1.12 Finance costs

Finance costs comprise the interest expense on unwinding of the discount on provisions and impairment losses recognised on financial assets.

### 1.13 Provisions

#### 1.14 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.

#### *Onerous contracts*

A provision for onerous contracts is recognised when the expected benefits to be derived by the Agency from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Agency recognises any impairment loss on the assets associated with that contract.

### 1.15 Employee Benefits

#### *Post-employment benefits*

##### *Retirement*

The entity contributes to a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in surplus or deficit when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

##### *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 rendered the related service. A liability is recognised for the amount expected to be paid under short-term performance bonus policy and any Leave pay accrued to employees if the entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### **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.

### **1.16 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.



## 2. Public sector practices and policies

### 2.1 Related Parties

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 Irregular, 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. Irregular expenditure means expenditure incurred in contravention of or not in accordance with a requirement of any applicable legislation including the Public Finance Management Act (PFMA) and regulations issued in terms of the PFMA by National Treasury. All irregular, fruitless and wasteful expenditure is charged against revenue in the period in which it is incurred.

## 3. Legal form and registered office on the NDA

The NDA is a Schedule 3 A public entity in terms of the PFMA Act that was established in terms of the NDA Act No 108 of 1998, as amended. The entity's registered offices are as follows:

31 Princess of Wales  
Parktown  
Johannesburg  
2001

	2011 R	2010 R
<b>4. Non Exchange Revenue</b>		
Transfer Revenue	83 469 000	144 782 000
<b>5. Other income</b>		
Refund from Provident fund	131 368	-
Interest on Staff advances	-	949
	<b>131 368</b>	<b>949</b>
<b>6. Marketing and communication cost</b>		
Advertising	704 328	319 310
Promotional materials	209 036	300 658
Stakeholder engagements	384 005	470 026
	<b>1 297 369</b>	<b>1 089 994</b>
<b>7. Miscellaneous</b>		
Bank charges	659 360	856 231
Board meeting recordings	125 555	217 635
Catering	162 600	206 452
Cleaning services	64 511	113 533
Insurance	284 777	299 308
Postage and courier	250 031	346 549
Security services	20 359	106 735
Partnerships	-	73 502
Media monitoring	93 854	64 782
Software licence renewal	307 090	425 252
Subscriptions and memberships	118 183	96 355
IT Consumables	29 430	216 598
Petty cash Write-offs	7 312	-
	<b>2 123 062</b>	<b>3 022 932</b>



## 8 Salaries, allowances and fees paid to members of the board and executive management

## 8.1 31 March 2011 – Board Fees

	Appointment date	Termination date	Fees for services as Board member R
<b>Members of the Board</b>			
Bishop M Mpumwana (Chairperson)	05/12/2003	31/10/2010	124 442
Prof T Mayekiso	05/12/2003	31/10/2010	178 508
Ms M Manong	05/12/2003	31/10/2010	93 748
Mr D Adler	24/10/2007	31/10/2010	124 776
Mr M Madzivhandila	24/10/2007	31/10/2010	136 308
Rev N Maphalala	24/10/2007	31/10/2010	-
Dr W Mgoqi	24/10/2007	31/10/2010	102 072
Mr P Mokobane	24/10/2007	31/10/2010	118 720
Chief P Ngove	24/10/2007	31/10/2010	87 360
Mr MP Pheelwane	24/10/2007	31/10/2010	26 880
Mr M Kekana (Chairperson)	01/11/2010	-	15 055
Ms T Shange	01/11/2010	-	12 790
Ms B Khan	01/11/2010	-	8 960
Ms A Madella	01/11/2010	-	8 960
Mr R Mdlalose	01/11/2010	-	8 960
Mr L Molema	01/11/2010	-	8 960
Mr M Monakali	01/11/2010	-	4 480
Mr M Xundu	01/11/2010	-	8 960
Mr N Tolashe	01/11/2010	-	4 480
Ms M Malapane	01/11/2010	-	-
Mr P Thabethe	01/11/2010	-	-
<b>Audit Committee – Independent members</b>			
Mr K Mockler	31/03/2008	31/10/2010	31 360
Ms K Malapela	17/05/2004	31/10/2010	13 440
<b>HR Committee – Independent members</b>			
Mr M Faku	27/01/2006	31/10/2010	-
Dr T Masilela	03/12/2003	31/10/2010	-
<b>Total</b>			<b>1 119 219</b>







8.2 31 March 2010 – Board fees	Appointment date	Termination date	Fees for services as Board member R
<b>Members of the Board</b>			
Bishop M Mpumlwana	05/12/2003	-	242 757
Prof T Mayekiso	05/12/2003	-	270 320
Ms M Manong	05/12/2003	-	176 600
Mr D Adler	24/10/2007	-	229 738
Mr M Madzivhandila	24/10/2007	-	185 588
Rev N Maphalala	24/10/2007	-	-
Dr W Mgoqi	24/10/2007	-	145 600
Mr P Mokobane	24/10/2007	-	154 560
Chief P Ngove	24/10/2007	-	123 200
Mr M Pheelwane	24/10/2007	-	125 439
<b>Audit Committee – Independent members</b>			
Mr K Mockler	31/03/2008	-	56 636
Ms K Malapela	17/05/2004	-	17 920
<b>HR Committee – Independent members</b>			
Mr M Faku	27/01/2006	-	58 240
Dr T Masilela	03/12/2003	-	13 440
<b>Total</b>			<b>1 800 038</b>

8.3 31 March 2011 - Executive Management Remuneration

Name Designation	Appointment date	Termination date	Basic salary	Performance bonus	Contributions to Retirement, Medical and Life Cover Benefits	
					R	R
Ms V Nhlapo	01/06/2010	-	717 675	27 077	187 307	932 059
Mr R Mogano	01/07/2003	-	908 665	19 005	186 819	1 114 489
Ms LC Mangcu	05/05/2003	-	921 710	-	163 361	1 085 071
Ms H Mansour	24/11/2005	-	882 867	19 013	188 307	1 090 187
Prof P Ewang	24/11/2005	-	839 769	54 471	185 209	1 079 449
Ms R Issel	01/08/2007	-	975 986	30 020	133 878	1 139 884
Mr S Lewatle	01/11/2008	-	869 524	28 257	151 023	1 048 804
Mr P Zwane	10/05/2010	-	637 375	15 710	158 701	811 786
Ms N Mobeng	01/07/2010	-	559 473	-	106 372	665 845
<b>Total</b>			<b>7 313 044</b>	<b>193 553</b>	<b>1 460 977</b>	<b>8 967 574</b>

8.4 31 March 2010 - Executive Management Remuneration

Name Designation	Appointment date	Termination date	Basic salary	Performance bonus	Contributions to Retirement, Medical and Life Cover Benefits	
					R	R
Mr MR Mogano	01/07/2003	-	827 837	21 997	202 198	1 052 032
Ms LC Mangcu	05/05/2003	-	811 079	21 803	198 266	1 031 148
Ms H Mansour	24/11/2005	-	854 419	15 404	170 840	1 040 663
Prof P Ewang	24/11/2005	-	795 036	30 524	224 784	1 050 344
Ms R Issel	01/08/2007	-	980 547	-	130 786	1 111 333
Mr S Lewatle	01/11/2008	-	830 593	9 085	134 184	973 862
Ms KE Kemp	01/06/2008	28/02/2010	637 375	15 710	142 437	795 522
Mr DM Ncube	01/10/2008	31/07/2009	321 404	-	62 727	384 131
<b>Total</b>			<b>6 058 290</b>	<b>114 523</b>	<b>1 266 222</b>	<b>7 439 035</b>



## 9. Staff costs

Department	2011 R	% Split	2010 R	% Split
<b>Mandate functions</b>	<b>26 468 179</b>	<b>60%</b>	<b>25 577 785</b>	<b>63%</b>
Projects provincial cost	19 421 169	44%	18 873 234	47%
Projects national cost	3 973 476	9%	3 615 879	9%
Research and Development	3 073 534	7%	3 088 672	7%
<b>Governance functions</b>	<b>8 303 836</b>	<b>19%</b>	<b>6 400 559</b>	<b>15%</b>
Internal Audit	2 861 627	6%	2 606 701	6%
Risk, Legal and Entity Secretary	5 442 209	13%	3 793 858	9%
<b>Marketing and Communication</b>	<b>2 807 901</b>	<b>6%</b>	<b>2 590 728</b>	<b>6%</b>
Marketing and Communication	2 807 901	6%	2 590 728	6%
<b>Support functions</b>	<b>6 734 166</b>	<b>15%</b>	<b>6 909 168</b>	<b>16%</b>
Finance and Information Technology	4 529 533	10%	4 294 945	10%
Human Resource	2 204 633	5%	2 614 223	6%
<b>Total</b>	<b>44 314 082</b>	<b>100%</b>	<b>41 478 240</b>	<b>100%</b>
<b>Other staff costs</b>	<b>7 125 111</b>		<b>4 918 468</b>	
Staff training cost	576 968		597 484	
Performance Bonus	716 848		978 419	
Other staff related costs	5 831 295		3 342 565	
<b>Total Staff Costs</b>	<b>51 439 193</b>		<b>46 396 708</b>	

### 10. Reconciliation between budgeted deficit and actual deficit per the Statement of Financial Performance

	2011 R	2010 R
Net deficit per statement of financial performance	(30 035 332)	(1 276 149)
<b>Adjusted for:</b>		
Leave payment provision	1 231 859	519 078
Lease smoothing adjustment	147 887	148 581
(Profit)/loss on disposal of Property, Plant and Equipment	269 155	(48 732)
Depreciation and amortisation	1 033 703	1 534 898
Write back of previously committed projects	(9 119 877)	(12 361 533)
Funds ring-fenced for project evaluations not yet committed	(2 309 100)	-
IDT funds budgeted for but not recognized	40 000 000	-
Commitments from prior year approvals	-	12 107 846
Capital expenditure	(530 569)	(623 989)
Other Audit Adjustments not budgeted for	(687 726)	-
<b>Net deficit per approved budget</b>	<b>-</b>	<b>-</b>

The R40 million IDT funds budgeted for but not recognized in Statement of Financial Performance, relates to the prior period restatement. Please refer to note 29 below.

### 11. Property, plant and equipment

	Depreciation rate %	Cost R	Accumulated depreciation R	Carrying amount R
<b>11.1 31 March 2011</b>				
Computer equipment	12.50 - 33,33	2 865 729	(1 540 744)	1 324 985
Office equipment	10.00 - 16.67	1 365 293	(541 176)	824 117
Furniture	10.00 - 16.67	1 773 196	(816 913)	956 283
Motor vehicles	20	263 918	(263 918)	-
		<b>6 268 136</b>	<b>(3 162 751)</b>	<b>3 105 385</b>



**Reconciliation of carrying amounts:**

	Computer equipment	Office equipment	Furniture	Motor vehicles	Total
	R	R	R	R	R
<b>Carrying amount 1 April 2010</b>	<b>1 396 508</b>	<b>1 090 383</b>	<b>1 272 908</b>	<b>12 332</b>	<b>3 772 131</b>
Transfers	(351 655)	-	-	-	(351 655)
Additions during the year	484 531	14 938	31 100	-	530 569
Disposals during the year	(78 572)	(53 880)	(151 024)	-	(283 476)
Adjusted depreciation during the year	(125 827)	(227 324)	(196 701)	(12 332)	(562 184)
<b>Carrying amount 31 March 2011</b>	<b>1 324 985</b>	<b>824 117</b>	<b>956 283</b>	<b>-</b>	<b>3 105 385</b>

Proceeds from insurance to the value of R 14 323 to replace assets stolen during the year have been included in the reported deficit. The proceeds were set off against the net carrying values of the stolen assets to calculate the loss on disposal of Property, plant and equipment.

	Depreciation rate	Cost	Accumulated depreciation	Carrying amount
	%	R	R	R
<b>11.2 31 March 2010</b>				
Computer equipment	33,33	3 464 084	(2 067 576)	1 396 508
Office equipment	16.67	1 688 980	(598 597)	1 090 383
Furniture	16.67	2 035 951	(763 043)	1 272 908
Motor vehicles	20	263 918	(251 586)	12 332
		<b>7 452 933</b>	<b>(3 680 802)</b>	<b>3 772 131</b>

**Reconciliation of carrying amounts:**

	Computer equipment	Office equipment	Furniture	Motor vehicles	Total
	R	R	R	R	R
<b>Carrying amount 1 April 2009</b>	<b>1 412 370</b>	<b>1 046 592</b>	<b>1 373 489</b>	<b>65 116</b>	<b>3 897 567</b>
Additions during the year	833 004	344 499	100 010	-	1 277 513
Impairment	-	(95 642)	-	-	(95 642)
Adjustment to accumulated fund	(39 161)	8 030	-	-	(31 131)
Disposals during the year	(116 674)	(13 424)	-	-	(130 098)
Depreciation during the year	(693 031)	(199 672)	(200 591)	(52 784)	(1 146 078)
<b>Carrying amount 31 March 2010</b>	<b>1 396 508</b>	<b>1 090 383</b>	<b>1 272 908</b>	<b>12 332</b>	<b>3 772 131</b>

**11.3 Change in Estimate**

In terms of the requirements of GRAP 17 *Property, Plant and Equipment* the useful lives of all assets were reviewed by management at year end. The remaining useful life expectations of some asset items differed from previous estimates. This resulted in a revision of some of the previous estimates which was accounted for as a change in accounting estimate per GRAP 3. An adjusting amount of R478 840 was recognized in the Statement of Financial performance for the year.

## 12. Intangible assets

	Amortisation rate %	Cost R	Accumulated Amortisation R	Carrying amount R
<b>31 March 2011</b>				
ERP system	20	1 721 303	(1 176 224)	545 079
Project monitoring system & other software	20	706 079	(325 720)	380 359
		<b>2 427 382</b>	<b>(1 501 944)</b>	<b>925 438</b>

*Reconciliation of carrying amounts:*

	ERP system R	Project monitoring other software R	Total R
<b>Carrying amount 1 April 2010</b>	<b>889 340</b>	<b>155 962</b>	<b>1 045 302</b>
Transfers	-	351 655	351 655
Amortisation during the year	(344 261)	(127 258)	(471 519)
<b>Carrying amount 31 March 2011</b>	<b>545 079</b>	<b>380 359</b>	<b>925 438</b>

## 13. Cash and cash equivalents

	2011 R	2010 R
Cash on hand	4 105	25 590
Call and current accounts	43 554 523	75 231 688
Money market accounts	67 130 929	124 777 131
Call and current accounts – EU	-	16 106 698
	<b>110 689 557</b>	<b>216 141 107</b>

The investments and bank balances are held at reputable South African banks and none of the cash is encumbered.

All funds previously held in terms of the financing agreement between the European Union and the Government of South Africa were paid back to the European Union during the year, including interest earned on these funds.

## 14. Exchange receivables

	2011 R	2010 R
<b>Loans and receivables</b>	<b>665 294</b>	<b>893 995</b>
Employee related advances*	7 400	4 830
Interest accrued	413 256	889 165
Trade Receivables	244 638	-
<b>Other receivables</b>	<b>235 342</b>	<b>405 609</b>
Rental Deposits	235 342	194 700
Warranty debtors	-	210 909
<b>Loans and other receivables</b>	<b>900 636</b>	<b>1 299 604</b>

The above exchange receivables were not considered for ageing and credit quality because these were not considered trade receivables. For all other categories of receivables there is no credit risk other than the rental deposits.

\* Employee related advances are advances to employees for travel purposes and are expensed upon receipt of actual invoices and receipts that indicate how the advance was spent.

	2011	2010
	R	R
<b>15. Trade and other payables</b>		
Trade Creditors	3 059 492	3 000 341
Staff Creditors (Travel Claims)	143 337	67 522
Operating Lease Liabilities	327 522	475 409
Other creditors	101 655	887 819
<b>Financial liabilities measured at amortised cost</b>	<b>3 632 006</b>	<b>4 431 091</b>

The above creditors are not past their due dates and the terms and conditions of these creditors have not been renegotiated.

## 16. Short-term employee benefits

<b>Accrual for leave</b>		
- Opening balance	1 838 514	1 582 977
- Movement	944 992	255 537
<b>- Closing balance</b>	<b>2 783 506</b>	<b>1 838 514</b>
<b>Accrual for 13th Cheque</b>		
- Opening balance	318 585	424 910
- Provision Raised	1 311 597	1 666 574
- Pay-out	(1 289 997)	(1 772 899)
<b>- Closing balance</b>	<b>340 185</b>	<b>318 585</b>
<b>Accrual for Performance bonus</b>		
- Opening balance	951 040	924 810
- Provision Raised	882 115	951 040
- Pay-out	(951 040)	(924 810)
<b>- Closing balance</b>	<b>882 115</b>	<b>951 040</b>
<b>Total employee benefits accruals</b>	<b>4 005 806</b>	<b>3 108 139</b>

## 17. European Union payable

Ineligible Expenditure	-	5 605 656
Interest earned on EU funds	-	9 100 263
Withdrawn Commitments	-	7 806 146
	-	<b>22 512 065</b>

The unused portion of the funds in terms of the financing agreement together with the interest earned on these funds was paid back to the European Union in the 2011 financial year.

## 18. Provision for committed projects

	2011	2010
	R	R
<b>Opening balance</b>	<b>150 105 053</b>	<b>179 641 909</b>
Committed poverty eradication projects	49 512 808	94 689 034
Cash disbursements in terms of committed projects	(94 518 765)	(111 133 336)
Write backs / projects withdrawal	(9 119 877)	(12 367 533)
Adjustment of committed projects	(62 479)	(725 021)
<b>Closing balance</b>	<b>95 916 740</b>	<b>150 105 053</b>

The provision for committed projects represents funds allocated and committed to specific projects and programmes for which contracts have been entered into and awaiting cash payments in terms of agreed upon payment cycles.

## 19. Note to the cash flow statement

<b>Deficit from operations</b>	<b>(30 035 332)</b>	<b>(1 276 149)</b>
<i>Adjusted for non-cash flow items:</i>		
Depreciation of property, plant and equipment	567 257	1 146 078
Amortisation of Intangible assets	466 446	388 820
Impairment of assets	-	95 642
(Profit)/Loss on retirement of PPE	269 155	(144 374)
<b>Operating profit /(deficit) before changes in working capital</b>	<b>(28 732 474)</b>	<b>210 017</b>
Decrease in accounts receivable	398 968	770 056
Increase/(Decrease) in accounts payable and provisions	98 582	(2 308 247)
(Decrease)/Increase in EU payable	(22 512 065)	843 753
Decrease in committed projects	(54 188 313)	(28 889 998)
<b>Net cash outflow from operating activities</b>	<b>(104 935 302)</b>	<b>(29 374 419)</b>

## 20. Financial risk management

The entity has exposure to the following risks from the use of financial instruments:

- credit risk
- liquidity risk
- interest rate risk

This note presents information about the entity's exposure to each of the above risks, the entity's objectives, policies and processes for measuring and managing risk, and the entity's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board has the overall responsibility for the establishment and oversight of the entity's risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring the entity's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The entity's risk management policies are established to identify and analyse the risks faced by the entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the entity's activities. The entity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### **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.

### **Liquidity risk**

Liquidity risk is the risk that the counter-party to a financial asset will default on its obligation, in part or in total, due to not having cash flows to settle an obligation when it falls due. This risk is being managed by the entity by only investing funds at large reputable financial institutions in the Republic of South Africa.

### **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.

## **21. Financial instruments**

### **21.1 Credit risk**

#### *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit risk exposure of the entity. The maximum exposure to credit risk at the reporting date was:

	<b>2011</b>	<b>Carrying amount 2010</b>
	<b>R</b>	<b>R</b>
Cash and cash equivalents	110 689 557	216 141 107
Trade and other receivables	900 636	1 299 604
	<u><b>111 590 193</b></u>	<u><b>217 440 711</b></u>

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

		<b>Carrying amount</b>
Private institutions	893 236	1 294 774
Employee advances	7 400	4 830
	<u><b>900 636</b></u>	<u><b>1 299 604</b></u>



**Impairment losses**

There is no movement in the allowance for impairment in respect of other receivables during the year, because these debtors are not considered as trade receivables.

**21.2 Liquidity risk**

The following are contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

**31 March 2011**

	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	12 months or more
	R	R	R	R	R
Trade and other payables	3 632 006	3 632 006	3 632 006	-	-
Short term employee benefits	4 005 806	4 005 806	-	4 005 806	-
Provision for committed projects	95 916 740	95 916 740	77 884 393	13 236 510	4 795 837
	<b>103 554 552</b>	<b>103 554 552</b>	<b>81 516 399</b>	<b>17 242 316</b>	<b>4 795 837</b>

**31 March 2010**

	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	12 months or more
	R	R	R	R	R
Trade and other payables	4 431 091	4 431 091	4 431 092	-	-
Short-term employee benefits	3 108 139	3 108 139	951 040	2 157 100	-
Provision for committed projects	150 105 053	150 105 053	123 213 562	20 793 658	6 012 655
European Union payable	22 512 065	22 512 065	22 512 065	-	-
	<b>180 156 348</b>	<b>180 156 348</b>	<b>151 107 759</b>	<b>22 950 758</b>	<b>6 012 655</b>

**21.3 Interest rate risk***Profile*

At the reporting date the interest rate profile of the entity's interest bearing financial instruments was:

	2011	Carrying amount 2010
	R	R
<i>Cash and cash equivalents</i>		
Variable rate instruments	110 689 557	216 141 107
<i>EU payable</i>		
Variable rate instruments	-	22 512 065

**Cash flow sensitivity analysis for variable rate instrument**

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) net assets and the net surplus/ deficit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Carrying Amount 2011 R	Carrying Amount 2010 R
Cash and cash equivalents - 1% increase	1 106 896	2 161 411
Cash and cash equivalents - 1% decrease	(1 106 896)	(2 161 411)
EU payable - 1% increase	-	(225 121)
EU payable - 1% decrease	-	225 121

**21.4 Fair values***Fair values versus carrying amounts*

The fair values of financial assets and liabilities, together with the carrying amounts shown on the balance sheet, are as follows:

	31 March 2011		31 March 2010	
	Carrying amount R	Fair value R	Carrying amount R	Fair value R
Cash and cash equivalents	110 689 557	110 689 557	216 141 107	216 141 107
Trade and other receivables	900 636	900 636	1 299 604	1 299 604
Trade and other payables	(3 632 006)	(3 632 006)	(4 431 092)	(4 431 092)
Committed projects	(95 916 740)	(95 916 740)	(150 105 053)	(150 105 053)
European Union payables	-	-	(22 512 065)	(22 512 065)
Short term employee benefits	(4 005 806)	(4 005 806)	(3 108 140)	(3 108 140)
	<b>8 035 641</b>	<b>8 035 641</b>	<b>37 284 361</b>	<b>37 284 361</b>

**22. Taxation**

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

**23. Operating lease commitment**

	Not later than 1 year R	Between 2 and 5 years R
<b>31 March 2011</b>		
Total future minimum lease payments under	<u>2 365 525</u>	<u>1 851 026</u>
<b>31 March 2010</b>		
Total future minimum lease payments under	<u>4 180 125</u>	<u>2 743 200</u>

## 24. Guarantees

A bank guarantee for an amount of R300 000 (2010: R300 000) has been issued by 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 in Parktown.

## 25. Commitments

### 25.1 Project commitments

At the end of the current financial year, the Board of the NDA had approved grants to the amount of R0 (2010: R9 207 597). In all cases the grantees had been notified of the approval of the grant but final legal sign-off of the agreement between the NDA and the grantees had not yet been affected at year-end. There are no uncertainties around the timing and amount of future cash outflows associated with these grant approvals, and there are no possibilities of reimbursements. The expenditure will be incurred within a year.

### 25.2 Committed Project evaluations

At the end of the financial year the Board of the NDA had approved and ring-fenced an amount of R 2 309 100 (2010: R3 081 000) for project evaluations. The expenditure has not yet been incurred at the end of the financial year.

## 26. Contingent Assets

During the criminal investigation of the accounts clerk who misappropriated NDA funds, assets to the value of R2 700 000 (2010: R2 700 000) were recovered by the Asset Forfeiture Unit (AFU). The AFU will pay over the balance of the liquidated assets less their expenses, over to the NDA. At the reporting date, the AFU was still to apply for realisation order prior to paying over the recovered assets less a portion of their administrative costs to the NDA.

## 27. Related Party Transactions

### 27.1 Department of Social Development

A related party relationship exists between the NDA and the Department of Social Development. The two parties did not enter into any transactions with each other, save for the transfer of the annual grant by the Department of Social Development to the NDA.

### 27.2 Directors and key management personnel

A related party relationship exists between the NDA, its directors and key management personnel. The only transactions between the three parties relate to remuneration for services rendered, and have been disclosed in note 9.

## 28. Irregular expenditure

Section 51(e) of the PFMA requires the Accounting authority of a public entity to take effective and appropriate disciplinary steps against any employee of the public entity who:

- Contravenes or fails to comply with a provision of this Act;
- Commits an act which undermines the financial management and internal control system of the public entity; or
- makes or permits an irregular expenditure or a fruitless and wasteful expenditure

### Reconciliation of irregular expenditure

	2011	2010
	R	R
<b>Opening balance</b>	<b>912 217</b>	-
Irregular expenditure in the current year	2 551 188	881 819
Losses	-	30 398
Irregular expenditure in process of being condoned	(889 354)	-
Losses condoned	(9 863)	-
Transfers to receivables for recovery	(13 000)	-
<b>Closing balance</b>	<b>2 551 188</b>	<b>912 217</b>

### 29. Prior year restatement

During the current financial year, the National Development Agency became aware that the accounting treatment of the IDT Fund was incorrect. The IDT fund had in the past been classified as net assets (i.e. "equity") and the National Development Agency released it to the Statement of Financial performance to fund operations for the current year. Upon further investigation, it was discovered that the IDT Fund was provided to the National Development Agency as a grant in the 2000/01 financial year with no conditions attached and it was recorded in the Statement of Financial Performance, but then deferred to the Statement of Net Assets incorrectly.

Thus this grant should have been accounted for as non-exchange revenue as per the National Development Agency current accounting policy for non-exchange transfer revenue per note 1.11.1 above. This policy has been determined with reference to GRAP 23 Revenue from non-exchange transaction.

The net impact of the restatement of the prior period correction is as disclosed:

	Previously Reported	Adjustment	Restatement
	R	R	R
<b>Statement of financial position</b>			
IDT Establishment Fund	40 956 399	(40 956 399)	-
Accumulated Funds	1 145 397	40 956 399	42 101 796
<b>Statement of net assets</b>			
IDT Establishment Fund	40 956 399	(40 956 399)	-
Accumulated Funds	1 145 397	40 956 399	42 101 796





## 14. ACRONYMS

ANC	-	African National Congress
ANCWL	-	African National Congress Women's League
ANCYL	-	African National Congress Youth League
BEE	-	Black Economic Empowerment
BMF	-	Black Management Forum
CBO	-	Community Based Organisation
CEO	-	Chief Executive Officer
CFO	-	Chief Financial Officer
COBWO	-	Congress of Boarder Women
CSO	-	Civil Society Organisation
DRC	-	Development Resource Centre
ECD	-	Early Childhood Development
FBO	-	Faith-Based Organisation
HR&R	-	Human Resources and Remuneration
ICT	-	Information and Communication Technology
JUBACO	-	Juice, Bakery and Catering Project
M&E	-	Monitoring and Evaluation
MADC	-	Mpumalanga Agricultural Development Corporation
MDGs	-	Millennium Development Goals
MOU	-	Memorandum of Understanding
NDA	-	National Development Agency
NGO	-	Non-Government Organisation
NLC	-	National Land Committee
NPO	-	Non-Profit Organisation
OVCs	-	Orphans and Vulnerable Children
PAS	-	Philisizwe Association for Development
PF	-	Programme Formulation
PFMA	-	Public Finance Management Act
PoA	-	Programme of Action
RED	-	Rural Economic Development
RFP	-	Request for Proposals
SAA	-	South African Airways
SADC	-	South African Development Community
SANGOCO	-	South African Non-Government Organisations Coalition
SANGONet	-	South African Non-Government Organisations Network
SAWID	-	South African Women in Dialogue
SME	-	Small and Medium Enterprises
SPP	-	Surplus People Project
UDF	-	United Democratic Front
UYF	-	Umsobomvu Youth Fund
WACA	-	Women Against Community Abuse



## 15. LIST OF CONTACT DETAILS

### National Head Office

P.O.Box 31959, Braamfontein, 2017  
Telephone: 011 018-5500  
E-mail: [info@nda.org.za](mailto:info@nda.org.za)  
[www.nda.org.za](http://www.nda.org.za)

### NDA Provincial Offices Contacts Details

#### Limpopo

Albatross Centre, Suite 8  
19 Market Street  
Polokwane  
Tel: 015 291 2492  
Reception Ext (2201)  
Fax: 015 295 7586  
Email: [limpopoprovince@nda.org.za](mailto:limpopoprovince@nda.org.za)

#### Eastern Cape

The Ridge Building  
Ground Floor, 3 Berea Terrace  
Berea  
East London  
Tel: 043 721 1226 / 043 721 1227 OR 043  
721 2044  
Fax: 043 721 2096  
Email: [ecprovince@nda.org.za](mailto:ecprovince@nda.org.za)

#### Free State

Quantum Building  
Postnet Suite 131  
Office No 209 - 2nd Floor  
Private Bag X 01  
172 Zastron Street  
Brandhof  
Bloemfontein  
9324  
9300  
Tel: 051 430 2024  
Fax: 051 430 3376  
EMAIL: [freestateprovince@nda.org.za](mailto:freestateprovince@nda.org.za)

#### KwaZulu Natal

Suite 1202, Nedbank Centre  
303 Smith Street  
Durban Club Place  
DURBAN  
4001  
Tel: 031 305 5542  
Fax: 031 305 5140  
EMAIL: [kznprovince@nda.org.za](mailto:kznprovince@nda.org.za)

#### North West

Office 0113A  
PO BOX 6118  
First Floor  
Mmabatho  
West Gallery Megacity  
2735  
Mmabatho  
Tel: 018 392 6892  
Fax: 018 392 5432  
EMAIL: [northwestprovince@nda.org.za](mailto:northwestprovince@nda.org.za)

#### Northern Cape

Old University of Free State  
13 Dalham Road  
Kimberley  
8301  
Tel: 053 831 4828/9  
Fax: 053 831 4824  
Email: [northerncapeprovince@nda.org.za](mailto:northerncapeprovince@nda.org.za)

#### Mpumalanga

Biwater Building, Office 103  
16 Branders Street  
Nelspruit  
1200  
Tel: 013 755 1478  
Fax: 013 753 2244  
Email: [mpumalangaprovince@nda.org.za](mailto:mpumalangaprovince@nda.org.za)

#### Gauteng

10th Floor Braamfontein Centre  
23 Jorissen Street  
Braamfontein  
Tel: 011 339 6410  
Fax: 011 339 6410  
Email: [gautengprovince@nda.org.za](mailto:gautengprovince@nda.org.za)

#### Western Cape

The Chambers Building - 2nd Floor  
50 Keerom Street  
Cape Town  
8001  
Tel: 021 422 5175  
Fax: 021 422 5180 EXT: 2002  
Email: [westerncapeprovince@nda.org.za](mailto:westerncapeprovince@nda.org.za)





NDA

National  
Development  
Agency



## National Head Office

P.O.Box 31959, Braamfontein, 2017

Telephone: 011 018-5500

E-mail: [info@nda.org.za](mailto:info@nda.org.za)

[www.nda.org.za](http://www.nda.org.za)



# NDA

National  
Development  
Agency

*RP11/2011*

*ISBN: 978-0-621-39876-2*

*Title of Publications: National Dev Agency Annual Report -2010/11*