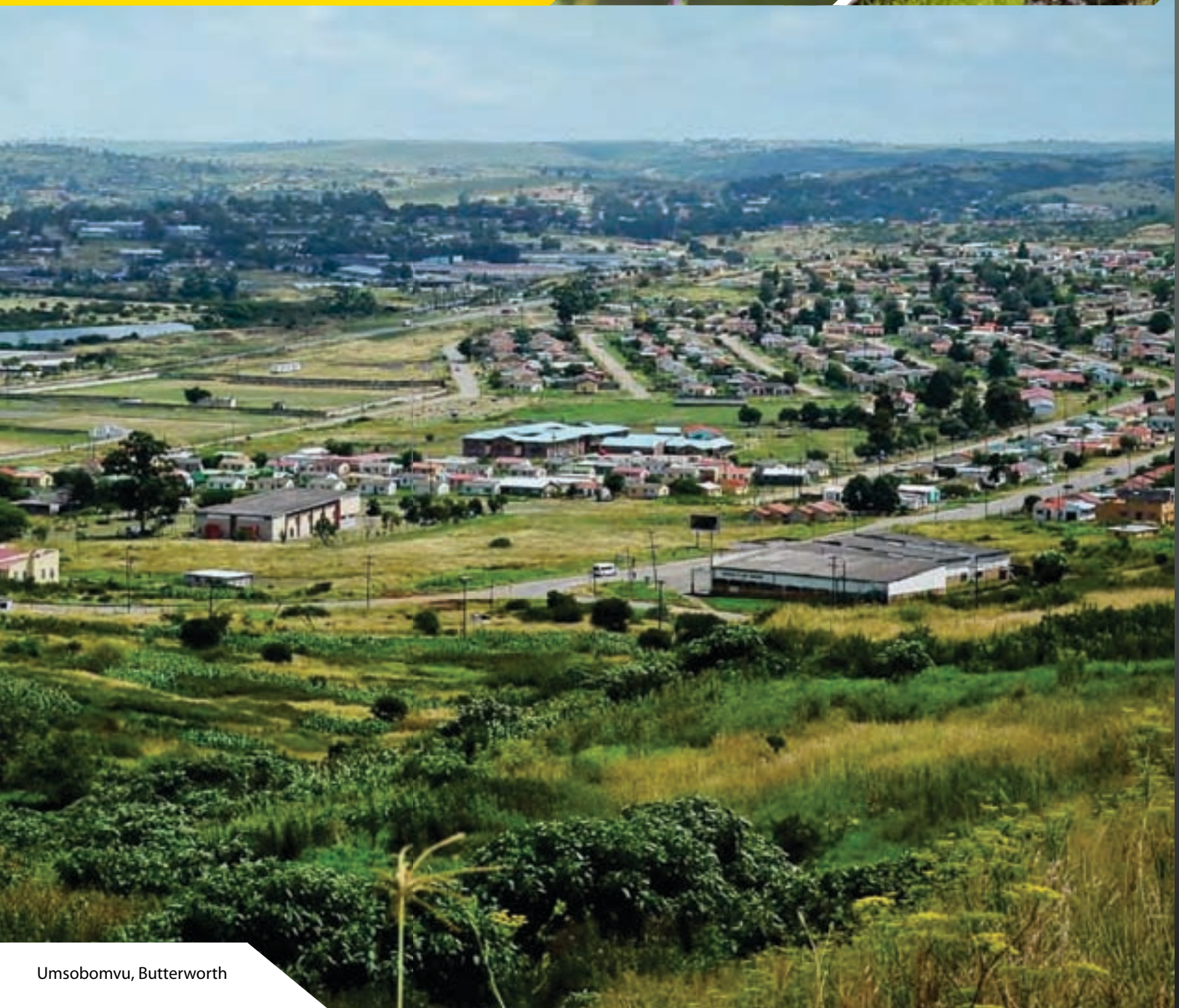
# REAL PROGRESS
# REAL PRESENCE

ASPIRE

*Amathole beyond limits*

**ANNUAL REPORT**

**2010 ▶ 2011**



Umsobomvu, Butterworth

# CONTENTS


02 TIMELINE

04 THE CHARACTER OF AMATHOLE

06 MAYOR'S FORWARD

08 CHAIRPERSON'S STATEMENT

10 CHIEF EXECUTIVE OFFICER'S REPORT

14 PERFORMANCE
- 19 N2 CORRIDOR
- 25 N6 CORRIDOR
- 35 R63 CORRIDOR
- 43 R72 CORRIDOR

48 INTERNAL MANAGEMENT

62 ANNUAL FINANCIAL STATEMENTS

100 ANNUAL PERFORMANCE REPORT

120 ACRONYMS

# TIMELINE
## 2005 - 2011

05

**SEPTEMBER**
Agency established as a Pty Ltd company

06

**SEPTEMBER**
Agency conceptualises and hosts first Small Towns Conference

07

**MAY**
Agency completes the Amathole Regional Economic Development Strategy (AREDS), which is adopted by ADM

**JUNE**
Board adopts agency's strategy for 2007-14, aligned with AREDS

ASPIRE
*Amathole beyond limits*

## VISION
Aspire is a pioneer in the stimulation of spatial economic development

## VALUES
- Passion for development
- Respect for: each other, communities, environment, diversity and culture
- Integrity: capital stewardship, professionalism
- Ethical behaviour: no corruption, ethical decision making
- Accountability: inclusivity, transparency

## PRINCIPLES
- Encourage innovation and learning as keys to competitiveness
- Beneficiation is an essential element to sustained community development
- Environmental sustainability is crucial

## CULTURE
- Mutual respect
- Teamwork
- Open and constructive communication to build trust
- Listening with insight before reacting

## 08

### APRIL
Brand defined as "Aspire – Amathole beyond limits"

### APRIL
Ground-breaking funding secured from Neighbourhood Development Partnership Grant

### JUNE
Small town regeneration concepts developed for 40% of Amathole's small towns


## 09

### JUNE
Aspire outlines small town regeneration model

### NOVEMBER
Summit TV profiles Aspire and its strategic focus

## 10

### JANUARY
Implementation hits full swing with construction of Stutterheim-Mlungisi bridge

### MAY
Woodhouse selects 20 young people in Amahlathi as first batch of trainees

### AUGUST
Construction of the Hamburg Artists' Retreat starts

### SEPTEMBER
CBD upgrade commences in Butterworth

### OCTOBER
R48 million approved to build the Mlungisi Community Commercial Park in Stutterheim

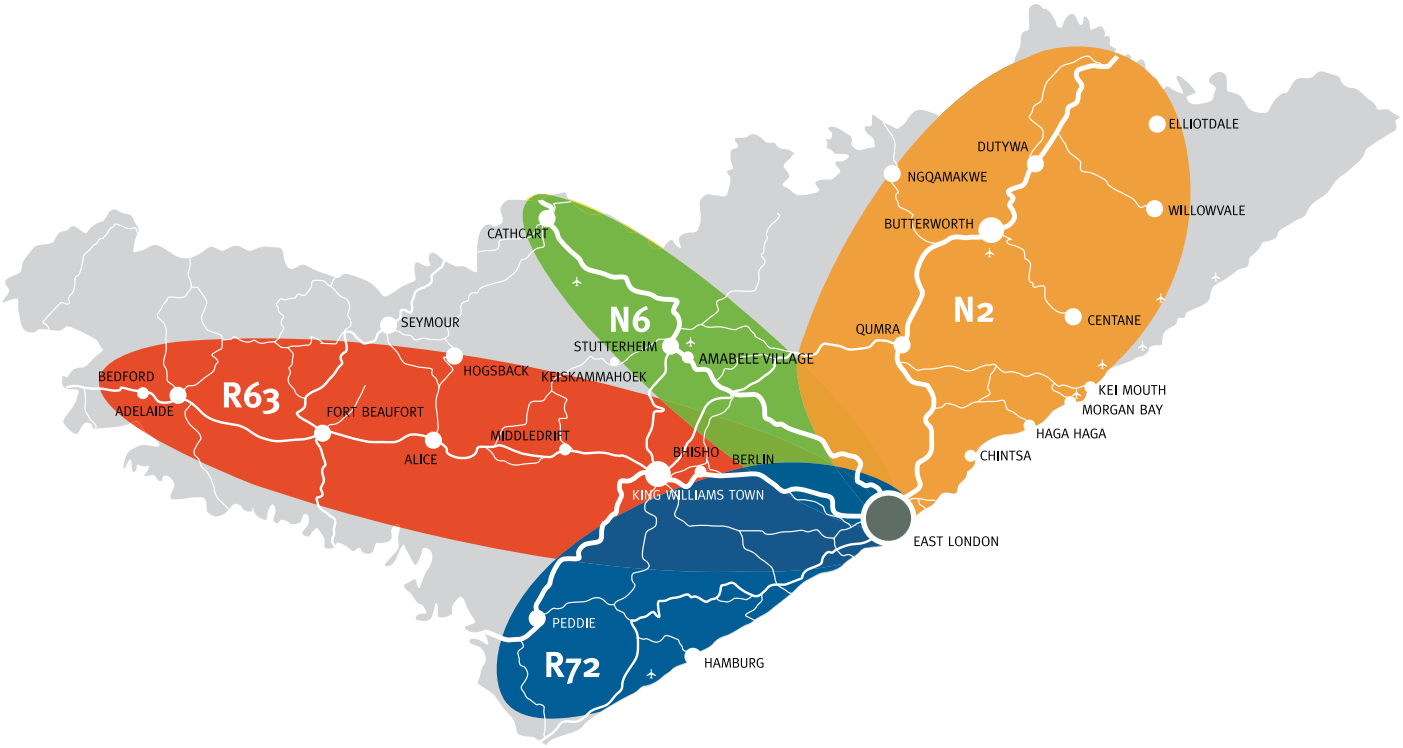
## 11

### FEBRUARY
Blueberry farming - first berries reaching the market

### MAY
Multi-million rand business plan completed for town centre upgrade in Alice

# THE CHARACTER OF AMATHOLE

*The Amathole District is the most economically diverse part of the Eastern Cape Province: two-thirds of it was once part of the former Ciskei and Transkei homelands, which have suffered from a lack of investment; the remainder consists of former Cape Provincial Administration areas, which have been well supplied with infrastructure and services. Almost 26% of the Eastern Cape's people live in the Amathole District.*



## THE N2 CORRIDOR

- Local municipalities: Great Kei, Mnquma and Mbhashe
- Main towns: Dutywa, Butterworth
- Population: About 586 000
- Corridor features: vast rural areas; spectacular coastline; significant development challenges; agriculture and livestock
- Aspire focus areas: Butterworth regeneration; Gcuwa Dam and Dutywa renewal

## THE N6 CORRIDOR

- Local municipality: Amahlathi
- Main towns: Stutterheim, Cathcart, Keiskammahoek
- Population: 139 043
- Corridor features: timber and forestry; agro-processing; rail-based and other tourism
- Aspire focus areas: Stutterheim renewal; blue-berry farming and agriculture service node; petro-park; Woodhouse (timber down-streaming); tourism; Keiskammahoek revitalisation; Cathcart renewal

## THE R63 CORRIDOR

- Local municipalities: Nxuba, Nkonkobe
- Main towns: Alice, Fort Beaufort, Adelaide, Bedford
- Population: About 153 000
- Corridor features: education; agro-processing; heritage tourism
- Aspire focus areas: Alice regeneration; essential oils; Bedford and Adelaide renewal

## THE R72 CORRIDOR

- Local municipality: Ngqushwa
- Main towns: Hamburg, Peddie
- Population: About 84 000
- Corridor features: tourism; arts and crafts tradition; link between major urban centres of the Eastern Cape; farming
- Aspire focus areas: Hamburg Artists' Retreat; Hamburg renewal, cultural and eco-tourism

NOMASIKIZI KONZA

# MAYOR'S FORWARD

*Let me begin by saying that I am happy – indeed, I am very excited – about what Aspire has achieved to date and the difference it is making in the lives of the people of Amathole. The Amathole District Municipality (ADM) certainly did not make a mistake when it launched the Amathole Economic Development Agency more than five years ago. I am confident that through proper nurturing and expansion, Aspire will continue to grow in its ability to implement economic and social transformation in the district.*

Aspire has proven that through its focus on small town regeneration, it is ideally positioned for real progress in delivering on ADM's broader long-term vision for local economic development. We have seen that the small towns within the Amathole District will retain their rural natures and at the same time, Aspire is working to stimulate development to the point of attracting new investors. In so doing, Aspire has and will continue to deliver on

the local government manifesto, which focuses on the creation of an inclusive economy that rests on the production of decent jobs and sustainable livelihoods. Aspire's interventions are also strongly aligned with the Provincial Growth and Development Plan, which treats agriculture as a cornerstone of the long-term sustainability of the Eastern Cape.

Aspire has had a successful year, with interventions in many of Amathole's small towns. People can truly see the difference that Aspire is making to towns and communities. Even the people of Mlungisi know Aspire. The bridge that was built here has meant that people now have easier and safer access to the Stutterheim central business district, opening up a wealth of new opportunities. My greatest desire is that the action we have seen in such towns as Butterworth and Stutterheim is replicated in other small towns so as to attract businesses into the whole of the Amathole District. With Buffalo City having gained its status as a metropolitan municipality this year, Amathole is truly a district of small towns. This serves to heighten the importance of the work that Aspire is doing in the economic regeneration of small towns in our district as the ADM plans for the long-term sustainability of this region.

My greatest desire is that the action we have seen in such towns as Butterworth and Stutterheim is replicated in other small towns so as to attract businesses into the whole of the Amathole District.

The ADM will certainly continue to support the Aspire leadership at a staff and Board level. Key support areas will include jointly mandated studies and resource mobilisation. The ADM will be looking at how we can become innovative in resource attraction and consolidation so that Aspire is not left alone to fend for itself, but continues to receive tangible support from the district. I will also continue to encourage communities to be bold in their support of Aspire, provide input wherever it is required and engage with the agency at every opportunity so that development can truly be rooted in the people of our district.

Our vision is that the ADM and Aspire will deepen and strengthen their relationship so that we can move forward with development together.

**NOMASIKIZI KONZA**
Executive Mayor
Amathole District Municipality
October 2011

SIMPHIWE KONDLO

# CHAIRPERSON'S STATEMENT

*As a Board, we are excited by the legacy that Aspire is building in the Amathole District. This year has seen a roll out of projects within all the corridors, resulting in the anchoring of Aspire within the developmental landscape. The Aspire brand is becoming well known, showing that Aspire has indeed made a meaningful impact within the communities it serves.*

A major achievement for Aspire has been the massive success of the Small Towns Conference. We are excited by the fact that this conference has led to the anchoring of a small towns regeneration policy at national level. The small towns community has developed a life and energy of its own. This is no small feat for a small organisation like Aspire and we are proud of all that has been achieved.

Of course, this year also saw the induction of a new Council at the helm of the Amathole District Municipality. We are very grateful for the good relationships that we had with the previous Council and are encouraged by the positive response that we have received from the new Executive Mayor and her Council. We look forward to finding our rhythm together and supporting them in their developmental objectives as they will undoubtedly support us in ours.

The year ahead will see Aspire looking at how it undertakes post-implementation operations as we begin to chart our way into the next five years. There is no doubt that Aspire has carved a significant space for itself in the district when it comes to project delivery. My intention is that these lessons will be firmly bedded down into methodologies that can be widely adopted. This will ensure that the Aspire legacy can continue well into the next five, 10 years and beyond.

The Board has worked well together this year, with each member taking his or her roles and responsibilities seriously. Our focus has been on the establishment of a solid succession plan, which we are in the process of developing. Aspire has been gifted with people who are both passionate about small town regeneration and able to implement the identified interventions in a creative and successful manner. Thus we recognize the need to ensure that the creativity and passion of the leadership can be passed on to future generations in Aspire.

**SIMPHIWE KONDLO**
Chairperson of the Board
October 2011

There is no doubt that Aspire has carved a significant space for itself in the district when it comes to project delivery. My intention is that these lessons will be firmly bedded down into methodologies that can be widely adopted.

PHILA XUZA

# CHIEF EXECUTIVE OFFICER'S REPORT

Who in South Africa can forget 2010? Soccer World Cup fever gripped all of us. At Aspire, we wanted both our South African and international staff to feel the World Cup. Not only did we want to enable everyone to experience the thrill of the World Cup itself; we also wanted to achieve beyond the ordinary during this financial year, to experience the thrill of making a real difference in the lives of the communities with whom we partner. During the month of the 2010 World Cup, we committed ourselves to achieving 22 performance goals that would demonstrate real progress and keep us on track for annual performance targets. Despite our flexi-time work model during that month, all goals were met before we returned to normal in mid-July. This demonstrated to me that, at Aspire, we all enjoy what South Africa is about and are all committed to making a real difference in the lives of the people with and for whom we work. We proved to ourselves that we have indeed developed into a mature organisation that is making real progress and demonstrating real presence.

## REAL PROGRESS IN FACILITATING ECONOMIC REGENERATION

During the 2010/11 financial year, two projects entered the implementation stage and four were launched with sod-turnings on construction sites. One of the most exciting is the Hamburg Artist's Retreat. Although this project encountered numerous set-backs along the way, the launch of the R28 million construction process was celebrated at the sod-turning ceremony on 31 August

2010, when 300 members of the local community joined us at a well-organised event hosted by the Ngqushwa Local Municipality. In the same week, on 3 September, we launched the Butterworth central business district (CBD) upgrade project with the Mnquma Municipality. This R17 million project has delivered curbing, paving and new street lights to the Butterworth CBD, assisting in addressing the problem of congestion in the CBD, thereby unlocking the economic regeneration of this small town. Sod-turnings were also held for the Mlungisi Community Commercial Park and the Stutterheim CBD upgrade. The Keiskammahoek berry production project and the Woodhouse in Stutterheim entered implementation.

## FIFTH SMALL TOWNS CONFERENCE: MOVING BEYOND AMATHOLE'S BORDERS

In October 2010, we hosted our fifth annual Small Towns Conference, entitled Working Towards a Small Towns Policy. While the fruits of this conference are being seen across the country, with numerous small town regeneration forums being established at provincial and local levels, our highlight this year came in the form of a commitment from national government. Before the close of conference, the Department of Cooperative Government and Traditional Affairs announced that that it would launch a national small town regeneration strategy. This illustrates that our ideas, once unknown and untested, have been heard and the results we were getting are inspiring others to adopt a similar approach to the economic regeneration of South Africa. In many ways, we have achieved what we set out to do five years ago when we hosted our first annual Small Towns Conference. The Small Towns Conference has now grown bigger than Aspire; therefore its agenda for the next five years, and who should host it, should be reviewed.

## CHALLENGES ON THE WAY

Of course, development is not an easy goal to attain, and even at Aspire, we have been frustrated by progress that is slower than we would have liked in certain towns. Sometimes the challenges are complex, such as in Dutywa, where we are still struggling to identify the catalytic interventions that will make a meaningful difference in the economy of this region. In the coming year, a new project manager will be appointed for Dutywa, bringing fresh insights and energy to this town, which we still believe can and should be turned into a productive economic hub. In other towns, it has been our own internal processes that have delayed us, such as in the case of Alice, where we have had a number of changes at project management level within Aspire. However, in spite of these challenges, there has been progress and we await the imminent outcome of our proposal for funding to the value of R59 million towards the economic regeneration of Alice.

## OUR PARTNERS: MAKING PROGRESS POSSIBLE

I believe that the key to Aspire's success lies in our ability to engage a wide circle of partners in making a meaningful impact. Each of our partners has begun to take ownership of the projects that Aspire has facilitated: these partners range from local community members, many of whom may be illiterate and poorly educated, to decision makers at local, provincial and national government levels and in private business.

When working with communities, we have seen how progress is unleashed when communities see their own potential and take control of their own destinies. An excellent example of this is the Stutterheim project steering committee. We have noticed how this group of people has started speaking differently – far more positively – about themselves and their town simply because they have been heard and can now see that they truly are our partners in the developments taking place in the town. The local municipalities are key partners in enabling progress at the community level. As a result, we were somewhat concerned that the municipal elections would thwart our progress towards delivery. However, credit must be given to the local municipalities that were able to continue with

I believe that the key to Aspire's success lies in our ability to engage a wide circle of partners in making a meaningful impact.

service delivery and not entirely stop functioning at this time in spite of the added pressures they faced during elections and during the councillor induction period. This signals that these organisations are moving into a new realm of maturity, which bodes well for the coming five years.

The establishment of Buffalo City as a metropolitan municipality means that the Amathole District is now made up only of rural areas and small towns. This makes the work that we do at Aspire more relevant than ever. Initially, we had hoped that local municipalities would be able to replicate what we have been doing, and thus work Aspire out of a job. We now recognise that this is not likely to happen, at least in the foreseeable future. Rather, the local municipalities are incredibly supportive of our work within their areas of jurisdiction and we have found that we are able to develop effective synergies with them in order to stimulate the district's economy.

In unlocking the economic potential of Amathole, Aspire relies heavily on specialist consultants who provide expertise that is not core to our organisation. In light of this, we are attracted to companies and individuals who have demonstrated a passion for bringing creative, insightful solutions to the massive problems that face our district. We consciously choose to work with consultants who show that they are committed to uncovering the light that lies within the region. At Aspire, we believe that each small town has the potential for a more vibrant economy: our consultants are tasked with helping us unearth and unlock these latent opportunities. Of course, none of what we do would be possible without our funders. We were privileged this year to add a number of new funders to our basket of resources, including the national Department of Rural Development and the Department of Environmental Affairs and Tourism's partner, Indalo Yethu. During this year, we were also able to bring funding partners together to achieve significant progress with projects like the Hamburg Artist's Retreat. This ability to harness the synergy between funding partners will enable us to address even greater challenges in the future.

## ENGAGING THE COMMUNITIES WE SERVE

At Aspire, we know that true economic regeneration is implemented at grassroots level, which is why we take community voices seriously. In this way, we ensure that the proposed interventions meet the real needs of the people whose lives they are meant to improve. Community meetings are therefore not a formality for us; they are the means by which we keep communication going and develop a common identity within the community.

The importance of this statement was clearly demonstrated at a meeting I attended in Mlungisi, Stutterheim, where the consulting team was presenting its final plans for the new bridge. Throughout the presentation, a group of women were chattering among themselves. By the end of the questions & answers session, there had still been no input from this group. I approached them and, in isiXhosa, asked if they had any inputs to make as I could sense that they did. After some encouragement to speak up, one of the women said that their only question was whether or not there were going to be lights along the bridge. Well, both the consultant and I hit ourselves on the foreheads. Lights! How could we have overlooked that? As a result of these women's insight into the real needs of her fellow community members, the Mlungisi bridge is properly lit today. And that group of mothers and sisters could go back to Mlungisi knowing that had if it not been for them, people may well have walked in the dark. Although some might have overlooked the woman who eventually spoke up because she was shy, less educated than the consultant at Aspire, we know that each person has a valuable input to make and we strive to encourage full participation at all levels. Progress happens when you move with communities, not against them.

## DEMONSTRATING A REAL PRESENCE IN AMATHOLE AND BEYOND

September 2010 marked our fifth birthday. This was an important milestone in our life as an organisation. We had passed the first three years, which were the hardest, with seemingly little to show for them. Then we went on to show that we could indeed deliver. By our fifth birthday, we had raised approximately R400 million for the economic regeneration of small towns in the Amathole District. In addition, the Amathole District Municipality had committed R33 million to these interventions, via Aspire.

When the Amathole Economic Development Agency was launched in September 2005, we were a fledgling organisation with a few ideas about economic development and what might work. Over the years, we have developed a keen understanding of what we do, and we have begun to see the fruit of our fledgling ideas being borne in the projects that we have facilitated. At first, our interventions were few and we used them to demonstrate that we did indeed have a sound methodology and approach to this thing called "economic development".

Today, we no longer worry about whether others believe in our ideas; we are just doing it. We are making the impact we had so hoped for. What we have achieved this year was enabled by the footwork done during the first five years: the securing of

funding, developing a national presence, securing international interest and private sector partnerships, and creating institutional policies.

Our progress on the ground has been enabled by the development of the organisation from a group of people with a common vision to an institution with staff benefits, such as provident funds and medical aids, and internal policies. Over the past year, all our internal policies have been reviewed. Aspire faces the year ahead as a solid organisation.

During November 2010, we undertook a five-year organisational review, which highlighted the 11 key lessons that we have learnt over the past five years and 11 recommendations for the future. We are proud to know that we have indeed made an important impact within the Amathole District over the past five years and are equally excited that this marks our entry into the next five years. Our fifth clean audit report confirmed that not only do we have a real presence in the district, but we have been able to achieve this within the regulatory confines of a government agency.

## THE TEAM THAT MAKES IT HAPPEN

Aspire truly is about its people: the staff, the communities we serve and our partners. Within Aspire's walls, you will find a team that is passionate about the opportunity to make an impact. Yes, we know that the problems we face in our communities are massive, but we deliver solutions. The team at Aspire is not afraid to take risks and, as the CEO, it is my job to make sure that they are allowed and indeed encouraged to take risks to bring about the change we wish to see. Here, when a person takes a risk and makes a mistake, they become an expert. I want to nurture experts. And so it is that I encourage all the staff to be fearless in risk taking. We never forsake compassion, but certainly do not allow ourselves to be bowled over by the many excuses that can stall progress.

Yes, we know that the problems we face in our communities are massive, but we deliver solutions. The team at Aspire is not afraid to take risks and, as the CEO, it is my job to make sure that they are allowed and indeed encouraged to take risks to bring about the change we wish to see.

One of the biggest challenges that we face at Aspire is filling the organisation with people who have real passion for the economic regeneration of our district. Over the years, we have had to guard against people who would come to Aspire with expertise but no passion. Our Chief Financial Officer (CFO) recently left Aspire after five and a half years, although he initially said he would stay for only three months. Now that is what I call the Aspire commitment. We are deeply indebted to those who have walked with us and stuck it out through the tough years. Instead of filling the CFO's post immediately, we chose to institutionalise his responsibilities and supplement our staff with consultant support in the area of financial accounting. This has had the benefit of institutionalising the financial reporting requirements and means that the project managers are well equipped in the function of financial reporting. An accountant will be appointed in the coming financial year, but the project managers will remain a core element in the financial management of the organisation.

And so it is that I can look confidently towards the next five years of Aspire's presence and progress in the Amathole District. We have developed methodologies for the economic regeneration of small towns that respond directly to the situations that we face. Over the next year, our work will be to examine these and develop models that can be applied further afield. At an organisational level, this year has been a year of solidifying the institution as a force within local economic development and, more importantly, the Amathole District.

**PHILA XUZA**
Chief Executive Officer
October 2011

# PERFORMANCE

## REAL PROGRESS, REAL PRESENCE

*Aspire has had a successful year as projects, which have taken time to develop, have been implemented and relationships with stakeholders continue to be strengthened. During November 2010, Aspire undertook a five-year review in an effort to learn from our first five years. Among the key lessons learnt were the importance of adopting an appropriate strategy and the critical impact of strong relationships with all role players. Such lessons cut across all areas of our work at Aspire and strongly impact on the team's ability to meet delivery targets.*

Another cross-cutting issue, which is evident in all the corridors, relates to access to land. Aspire has worked hard at building relationships in this arena and although not all blockages have been removed, there has been notable progress.

### A strategy for successful economic regeneration

Aspire has, over the past five years, developed a strategic approach to the economic regeneration of small towns that is easy to understand and for which there has been widespread support among its immediate stakeholders. Aspire has used spatial corridors as the foundation upon which a holistic, spatially integrated economic strategy has been built. This has allowed us to focus on the whole of the Amathole District without becoming overwhelmed by the enormity of the task at hand, and all the while retaining a nimble and flexible operational style that enables quick response. The success of this small town economic regeneration methodology has enabled Aspire, as the leading agency in this field, to make a significant contribution into the national policy debate.

### Building partnerships

Aspire has focused on building strong partnerships with all types of role players, including local communities, local municipalities, provincial and national government departments, academic institutions and funding agents. This has enabled us to be involved and facilitate development that otherwise would have been impossible. One area in which more attention will be required is in the development of strong relationships with the private sector as new opportunities for investment become available.

### Strong local municipalities accelerate development

Local municipalities are among the most important role players in development, although many are under-capacitated for the significant role they need to assume. Aspire has therefore focused on establishing strong relationships with each local municipality with whom it partners. Through this process, Aspire has been able to work closely with most local municipalities and transfer important skills at the same time.

In Alice, the project steering committee (PSC) and focus groups have been fertile soil for encouraging the Nkonkobe Municipality to assume greater responsibility in meetings and to take a more visible leadership role; Aspire is close at hand to lend support as required.

Community participation meeting

At the Mnquma Municipality, officials and politicians stand alongside Aspire and alongside one another in making development happen. A high level of trust has been developed and municipalities have taken ownership of interventions in their towns – even to the point of including some of them in their own performance management targets.

In supporting our partner municipalities, Aspire has also obtained a geographical information system, which is populated with ADM data. This will enable Aspire to provide greater input into the planning processes, as well as ensuring that data that is created throughout a project's life cycle remains accessible to decision makers.

## Project steering committees (PSC's) promote synergy

Well-supported PSCs have become the cornerstone of integrated development in the Amathole District. Aspire has worked to build the capacity of PSCs to engage with a wide variety of role players and to monitor implementation. This allows the PSCs to focus not only on Aspire-led interventions, but also to become valuable partners in all developmental initiatives within their localities.

Well-supported PSCs have become the cornerstone of integrated development in the Amathole District.

In Alice, the PSC is seen as an important platform in the regeneration of this African university town. It has become more visible, effective and attractive to government, local community representatives, businesses and other stakeholders in Alice. Such recognition has turned the PSC into the best point of entry for entities wanting to make a difference in Alice, thus effectively creating a coordinating body for all interventions into the town. For example, even the Department of Agriculture has engaged actively with this PSC as it works towards supporting the beneficiaries of the land reform programme. Similarly, in Hamburg, the PSC has provided the opportunity for all stakeholders to enter Hamburg through one door, and it continues to provide the community and other stakeholders with monthly opportunities to discuss interventions and monitor implementation.

## Cultivating community buy in

A real challenge, which is often faced by Aspire when entering a town for the first time, is the history of failed development initiatives and the resulting distrust of those who promise service delivery. Through sustained efforts and a focus on cultivating relationships with community leaders, Aspire is strengthening the ability of all role players to benefit local communities.

The process of developing the Keiskammahoek local spatial development framework during 2010/11 required that Aspire focus intently on obtaining buy in at the grassroots level. The community was initially somewhat reluctant to be involved in the process largely due to a history of failed projects and deflated hope. However, this obstacle was overcome. A pertinent and achievable vision for the town was eventually developed with input from a wide range of community members: "Wonke-wonke, Konke-konke" (A Place for All). The process of developing this vision has begun to generate a new sense of expectancy and hope in this small town.

**Keiskammahoek town vision**

An attractive place
A productive place
A healthy place
Where people can live, learn, work and farm
A safe place
A welcoming place for visitors.

In a similar way, the process of developing a brand for Stutterheim has changed people's attitudes towards their town and has injected a mass of positive energy into the area. A major success factor was the involvement of a very wide range of community members, with input from across the spectrum of race, culture, age and gender. Today, the residents of Stutterheim define their town as "Pure Pleasure" (see N6 report).

In Butterworth, the success of the marketplace upgrade rests largely on the fact that the main stakeholders, the hawkers, were at the forefront of decision making. The market kiosks, which are currently being built, were designed with the hawkers who will soon benefit from them.

### Funders who enable development

Funders are the bedrock of development. Over the past five years, Aspire has proven itself to be an organisation that can and does deliver on its mission to be a trusted advisor, stimulator and partner in the regional economic environment. Having built solid relationships with our funders means that we are able to source funding when the pressure is on. Nowhere has this been more visible than in the Hamburg Artists' Retreat project, which required R8.7 million in additional funding. Aspire managed to secure this from National Treasury within only two weeks of making the application (see R72 report).

### Research partnerships

Aspire and the Fort Hare Institute of Social and Economic Research joined forces this year on the basis of the existing relationship between Fort Hare University and the Amathole District Municipality. Aspire offered post-graduate bursaries to facilitate the gathering of baseline data for five small towns within the district, namely Cathcart, Keiskammahoek, Adelaide, Bedford and Peddie. The primary data gathered enabled accurate status quo assessments to be made for each town. The work undertaken will lead into subsequent phases of regeneration strategy formulation for each town. As a result of this initiative, Aspire now has an established presence in Cathcart, Keiskammahoek and Peddie. Furthermore, the programme has introduced at least five academics to the small town regeneration concept, which is likely to result in further academic research interest in this field.

### Getting around obstacles

There have been and will continue to be issues that obstruct implementation. Aspire's approach to such obstacles is to simply find a way over or around them while sticking to the original goal of making economic regeneration a reality.

Access to land is one such issue that Aspire continuously comes across. In areas that were previously Transkei or Ciskei bantustans, much of the land is state owned. In these urban areas, state-owned land can constitute a significant portion of the town; for example, 89% of all businesses in Alice are located on state-owned land and in state-owned

properties. This has limited private investment in these areas, and key land parcels often remain unutilised as a result. In rural areas, state-owned land is generally communal land, subject to the Interim Protection of Informal Land Rights Act 31 of 1996. The often cumbersome and time-consuming processes, which need to be followed in releasing this land for development, can also result in project implementation being stalled.

In addressing land-related issues, Aspire has worked to build strong relationships and foster synergy between role players. In Alice, for example, a working group constituting the key stakeholders has successfully negotiated a memorandum of agreement between the Department of Public Works and the Nkonkobe Municipality, which will see state-owned land being released to the local municipality for strategic development. Access to rural land is facilitated by strong working relationships with the Department of Rural Development and Land Reform and local communities. Aspire has successfully engaged a number of communities and received commitment for projects, such as the establishment of a berry farm in Upper Gxulu.

Accessibility is an often-cited challenge for enabling initiatives to succeed. Aspire has worked closely with the Department of Roads and Public Works in focusing resources on the upgrade of key roads across the district, thereby unlocking the potential of areas like Thornhill Farm in the N6 Corridor. Investment into the key road between the production farm and the processing plant will enable the growth of the blueberry industry in the area.

There have been and will continue to be issues that obstruct implementation. Aspire's approach to such obstacles is to simply find a way over or around them while sticking to the original goal of making economic regeneration a reality.

## Making our presence count

Through a proactive approach to economic development, Aspire has become a widely known and respected actor in the regional economic development arena. However, the reality of our presence is best experienced within our own borders; this was highlighted during the local elections in 2010 as Aspire engaged with the Amathole District Municipality and local municipalities during the councillor induction phase. The ADM invited Aspire to be a part of its councillor induction proceedings, and through this engagement with new councillors, Aspire was recognised as a valuable delivery arm of the district municipality.

The fact that many new councillors already knew Aspire through the agency's projects pays tribute to the success of the organisation during the first five years of its life. New councillors also knew that Aspire is indeed part of the Amathole District Municipality, which reflects that Aspire, although a separate entity, has not lost sight of its roots and retains a strong relationship with its true home in ADM. The district municipality's ability to give Aspire the freedom to be independent while retaining a tangible sense of ownership has fostered a culture in Aspire that promotes creativity and responsible risk taking. This certainly has been a vital element in Aspire's ability to deliver as much as we have in five short years.

Within local municipalities, we have been encouraged by the pride that councillors have displayed in Aspire being part of the municipalities. Furthermore, Aspire's involvement with local municipalities has expedited the delivery of projects, which were identified in the municipalities' integrated development plans, while also opening up new opportunities for targeting deliverable projects.


Upgraded street lights and pavements, Butterworth

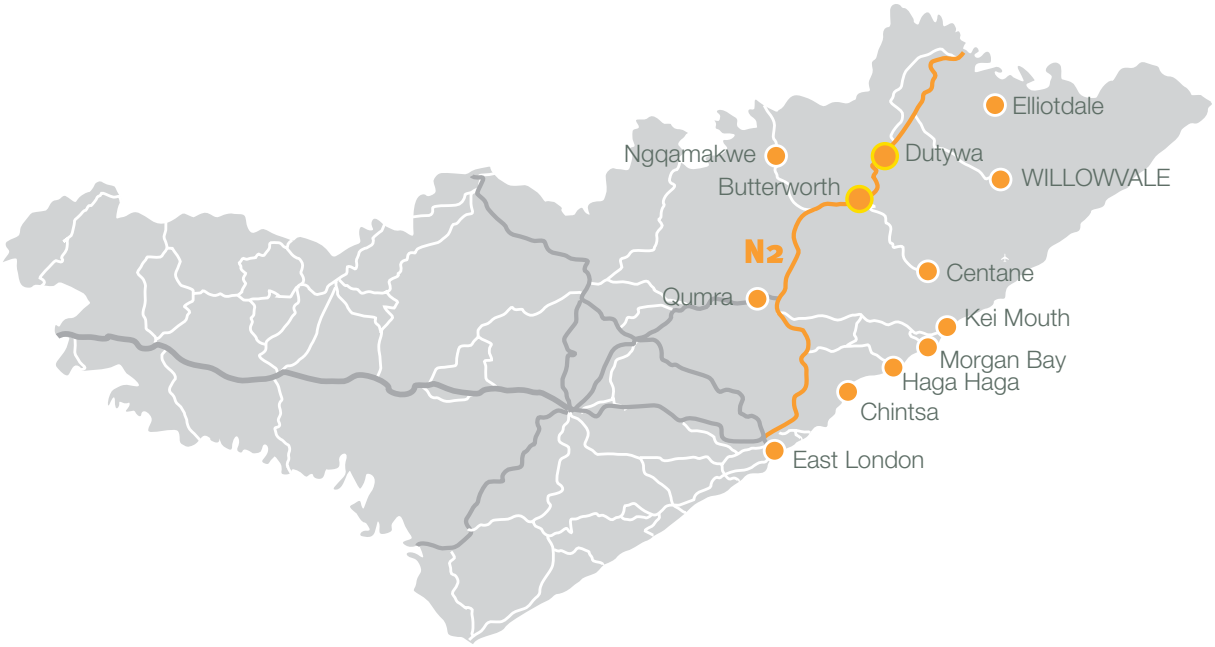

# N2 CORRIDOR

## HIGHLIGHTS

- Butterworth central business district (CBD) upgrade 95% complete
- Business plan complete for the development of Gcuwa Dam
- Precinct development concept for Dutywa initiated

# N2 CORRIDOR

## DUTYWA, BUTTERWORTH




*The N2 Corridor, which traverses the Mbhashe, Great Kei and Mnquma local municipalities, has a number of unique advantages that have the potential to stimulate and maintain the economic regeneration of the small towns in this corridor. These include accessibility, rich and diverse natural resources, a diversified economy and a large work force. However, this is also the poorest region of the province, with Mbhashe being the poorest municipal area, and it grapples with such issues as complex land ownership and massive infrastructure backlogs that often hinder development. Furthermore, the relationships between politicians and of cials, and between the local municipalities and "outsiders", have sometimes been dif cult.*

Over the past five years, a high level of trust has been developed between Aspire and our partner municipalities. This enables us to transfer important skills to our partner municipalities, such as project management and administration. Working with both the Mnquma and Mbhashe local municipalities, as well as other key role players, Aspire has begun the process of implementing concrete projects that will underpin the economic regeneration of Butterworth and Dutywa.

## BUTTERWORTH (GCUWA)

Butterworth is the largest town in this corridor. Due to the linear development of the central business district (CBD) along the N2, the town centre has become congested, posing a threat to drivers and pedestrians alike. The first phase of the Gcuwa economic regeneration programme therefore focuses on unlocking the potential of the town as a whole and simultaneously addressing the issues of congestion that have a stranglehold on the economy.

Feasibility assessments for the Gcuwa regeneration strategy were completed in August 2010. Four key interventions were identified:

- Upgrade of the CBD
- Development of Gcuwa Dam
- Establishment of a secondary node at Umso bomwu
- Development of the Ibika industrial development area

Detailed business plans were then prepared for the Gcuwa Dam and Ibika industrial area regeneration projects. The Gcuwa Dam business plan was submitted to National Treasury in February 2011. Unfortunately, funding was not secured as no private investor had been identified. This highlights the importance of profiling Butterworth and the investment opportunities that exist. Aspire and the Mnquma Local Municipality continue to engage business bodies and individuals in this regard.


Butterworth CBD with old pavements

The Butterworth CBD upgrade began in September 2010 and was 95% complete by the end of June 2011. The intention is to support the business sector in Butterworth while reducing the congestion in the CBD and along the N2 in particular. As a result, Blythe Street has been closed and converted into a market square, thus providing a safe and user-friendly market area. A prototype of the final design for the hawker kiosks was developed in partnership with the hawkers. Production is currently underway.

Pedestrian facilities, including paving and street lights, have been installed in the town centre, making it a safer place for pedestrians while reducing some of the pressure on the road itself. Aspire worked closely with the Mnquma Municipality and the Department of Environmental Affairs through Indalo Yethu. Strong focus was placed on ensuring a high level of community engagement, with both Indalo Yethu and Aspire appointing social facilitators to engage the hawkers and other community groups. As a result, the Butterworth CBD upgrade has been the gateway to further collaboration with the municipality and key stakeholders as more complex interventions are planned.


Upgrading of Butterworth CBD.

Old Market Square


Upgraded Market Square


Traffic congestion in Dutywa

## DUTYWA

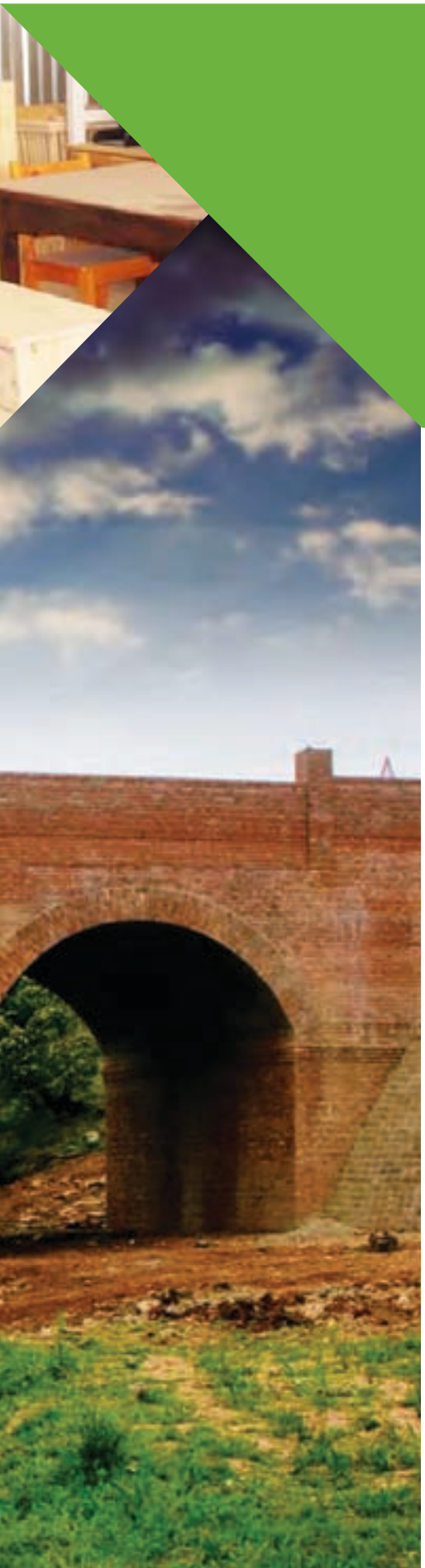
Following on from the completion of the status quo report and feasibility assessment, a local spatial development framework for Dutywa was developed. This pointed to a number of possible interventions, including:

- Establishment of up to four mini taxi ranks in an effort to reduce congestion in the CBD
- Upgrading of pedestrian walkways
- Development of the tourism industry
- Agricultural development

As in Butterworth, the congestion in Dutywa, along the N2 and in the CBD in general, is of major concern. Given that this small town provides services to a wide hinterland of subsistence and small-scale farmers and villagers, there is a strong sense that at least some of the economic potential of this town is to be discovered within the town centre. Aspire therefore commissioned the Dutywa precinct development concept, which has been adopted by the Mbhashe Council. This proposes the establishment of a retail hub on the corner of the N2 and the road leading to Willowvale, catering for high-volume businesses, such as hardware stores and supermarkets. Immediately adjacent to this will be an office park and a new medical complex.

In an attempt to identify the opportunities within the agricultural sector in Dutywa, Aspire commissioned an agricultural feasibility study that was undertaken by the University of Fort Hare's Agricultural and Rural Development Institute. The study identified four key areas of intervention: agricultural production, livestock production (sheep and chickens), infrastructure upgrade, and land degradation protection. This provided important information about the region, but failed to identify the unique opportunities that exist to enable Dutywa to provide a better service to the wide hinterland of small-scale farmers. Aspire therefore continues to explore the latent opportunities in this region.

Mlungisi Bridge, Stutterheim



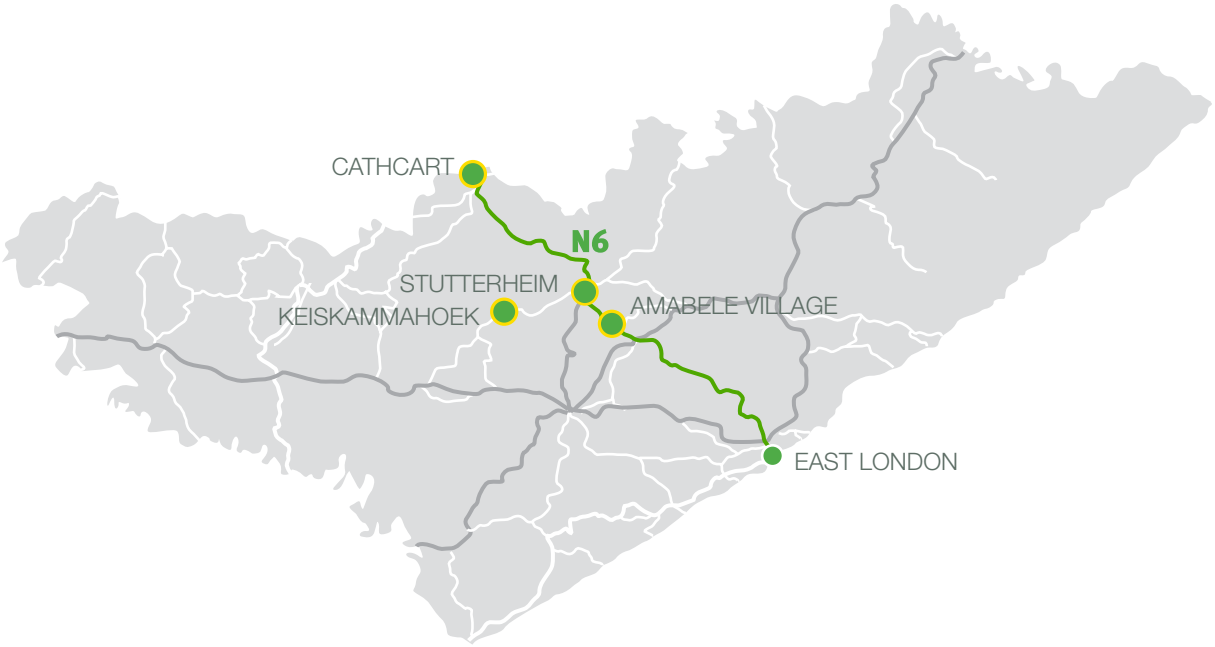
# N6 CORRIDOR

## HIGHLIGHTS

- Mlungisi - Stutterheim bridge construction complete
- Stutterheim central business district upgrade begins
- Town brand for Sutterheim developed
- R48 million approved for the development of Mlungisi Community Commercial Park

# N6 CORRIDOR

## STUTTERHEIM, KEISKAMMAHOEK, AMABELE & NDAKANA VILLAGES, CATHCART




*The N6 Corridor is truly becoming an economic hotbed of ideas and development. Aspire is establishing a strong presence and high levels of trust with community leaders and development partners, and the corridor is becoming a hive of agricultural activity.*

### STUTTERHEIM REGENERATION

The regeneration of the town of Stutterheim is well underway. The new bridge and access road linking the town centre and its main township, Mlungisi, is completed. Construction has begun on the multi-million rand upgrade of Stutterheim's central business district (CBD) and the new Mlungisi Community Commercial Park.

#### Bridge construction complete

The construction of the new bridge and road linking Stutterheim town and Mlungisi township is complete and open for traffic. Final clearance of the site is underway and new street lights have been ordered to increase pedestrian safety at night. A pedestrian walkway leading all the way up to the township promotes safe walking. The bridge, being built entirely out of bricks in an old style, is a new beautiful feature in town.

Upgrading of taxi rank in Stutterheim

## Upgrade of the central business district begins

The business plan for the upgrade of the central business district received a favourable response, with an overall amount of about R26 million being allocated towards the project. The area to be upgraded includes: those roads within the CBD with the highest concentration of pedestrian traffic and commercial activity; areas along the two main roads (McLean and Hill streets); the intersection at Grey Square; and the main taxi rank and immediate surrounds. Works to be undertaken will include: paving and repair of pavements; installing new benches and trees; extension of the existing taxi rank and partial closure of Hill Street; repair and upgrade of Grey Square (partial closure of Grey Square adjacent to Amahlathi Spar for vehicular traffic); improvement of facilities for informal traders; adding public toilet facilities; and installing upgraded street lighting. A contractor has been appointed to undertake construction.

The business plan for the upgrade of the central business district received a favourable response, with an overall amount of about R26 million being allocated towards the project.


Pavement upgrade, Stutterheim

STUTTERHEIM

PURE PLEASURE

## The Stutterheim brand

Stutterheim has launched its new town brand, "Stutterheim – Pure Pleasure". The brand was developed in April 2011 through a public community campaign in which people from Stutterheim were asked: what is Stutterheim to you? The poems and stories submitted from a variety of residents told the story of the town and what it means to its population. It became evident that "Stutterheim is the sanctuary of rich, natural hospitality that is expressed through its essential beauty and its spirited people". In short: Stutterheim is PURE PLEASURE. The following poem won first prize:

### PRECIOUS STUTTERHEIM

Seated on the foot of a mountain so steady and lush
Shadowed and crowned by the Amatola Mountain
How beautiful this little lady is, how innocent yet mature at less than 153 years of age
I can't help but wonder if Baron von Stutterheim knew what a precious blessing you'd turn up to be
Your dams and rivers flow with love and laughter as one finds as they picnic and chatter on the banks of Wriggleswade
Your streets are paved with friendliness and ambition as even the road to Stutterheim High School would testify
Your people savoured your peacefulness and charm as they listened to the waterfall as it spoke of hope and joy at Forest Way
You may not be a place of extravagance or opulence but you define the essence of simplicity and beauty
To some you are a pit-stop on their travels on the Friendly N6 but to me you are a destination
To me you are a place of shelter, a place of comfort
A place of acceptance and unconditional love
Precious memories that define the core of my being and translate my thoughts and beliefs to unknowns can be unlocked when one takes a stroll in the quiet and peacefulness of your streets
You have taught me to love, to live, to be
You have taught me the importance of community and care
Oh dear Stutterheim, words can never be enough to express what you truly mean to me
Pride and joy overwhelm me when I am defined as one of your own

Written by: Sisonke Mapuma (23 years old)


Concept design of the Mlungisi Community Commercial Park

## Mlungisi Community Commercial Park nearing construction

In October 2010, National Treasury approved more than R48 million for the development of a community commercial park at Mlungisi. The procurement of a contractor for the construction of this park is underway and the construction site has already been cleared. After a period of negotiation, four local churches agreed to relocate for the benefit of the development; a small-scale contractor was appointed to undertake the relocation of the churches.

Aspire maintained the momentum of partnerships established in the previous financial year: partners such as the South African Post Office, the South African Police Services and LoveLife, reaffirmed their commitment to the development, ensuring that the community commercial park will include a variety of services for Mlungisi residents and surrounding areas. These include: a satellite post office and police station; a municipal pay point; a library; a multi-purpose community hall; the LoveLife youth centre and clinic; a pharmacy; entertainment areas including an amphitheatre, sports fields and gym; a retail section, including a supermarket, market area, restaurant, hair salon, hardware store and clothing store. Business applications have been received from various emerging businesses for tenancy in the retail section of the park. A business support programme will be instituted to provide targeted support to a selected number of emerging businesses in partnership with the Eastern Cape Development Corporation and the Department of Economic Development.

Construction is set to start August 2011 and doors will open to the public by early 2013. Commercial space is still available for rent. Aspire welcomes tenants or any community initiative interested in providing services, such as a cell phone shop, restaurant or take away, insurance services, funeral services outlet and a furniture shop.

Mlungisi Community Commercial Park contruction site

## PetroPark

The Stutterheim PetroPark is set for implementation in the coming year. The Surveyor General has approved diagrams, and a conveyancer has been appointed to register the erf. Investors have indicated that they are interested in this project. Land ownership discussions between the Amahlathi Municipality and the Amathole District Municipality remain the main obstacle to finalising this development.

## Housing development support

Based on the findings of the housing market needs assessment undertaken in the previous financial year, Aspire undertook a high-level housing feasibility assessment that identified two possible properties for middle-income housing. The Amahlathi Local Municipality will now need to take the findings further to generate interest by private investors.

## Targeted infrastructure upgrade

The Stutterheim infrastructure assessment and various complaints from local businesses regarding a non-functional electrical supply in the town drew Aspire's attention towards the need for an upgrade of the Stutterheim electrical system. A detailed assessment was undertaken and a business plan developed to lobby for further funding.

## Timber value add

Timber is a major industry in the Stutterheim region. Despite the presence of well-developed forestry plantations in the area, the downstream industries are limited and as a result, the sector value chain is poorly developed. As part of the small town regeneration programme, a number of key partners, including Aspire, Amahlathi Municipality, the provincial Department of Economic Development, Environmental Affairs and Tourism (DEDEAT), Department of Agriculture, Forestry and Fisheries, Walter Sisulu University and local private sector partners Babana Technologies, Yonder Lea and Industries Education & Training Institute joined forces to establish the Abenzi Woodhouse Centre. The overall objective is to promote timber sector stimulation in order to create job opportunities and improve local skills in the main economic sector of Stutterheim.

On 2 August 2010, the first intake of 20 local trainees was selected to the Abenzi Woodhouse programme with a view to being trained in technical woodworking and business skills.

On 2 August 2010, the first intake of 20 local trainees was selected for the Abenzi Woodhouse programme with a view to being trained in technical woodworking and business skills. A centre manager was appointed in July to oversee the implementation of training by a reputable training provider, and as a result, on 9 November 2010, the centre was officially launched. The 100% retention rate of the trainees is a fitting tribute to the hard work and dedication of all those involved, who have seen the possibilities within the timber industry and the need to build capacity in the local youth to take advantage of these opportunities. The project's success can only truly be measured by the impact it is making in the lives of the people it is training. As one mother put it:

"My son is one of the Woodhouse beneficiaries who was recruited in August 2010. Like any youngsters of our area, he used to roam around doing nothing after he passed Grade 12. He used to smoke and drink with friends doing nothing and was financially dependent on me. [He put] the monthly stipend he received from Abenzi Woodhouse into good use as he used his monthly payment to buy himself a TV, DVD, clothes and even financially supported me and his kid from month to month. The life skills training and business skills received from the centre have equipped him with critical skills."

The Abenzi Woodhouse project is now set to enter its second phase of training and development, having secured all the necessary equipment to begin a small furniture making factory. This project is certainly one of Aspire's flagship interventions. However, the team's involvement will not stop here as it plans to implement an incubation programme for the trained learners and attract a second intake of new trainees.

Abenzi Woodhouse

## AMABELE AND NDAKANA

The development of Amabele as an agro-processing hub is well on its way. The momentum that was built up in the previous year, with the completion of the Amabele local spatial development framework (LSDF) in September 2009 and the completion of the Ndakana Zero-Waste Business Cluster feasibility assessment in April 2010, was carried over into the new year.

Business plans for six business opportunities in Ndakana and Amabele were completed by October 2010. Four of these are to be implemented in the format of community-owned cooperatives, which were registered with the Department of Trade and Industry (DTI) in March 2011. The Ndakana Wood Products Cooperative began operations in January 2011 through a 5 hectare bamboo trial at Ndakana, implemented by SAbamboo and funded by the Eastern Cape Development Corporation. Five part-time jobs have been created, and the expectation is that this will increase to 20 in the next year. The Ndakana Household Agro-ecological Support Cooperative received R900,000 in funding from the Industrial Development Corporation in June 2011 and is expected to begin operations later in 2011. This co-op will provide self-employment opportunities to about 80 households next year. Additional funding applications were submitted for these initiatives to rapidly expand their operations to enhance the economic impact on the community.

Aspire facilitated the establishment of the Ndakana Community Development Trust (NCDT) by the Ndakana community. The NCDT was registered in May 2011 and will be the vehicle through which the community will partner with investors to unlock economic potential in Ndakana. It will also promote and develop business opportunities for community members and provide support to community-owned businesses.

Exciting initiatives have also been secured in the green energy field. The Amabele Combined Heat and Power (CHP) project will see Amabele becoming a pilot CHP site in turning alien plant waste (biomass) from Ndakana and surrounding areas into marketable electricity. A strategic partnership has been secured with EECOFuels. The Amabele CHP project was also selected by DEDEAT in June 2011 as one of 11 provincial climate change action projects to be presented at the United Nations Development Programme's Climate Change Conference of Parties (CoP 17) in Durban in late 2011. It is expected that construction of the CHP will begin in

the next year. Furthermore, Just Energy, a non-governmental organisation in the renewable energy field, is busy assessing the feasibility of establishing a wind farm near Amabele. Just Energy aims to maximise the benefit of the wind farm to the Ndakana community. The size of the project expanded significantly in 2011 due to the favourable reception of the concept by communities and neighbouring farmers. The NCDT will have a significant shareholding in this wind farm, as well as in the Amabele CHP.

The Eastern Cape Department of Roads and Public Works is upgrading the DR02779, the vital link between the berry growers at Thornhill Farm and the berry processing plant to be established at Amabele. In April 2011, the department allocated more funds to extend the road upgrade from Amabele to its intersection with the R63 near Komga. By June 2011, the first workers were on the ground and earthworks had begun, with the upgrade expected to be complete by March 2013.

The Eastern Cape Department of Transport completed the upgrade of the Amabele train station in February 2011, as part of the Mthatha-East London railway line. The use of the link between Komga and Amabele for commuter purposes requires further investigation. This would significantly improve the accessibility of Thornhill Farm for workers. Timber and possibly fruit will be transported via rail, which begins to open up the economic opportunities for this area.

The strong partnership between Aspire, the Ndakana community, provincial government departments and other stakeholders was maintained during the past year. This reinforced the willingness of various stakeholders to take responsibility for the implementation of initiatives at Amabele and Ndakana. Aspire's role of facilitating and coordinating development and investment in this region has therefore become more refined. The key challenge for the next year will be to address land availability at Amabele and Ndakana to meet the demands of these development initiatives so as to provide these commercial initiatives with long-term, secure access to communal land.

## BLUEBERRY BELT

The N6 Corridor is fast becoming a blueberry belt, with Amathole Berries expanding its growing area from 30ha to 55ha. Employment reached its peak during the expansion phase, with about 200 people being employed at Amathole Berries. This was subsequently scaled down again to about 125 people. For the first time since the project's inception, Amathole blueberries were available on the shelves of supermarkets in East London this year.

The project proposal identifies Amabele Village as the processing hub for the blueberries into various forms, including packaging, freezing and further processing into juice and jams. In order to ensure viability of such a processing plant, some 200 tonnes of blueberries are required. The berry belt will therefore need to be expanded substantially to reach this target. The Keiskammahoek area, being close in proximity, having ample arable land and an appropriate climate, was found to be the most suitable area for the expansion of the blueberry belt.

An application for the planting of a further 20ha in Keiskammahoek received a favourable response from the DTI's Employment Creation Fund. In July 2010, the fund approved R35 million, to be dispersed via the Department of Rural Development and Land Reform. The grant funding is being used to expand the growing area onto three areas of about 6ha each. The intention is that blueberry outgrower companies will be established on either community or privately owned land, which will then expand over time to cover 60ha each. The outgrower model is an innovative and exciting concept, which enables emerging farmers to participate in the blueberry growing cluster and thereby become viable commercial farmers. By making their land available, land-owners benefit from the lease payments from the blueberry company. Where communal land is allocated for blueberry production, a community trust or communal property association will be established and will hold shares in the company. This has the double benefit of creating a source of income generation for the community while bringing employment opportunities closer to the labour force.

In January 2011, Aspire secured state-owned communal land in Upper Gxulu. A community resolution was obtained and a communal property association (CPA) formed. The project is currently awaiting assistance from the Department of Rural Development and Land Reform to formally register the CPA. The implementation of the first 6ha of blueberry farming operations has begun. Obtaining access to the other two portions of land identified has proven to be more difficult. In both cases, the land is privately held; however, the registered owners are either deceased or absent. The immediate need is to plant the remaining 14ha with the money allocated by the DTI. Alternative communal land will be looked at in the coming year in order to ensure that the momentum created is maximised.

Expansion of blueberry farming

Blueberry seedlings

Blueberries in production

So far, three permanent staff and up to 42 temporary staff have been employed on a fixed-term contract (between three to five months). One local small, medium and micro enterprise has been employed, benefitting five local people. A training programme for staff members is currently being developed to ensure that skills transfer takes place and that critical skills, required to ensure the successful running of the berry company in the long run, remain in the community.

## KEISKAMMAHOEK

The Keiskammahoek community has been mobilised and an effective project steering committee is in place, which has well-attended meetings and good political buy in. By June 2011, a town regeneration strategy was completed and an LSDF was released for public review. High priority interventions identified in the LSDF include:

- The establishment of Keiskammahoek as an educational centre of excellence, focusing on St Matthews High School
- The expansion of eco-tourism opportunities, including the establishment of an Amathole national park or biosphere reserve
- Ongoing support for agricultural initiatives and the establishment of an agro-produce market

A business plan for an agro-produce market in Keiskammahoek was finalised and Aspire is currently engaging with potential funders.

## CATHCART

Although Aspire was previously involved in Cathcart, the impetus was lost, and newly formed relationships stagnated. This year saw Aspire re-enter Cathcart and engage once again with the local community. Trust, through relationship building and a keen focus on making a meaningful impact, is being re-established, and there is a sense of excitement about what may happen in the future. The first project steering committee meeting was held in June 2011 and a team has been appointed to research the town's unique economic development potential and build on the regeneration concept that was originally proposed.


Alice Main Street

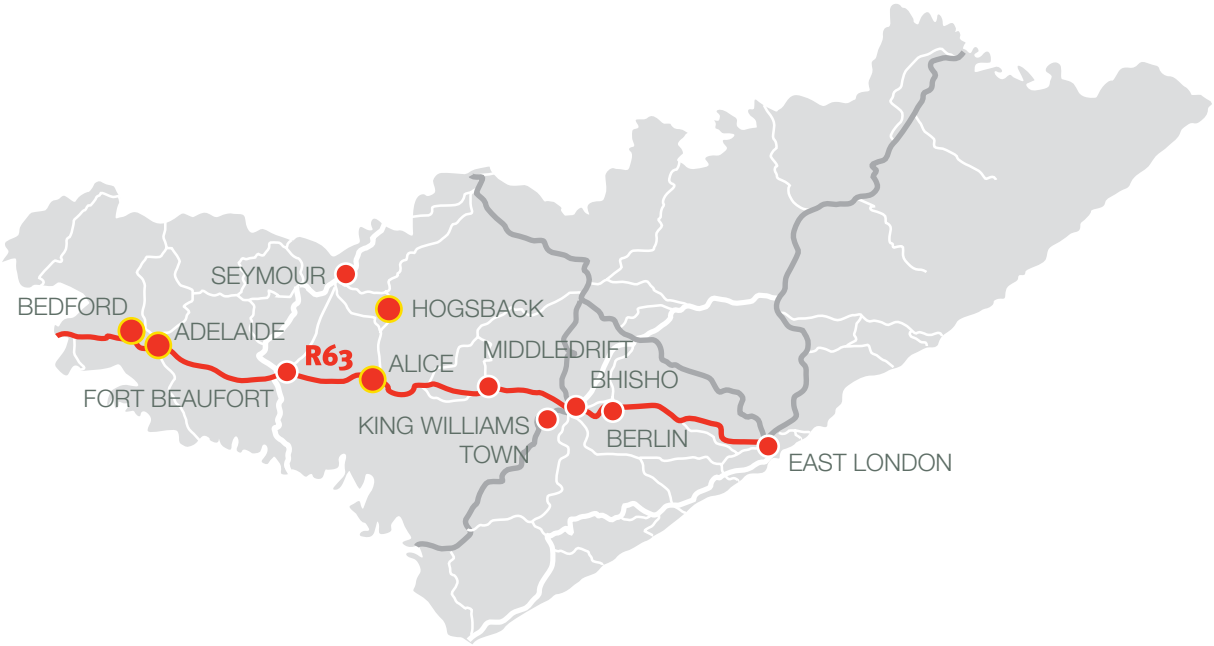
# R63 CORRIDOR

## HIGHLIGHTS

- Multi-million rand business plan completed for town centre upgrade in Alice
- Baseline data collection completed in Adelaide and Bedford for strategy development
- New funding approved from Employment Creation Fund for essential oils initiative

# R63 CORRIDOR

## ALICE, HOGSBACK, BEDFORD, ADELAIDE




*The R63 Corridor includes the African university town of Alice, as well as Fort Beaufort, Adelaide and Bedford, located in the Nkonkobe and Nxuba local municipalities. The area is rich in history and natural beauty, making it an important tourism destination. It is also characterised by valuable farming land, juxtaposed by the many rural poor who subsist in villages scattered across this corridor.*

### RESTORING AN HISTORICAL LANDMARK

Alice is one of a few towns in Amathole with a shared history footprint that cuts across the Eastern Cape Province, the country and the world. Historic buildings capture defining moments in the rich history of the town, from colonial conf icts to prestigious African institutions of learning, such as Fort Hare University and Lovedale College. Steeped in history, and having played an important role in educating many of South Africa's most prominent leaders, Alice is a unique place with exciting potential to make a positive impact on the rest of the region.

#### Building on yesterday, reaching into tomorrow

Throughout the process of developing the Alice regeneration strategy, it became increasingly clear that the regeneration of Alice is critical not only from an economic perspective, but also from a historical perspective. South Africa's roots are deeply embedded in this town; therefore it is necessary that the interventions identified speak to both the economic and socio-cultural life of this region. The Alice regeneration strategy was a product of a consultative process that produced a status quo report, a business case report, and a high-level feasibility study.

Alice Victoria Memorial Hall

Alice is a unique place with exciting potential to make a positive impact on the rest of the region.

The Alice regeneration strategy (December 2010) envisages Alice as "... an economically and socially viable university town". This vision was further refined into three over-arching strategic thrusts, which guide the regeneration process:

- Alice as an African university town, which speaks to the integration of the University of Fort Hare with the town and the integral part that the history of the town can play in its future
- The support of a sustainable community through the unlocking of opportunities
- Encouraging an economically active, culturally vibrant community by encouraging investment

The regeneration strategy honed in on three strategic priorities, namely: to encourage investment; to unlock economic and job opportunities; and to integrate the University of Fort Hare and Alice. Based on this, three priority interventions were identified, which are believed to hold the keys to unlocking Alice's economic potential. These are:

- Upgrading of the central business district (CBD) and civic core
- Upgrading of Alice taxi rank
- Unlocking of middle-income residential development

Business plans for all three priority interventions were submitted to National Treasury in June 2011.

Running concurrently and interconnected with the entire process of developing a regeneration strategy, was the formulation of the local spatial development framework (LSDF), which proposes a precinct-based approach to development in Alice. Concrete interventions required include:

- Upgrading of key roads to safely accommodate both pedestrians and vehicles while improving the linkages between areas of town
- Revitalisation of the CBD

- Development of integrated human settlements, which prevent urban sprawl and maximise investment into urban infrastructure
- Upgrading of the Alice taxi rank and railway station
- Development of an urban agriculture policy plan for Alice
- Establishment of adequate nodes and special places to meet the recreational, sporting, institutional and community needs of Alice and the wide hinterland that it serves.

The Nkonkobe Council had adopted both the LSDF and the regeneration strategy by 30 June 2011.

## Partnering for growth

The Alice regeneration programme recognises the important role that such institutions as the University of Fort Hare (UFH) and Lovedale College have played in the history of the province and the country. These institutions therefore provide an integral partnership in support of the Alice regeneration project steering committee (PSC) and the unlocking of economic development in the town. Monthly PSC meetings involve the active participation of provincial departments (Economic Development and Environmental Affairs, Local Government and Traditional Affairs, Agriculture and Rural Development, and Roads and Public Works), the Alice Residents' Association, and organised formations of formal and informal businesses.

In order to promote a spirit of collective responsibility, as well as to provide role definition within the PSC, represented entitie are leading specific task teams towards the realisation of the Alice regeneration vision. The University of Fort Hare and th Alice Residents' Association led a consultative process, which included a workshop and survey, to discover the extent t which Alice residents can benefit from information and communication technology-enabled economic development.

The regeneration strategy has also been supported by private enterprise. Among the highlights: the development of the MTN-sponsored Small Business Support Centre, which provides business support to small and emerging businesses in and around Alice; the expansion of Kwantu Mall, which is the only shopping mall in Alice, with private investment of some R15 million being poured into the town; and a R120 million housing development in the planning phase.


University of Fort Hare

Lovedale College

Land issues have played a large part in stunting economic development in Alice. With 89% of all business properties and most of the residential land being state-owned, private development in Alice has been near impossible. As a result, Aspire facilitated the establishment of a working group, made up of key decision makers, to unlock these challenges and thus unleash the economic potential of this town.

Other organs of government have been important partners in making the economic regeneration of Alice a reality. Through close cooperation and ongoing communication, both the Nkonkobe Economic Development Agency (NEDA) and the Amathole District Municipality (ADM) have made important contributions to the regeneration of Alice. The R5 million beautification of the Alice entrance, which was made a reality through NEDA and Department of Environmental Affairs funding, is well aligned to the strategy's objective of upgrading the CBD. The ADM's preservation and development of the ZK Matthews house into a dedicated heritage institute complements the vision of Alice as an African university town.

In March 2011 a memorandum of understanding was signed between the Nkonkobe Local Municipality and the Department of Roads and Public Works, creating a vehicle through which state-owned land will be released for development. This is a significant milestone in the economic regeneration of the town. Aspire has developed business plans for state properties, which have been submitted to the Department of Public Works to expedite the process of releasing state land for development.

The establishment of international partnerships can be of great benefit in unlocking economic regeneration in a town like Alice. Aspire therefore made good use of the existing partnership between the University of Fort Hare and the Syracuse University (USA), which has experience in supporting surrounding communities in the upgrade of their neighbourhoods. Members of the PSC, including an Aspire representative and local residents, joined UFH staff in October 2010 on a visit to Syracuse University. Syracuse University staff paid a reciprocal visit to Fort Hare in May 2011. This interaction provided Aspire and UFH with the opportunity to draw lessons on how institutions of higher learning can support surrounding communities in development.

In March 2011, the European Union-funded Employment Creation Fund (ECF) approved R8.74 million in funding to Essential Amathole, through the Department of Rural Development and Land Reform

## ESSENTIAL OILS INITIATIVE

The essential oils project began in 2007 with crop trials on multiple locations in the Hogback-Alice-Seymour area, totalling about 5ha. The trials identified six suitable sites and eight potential crops. The project entered the pilot phase in 2008/09, with land under cultivation scaling up to between 10ha and 15ha. It is supported by Aspire, the Eastern Cape Development Corporation and the Nkonkobe Municipality. Data obtained in the pilot phase was used to compile commercial business plans in early 2010, which were submitted to potential funders.

Ideally, funding should have been secured, with the project being ready to launch into the commercial phase by July 2010. However, by the end of 2010, no funding had been secured. Funding from the Industrial Development Corporation, through NEDA, did not materialise. As a result, Essential Amathole, the community-based company set up to drive the project and develop the industry, was forced to scale down operations and suspend expansion initiatives in order to preserve funds so that it could continue operating for as long as possible and save the jobs already created.

In March 2011, the European Union-funded Employment Creation Fund (ECF) approved R8.74 million in funding to Essential Amathole, through the Department of Rural Development and Land Reform. Essential Amathole will use this, together with normal commercial financing in later years, to increase production to a commercially viable scale of some 300ha. None of these funds had been transferred to Essential Amathole by 30 June 2011.

Essential Amathole remained in severe financial distress despite the approval of these funds by the ECF and additional investments by the private shareholders. In May 2011, Aspire, supported by the ADM, agreed to provide an additional R1.5 million to Essential Amathole to ensure its continuation and preserve the jobs created until funding from the ECF is received. It is expected that the first tranche of ECF funding will be transferred only in late 2011 as final agreements are still being negotiated.

Aspire's involvement with Essential Amathole will end when the funding from the ECF is received and the last of the R1.5 million has been transferred. However, Aspire will continue to be involved in the Eastern Cape Essential Oils Forum to facilitate the further diversification and strengthening of the agricultural sector in Amathole. Aspire will continue to investigate other high-value alternative crops that could be implemented in the district, as well as identifying and establishing value-added agro-processing activities in the Amathole District.

Essential oils initiative process

1. Propogation of seedlings

2. Planting and tending to the crops

3. Processing facility to extract oils

4. Essential oils commercial products

Hamburg Artist's Retreat

# R72 CORRIDOR

## HIGHLIGHTS

- Launch of Hamburg Artist's Retreat construction
- Town centre upgrade business plan completed to enhance Hamburg village
- Artist's Retreat website launched and board of directors established

# R72 CORRIDOR

## HAMBURG, PEDDIE


*The R72 Corridor focuses on the Ngqushwa local municipal area, including Peddie and the coastal town of Hamburg. This year, much tangible delivery can be seen in Hamburg, and important baseline data has been collected for Peddie towards the conceptualisation of a Peddie regeneration strategy.*

### HAMBURG ARTISTS' RETREAT

This year has been an exciting one in Hamburg. It began with the sod-turning for the Hamburg Artists' Retreat on 30 August 2010. Construction started the following month, employing some 40 local Expanded Public Works Programme (EPWP) workers on the site at any given time. This led to workers being trained in a number of focus areas, including manhole construction, plumbing, carpentry and brick laying.

As the building progressed and Aspire interacted more heavily with the artist community in South Africa and other specialists, it became apparent that the form of the building was not going to be conducive to its intended use as an inspirational place for artists. Furthermore, the Hamburg Artists' Retreat is clearly going to be a landmark in Hamburg, but had been designed before developmental guidelines promoting a strong ecological ethos were adopted. It became apparent that the designs would need to be revisited to ensure an end result that would be attractive, multi-functional and ecologically responsible.

As a result, the team took the decision to halt all construction for two months (from 12 April to 13 June 2011) while the building plans were revised. The core labour team continued with landscaping of the site throughout the review period. Although the decision to actually stop the building process was difficult to make, the project team is confident that the delay

will have been worthwhile and that Hamburg will gain from it in the long term. National Treasury committed an additional amount of R8.7 million to make the proposed changes possible within a mere two weeks of receiving Aspire's request. Aspire is grateful for the strong relationship that we have developed with National Treasury, which has enabled us to ensure that the economic regeneration of small towns in the Eastern Cape is appropriate and sustainable.

By June, the Hamburg Artists' Retreat had its own website, and a marketing campaign had been launched.

By June, the Hamburg Artists' Retreat had its own website, and a marketing campaign had been launched.

## HAMBURG REGENERATION STRATEGY

Over the past year, a significant amount of solid planning has been completed, with a view to securing funding for identified economic regeneration interventions. By year-end, business plans had been submitted to National Treasury for funding, with reasonable hope that the majority of interventions would receive funding.

The key interventions revolve around the principle activities of the town as: (1) a small service centre for the surrounding rural communities; and (2) a unique tourism destination. It was therefore proposed that the town centre be consolidated so as to provide a better sense of arrival into the town and create the functional social and economic "heart" of

Craft workshop, Hamburg

Site of town centre upgrade

Hamburg. The key components include the development of a market square, a recreational park, an environmental and skills centre, craft studios, a music academy and a crèche. It was further proposed that tourism offerings be enhanced and better packaged so as to be more attractive to local and international eco-tourist markets. The starting point is the upgrade of the beach area, creating a safer and better serviced destination. The establishment of a boardwalk along the Keiskamma River is also a strategic priority.

The project steering committee has been a major player in promoting synergy and enabling a holistic approach to the development of Hamburg.

## Strong stakeholder synergies

Hamburg has received much interest from a wide variety of stakeholder groups over the years, although little development has resulted. Against this background, it is not surprising that the community was initially rather sceptical about all the excitement that Aspire's proposals were generating. However, the proposals have stood the test of time and Aspire has proven its reliability, even in the face of setbacks and unexpected hurdles.

Today, the Hamburg Artists' Retreat is almost complete and many people have benefitted from temporary jobs and skills development. The Department of Agriculture, Forestry and Fisheries has initiated the revitalisation of the oyster farm and a pilot kob farm, employing 57 local EPWP beneficiaries, an initiative that was highlighted during the research and planning phases of the regeneration strategy.

The success that Hamburg is experiencing is most certainly as a result of strong synergies, which have developed during Aspire's time in this town. This synergy can be seen at both a funding and a grassroots level. For example, the artists' retreat has been jointly funded by National Treasury and the National Department of Tourism. Furthermore, a strong relationship has developed between Aspire and non-governmental organisations in and around Hamburg, particularly the Keiskamma Trust as the biggest employer in the region, but also provincial and national groups, such as the Sustainable Seas Trust, Just Energy and Altus Sports. The project steering committee has been a major player in promoting synergy and enabling a holistic approach to the development of Hamburg.

A tourism stakeholder forum has been established, which, for the first time, is providing a centralised database of offerings in Hamburg; it is also a forum through which tourism-related initiatives can be fed. The Eastern Cape Tourism Board has also been to Hamburg and is assisting in getting Hamburg onto the map.

Lastly, the relationship between Aspire and the Ngqushwa Local Municipality has been a positive and enabling one. Although there have been some bureaucratic challenges and the turnover of municipal staff has meant that there were a few teething problems, without the commitment received from the municipality, the interventions currently being implemented would not have been possible. Aspire looks forward to an equally positive and productive relationship with the new Council.

Thus, progress is truly visible in Hamburg, and the community has moved from being sceptical to supportive.

Oyster farming

Hamburg beach

# INTERNAL MANAGEMENT

- COMMUNICATIONS AND MARKETING
- HUMAN RESOURCES
- ORGANISATIONAL MANAGEMENT
- BOARD OF DIRECTORS

# COMMUNICATIONS AND MARKETING

Good communication – with both internal and external role players – is the bedrock upon which Aspire has been built. It is strong communication that enables the diverse Aspire team members to project a unified face to the communities in which we work. Organisationally, this is a great strength. Robust internal communication means that the team members understand and support each other, underpinning delivery for all Aspire's interventions. Strategic external communication is targeted so that beneficiaries and stakeholders know what they can expect from Aspire and how they can be involved.

Internal communication is relatively informal, bolstered by regular business and operational meetings. Many discussions are heard in the corridors and offices or sent via email. These often relate to day-to-day activities, but also include more intense discussions, generating ideas around projects and perspectives. These informal engagements feed into formalised fortnightly project management meetings. Key outcomes of project management meetings are taken to quarterly Board meetings, which provide ongoing strategic direction for Aspire.

An important element of internal communication this year was embarking on and completing the five-year strategic review. After five years of operating, Aspire has learnt valuable lessons, two of which stand out as keys to our success to date. First, we have grown in our understanding of what an agency is. People often do not understand that agencies only exist because of an unfulfilled need and therefore can only continue to exist if they add value. As an agency, we are not parallel to the municipality. Rather, we are positioned between the municipality and other stakeholders to bridge a gap that exists. Second, community participation is paramount. It is not enough to engage politicians and leaders. Community participation needs to reach the general people so that ownership can be assumed at all levels. The five-year review was an important springboard for ensuring that our external communication strategy continues to engage all stakeholders.

Aspire's approach to external communication has been to under-promise and over-deliver. This has been a prominent feature of the external marketing strategy in the past, which has generally been low key. However, with five years of establishment and pioneering behind us, Aspire now has tangible projects on the ground. The marketing strategy has therefore been enhanced to ensure that the community at large is involved in development processes and can celebrate the progress that has been made.

This was a year of sod-turning and project launches, which have generated much publicity. Press releases were published in local and regional newspapers, brochures showcasing initiatives printed and disseminated, and community information pamphlets widely distributed to encourage public participation. Examples include:

- The branding campaign held for Stutterheim, wherein high-impact marketing was used to obtain an impressive level of participation in a town branding competition
- The Ndakana cooperatives brochure, developed to explain to community members and funders alike what the Ndakana cooperatives are and how they function
- Establishment of a website for the Hamburg Artists' Retreat (www.artistsretreat.co.za)
- Press releases, public notices and tender adverts published on an ongoing basis.

Aspire has also made significant contributions on the policy front, playing a lead role in the development of the small town regeneration model. Engagement with role players and decision makers included the annual Small Towns Conference. Spin-off discussions and input at a national level allowed Aspire to influence and provide direction to national policy on small town regeneration. Aspire has also had the privilege of being involved in a think tank on small town regeneration for the Western Cape.

Collaboration with academics is a key way in which Aspire ensures that the small town regeneration model is at the forefront of national and international thought. Two papers have been published in journals, both of which will be available as chapters in a book. These promote the notion of developing small towns from a holistic spatial perspective, rather than focusing simply on interventions, which often do not take proper account of their spatial context. Another highlight, and a feather in Aspire's cap, is the report: A small town generation framework for the Eastern Cape Province, which was submitted to the Eastern Cape government on 16 May 2011.

# HUMAN RESOURCES

Human resource (HR) management in a small organisation is often a challenge. In a practical move to strengthen and formalise the HR function, Aspire centralised HR to the Corporate Services Department, with the key focus of starting to bed down organisational aspects and knowledge retention at Aspire. This will continue to be the main HR strategy in the next financial year.

A big step towards organisational solidity this year was the introduction of staff benefits for the first time. The agency implemented both a medical aid benefit and company provident fund. This is a clear indication that Aspire is becoming a solid organisation for the long term.

Staff development is undertaken in a number of ways, including coaching and monitoring of staff, teamwork and mentoring, interpersonal skills development, and other types of professional training and development. The rotation of staff to new projects, where they can further their skills, is also vigorously practiced.

As Aspire moved to project implementation, an increase in staff was required. Throughout the year, we focused on filling the organogram and looking at aligning the organisation for implementation. Although we did not quite achieve this by the end of the financial year, important appointments were made. New project officers were appointed in July and November 2010, and a new corridor manager in April 2011. In addition, the corporate manager, who came to Aspire as a volunteer, was appointed in a permanent capacity. Our project administrator, who was previously seconded by ECDC, also became a permanent member of staff at Aspire. As in previous years, Aspire has benefitted from the ongoing support of the German Development Service (GIZ) through its placement of three secondees in our organisation. Due to the increase in staff numbers, Aspire also moved offices in November 2010 to allow us more working space.

The biggest highlight for the Aspire family, however, was Sandiswa Qayi's completion of her Masters degree in Development Studies. Well done, Sandiswa!

Through the year, Aspire hosted a number of international researchers who were completing work in development practice. One of the highlights in this regard was the opportunity to play host to a New Zealand student studying volunteers and secondees in Aspire towards her Masters in Sustainable Development. The biggest highlight for the Aspire family, however, was Sandiswa Qayi's completion of her Masters degree in Development Studies. Well done, Sandiswa!

The 2010/11 financial year also saw the chief financial officer, John Cerff, leave the organisation after five years. We are grateful for the effort John put into the establishment of Aspire and wish him every success for his future endeavours.

# ORGANISATIONAL MANAGEMENT

## PERFORMANCE MANAGEMENT

Performance is an integral element of Aspire's organisational culture. From the ground up, each member of staff is aware of the agency's overall strategic and operational plans, and knows their individual responsibilities in order to achieve these. Aspire operates a performance plan based on "stretch" targets. Targets are set at an organisational level and then rolled down to individual staff members. Formal performance reviews take place every six months, and management commitments are subsequently made to meet targeted performance outcomes.

Strategic and operational plans are compiled with the input of all staff, as well as external stakeholders. These are submitted to the Board of Directors, as well as to the ADM Council, and reflect the planned activities, outputs and performance against set targets for the agency as a whole. Aspire attained 76% of its "stretch" targets for the 2010/11 year, which, in accordance with our performance management system, equates to fully satisfactory performance, and we excelled on revenue generation to support initiatives.

## FINANCE AND LEGAL CONSIDERATIONS

Financial management is key to the functioning of the agency and focuses us on appropriate internal policies and contractual agreements that meet the compliance requirements of a number of government laws and local government legislation. Legal considerations on procurement and finance management provide us with sound judgment and lawful decision making.

Every effort is made to comply with all appropriate legislative requirements to which the agency is subject, although it must be noted that this often relies on receipt of timely information from our parent municipality and other stakeholders. For example, while we note that although the final budget for the year was approved by the agency's Board only on 3 August 2010, which is a non-compliance with the Municipal Finance Management Act (MFMA), the agency was informed by the Amathole District Municipality (ADM) of the changes in our allocated budget only after the beginning of the financial year, thereby making compliance impossible. As such, we continue to improve and attempt to achieve 100% compliance. Although there are limited staff numbers, segregation of duties has been achieved by multi-tasking. This has enabled the organisation to strengthen its controls while ensuring that efficiency and productivity is maintained.

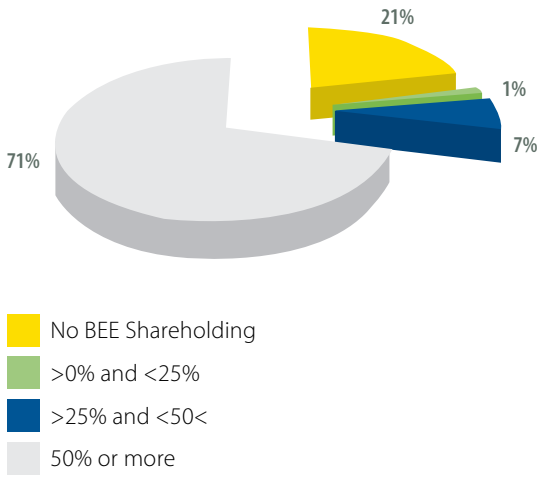
## SUPPLY CHAIN MANAGEMENT

Aspire operates a supply chain management (SCM) policy in accordance with relevant National Treasury regulations and circulars. This policy complies with the Preferential Procurement Policy Framework Act of 2000 and the regulations of 2001, which require that the entity promotes black economic empowerment (BEE), as well as specific procurement preferences through the allocation of preference points for tenders in excess of R200,000.

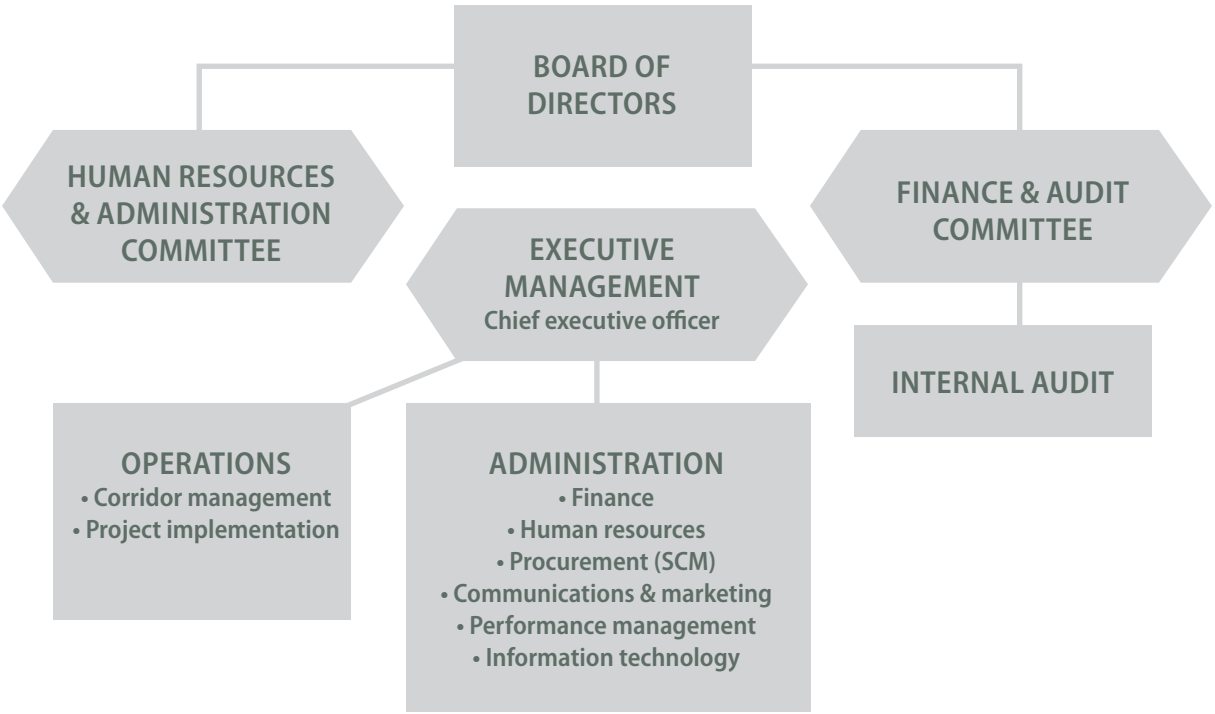
During the 2010/11 financial year:

- In monetary terms, 71% of controllable procurement was with entities of which the BEE ownership component is 50% or more, and a total of 79% was with entities with BEE shareholding.
- Tenders to the value of R32 million were awarded during the financial year, with payments of R64 million made to suppliers for existing contracts and operational expenses.

***Procurement with BEE Shareholding***



## CORPORATE GOVERNANCE




### Board of Directors

The Board provides strategic direction for the agency. All matters required in accordance with the Companies Act, as well as the Municipal Finance Management Act, are referred to the Board for decision by management. The Board activities are supported by the Finance and Audit Committee and the Human Resources and Administration Committee.

### Finance and Audit Committee

The Finance and Audit Committee is responsible for overseeing and reporting to the Board on: the quality and integrity of the agency's financial statements; compliance with legal, regulatory and tax requirements; accounting policies; overall risk management profile; independent auditor qualifications and measures for improvement; and the performance of the internal audit function.

### Human Resources and Administration Committee

The Human Resources and Administration Committee is responsible for overseeing and reporting to the Board on: Aspire's human resources policies and procedures; the agency's performance management system; overall compensation policies and their application to staff; and general administrative issues as they affect all staff members.

### Executive management

Executive management liaises between the staff and the Board and shareholders. It also manages the day-to-day operations of the agency.

### Operations and administration

The function comprises Aspire's core team of personnel, who manage and implement strategy, liaise with partners, and maintain systems and procedures. This team is the heart of day-to-day operations.

Table 1: Number of positions filled and vacancies as at 30 June 2011

| FUNCTION | CURRENT STAFF | CURRENT VACANCIES |
|---|---|---|
| Chief executive officer | Ms P Xuza | None |
| Chief financial officer | Mr J Cerff | None |
| Chief operations officer | None | One vacancy |
| Personal assistant to the CEO | Ms P Matyila | None |
| Corridor managers (x4) | Mr S Chagi<br>Mr M Mali<br>Ms E Hautmann *<br>Mrs S Haardt * | None |
| Corporate manager | Ms C Jordan | None |
| Project officers (x4) | Ms S Qayi<br>Ms A Puhlmann *<br>Mr S van der Walt<br>Mr M Kashe | None |
| Finance officer | Ms S Nobongoza | None |
| Project manager | None | One vacancy |
| Project secretary | None | One vacancy |
| Receptionist | Ms Z Mabece | None |
| Office assistant | Mrs T Ndondo | None |

** These staff members are deployed to Aspire by GIZ*

Table 2: Trends on total personnel expenditure

| LEVELS | 30 JUNE 2010 | | | 30 JUNE 2011 | | |
|---|---|---|---|---|---|---|
| | REQUIRED | BUDGETED | ACTUAL | REQUIRED | BUDGETED | ACTUAL |
| Executive | 1 | 1 | 1 | 1 | 1 | 1 |
| Senior management | 2 | 1 | 1 | 2 | 1 | 1 |
| Specialists | 4 | 3 | 3 | 4 | 3 | 4 |
| Middle management | 2 | 1 | 2 | 2 | 1 | 1 |
| Coordination/ administration | 9 | 7 | 6 | 9 | 8 | 8 |
| **TOTAL** | **18** | **13** | **13** | **18** | **14** | **15** |

## Office of the chief executive officer

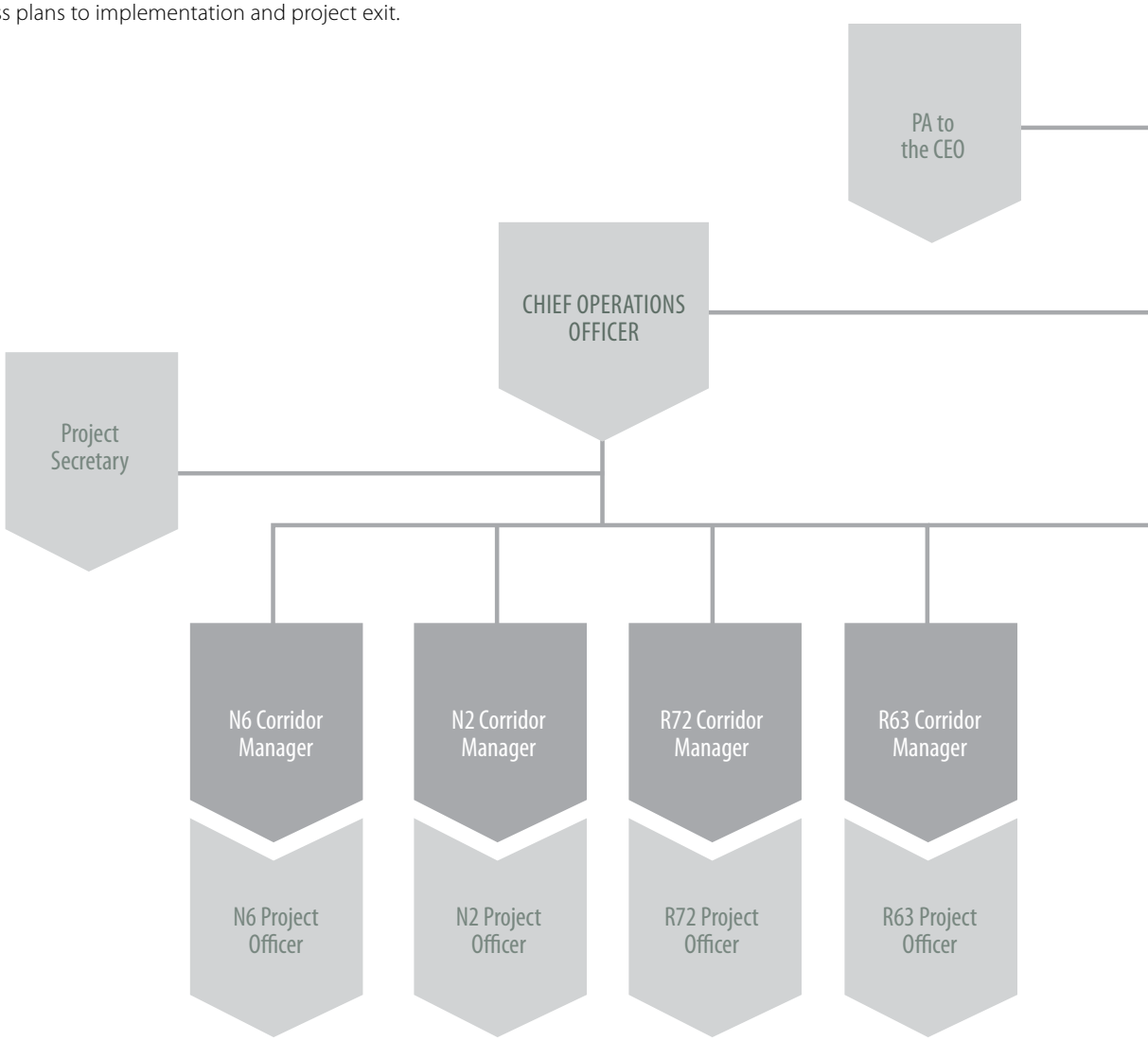
The CEO provides strategic leadership, and attends to organisational development, shareholder interaction and mobilisation of resources. She also positions Aspire on the national policy agenda.

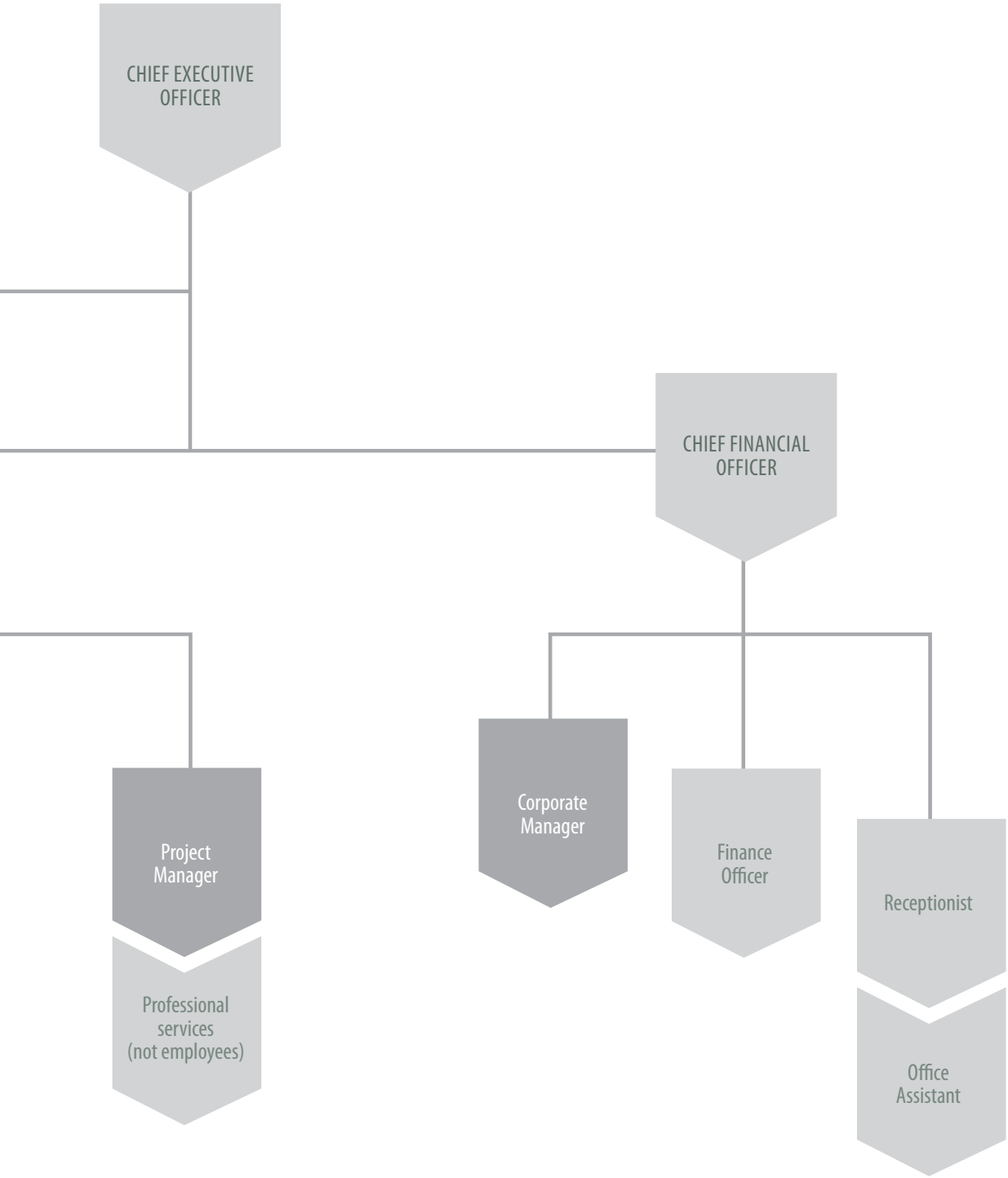
## Finance and administration

The role of this team is to establish and maintain an effective and well-operating financial, budgetary and treasury management system. The aim is to ensure compliance with Treasury regulations, legislation and the agency's systems, policies and procedures. Corporate communications and marketing is also a core administrative element of this team.

## Operations

This team is responsible for implementing Aspire's programmes and research. Its focus is small town regeneration, locality development and sectors with comparative and competitive advantages. It manages all elements of the project cycle, from conceptualization through fund raising and business plans to implementation and project exit.




CHIEF EXECUTIVE OFFICER
CHIEF FINANCIAL OFFICER
Project Manager
Professional services (not employees)
Corporate Manager
Finance Officer
Receptionist
Office Assistant

## REMUNERATION POLICY

The agency employs staff on a cost-to-company basis, which includes a contribution to the medical aid scheme and the provident fund. It is our policy to employ suitably multi-skilled staff. This enables Aspire to reduce the number of staff, as well as corresponding overhead costs. This results in a high number of staff (73%) being in possession of tertiary qualifications. Aspire's remuneration policy aims at attracting and retaining top-calibre staff and at incentivising them to develop and implement business strategies to achieve long-term stakeholder wealth.

The policy comprises the following key principles:

- Remuneration is offered on a cost-to-company basis.
- The fixed element of remuneration is set at levels that are competitive with the relevant market, in addition to being based on the individual's level of skill, experience and expertise.
- The total incentive-based element of remuneration is linked to an individual staff member's scale of responsibility, as well as his/her performance against shareholder-aligned goals.

The salaries and employment benefits of the chief executive officer and senior manager for the period under review were as follows:

| | 2011 | 2010 |
|---|---|---|
| **CHIEF EXECUTIVE OFFICER** | | |
| Salaries | 890,129 | 816,997 |
| Allowances | 193,201 | 181,648 |
| Leave paid | - | 73,687 |
| Bonus | 176,298 | 154,391 |
| Company contribution to medical aid and provident fund | 117, 359 | - |
| **TOTAL** | **1,376,987** | **1,226,723** |

| | 2011 | 2010 |
|---|---|---|
| **CHIEF FINANCIAL OFFICER** | | |
| - Salaries | 687,828 | 628,713 |
| - Allowances | 290,954 | 273,557 |
| - Leave paid | - | 52,123 |
| - Bonus | 165,092 | 148,044 |
| Company contribution to medical aid and provident fund | 100, 766 | - |
| **TOTAL** | **1,244,641** | **1,102,437** |

Table 3: Employment equity demographics status as at June 2011

| LEVELS | AFRICAN = 60% | | COLOU RED = 7% | | INDIAN = NIL% | | WHITE = 30% | |
|---|---|---|---|---|---|---|---|---|
| | MALE | FEMALE | MALE | FEMALE | MALE | FEMALE | MALE | FEMALE |
| Executive | | 1 | | | | | | |
| Senior management | | | | | | | 1 | |
| Specialist | 2 | | | | | | | 2 |
| Middle management | | | | | | | | 1 |
| Coordination/ administration | 1 | 5 | | 1 | | | 1 | |
| **TOTAL** | **3** | **6** | | **1** | | | **2** | **3** |
| **% of total** | **20%** | **40%** | | **7%** | | | **13%** | **20%** |

Table 4: Remuneration disclosure for the period, 1 July 2010 to 30 June 2011

| DESCRIPTION | EXECUTIVE | SENIOR MANAGEMENT | SPECIALIST | MIDDLE MANAGEMENT | COORDINATION/ ADMINISTRATION | TOTAL |
|---|---|---|---|---|---|---|
| **Salaries and wages R'000** | | | | | | |
| Normal | 890 | 688 | 668 | 187 | 949 | **3,382** |
| Leave paid / accrual | 34 | -36 | 24 | 27 | 4 | **53** |
| Overtime | 0 | 0 | 0 | 0 | 0 | **0** |
| **Company contributions R'000** | | | | | | |
| Pensions | 114 | 96 | 101 | 29 | 145 | **485** |
| Medical aid | 11 | 13 | 11 | 2 | 45 | **82** |
| Other (UIF - levies) | 13 | 12 | 11 | 3 | 18 | **57** |
| **Allowances R'000** | | | | | | |
| Travel and vehicle | 161 | 155 | 170 | 0 | 0 | **486** |
| Cell phone | 24 | 24 | 31 | 0 | 0 | **79** |
| Other | 8 | 112 | 0 | 9 | 56 | **185** |
| **Housing benefit and allowances R'000** | 0 | 0 | 0 | 0 | 0 | **0** |
| **Loans and advances R'000** | 0 | 0 | 0 | 0 | 0 | **0** |
| **Other benefits and allowances R'000** | | | | | | |
| Bonus and annual | 177 | 166 | 118 | 32 | 134 | **627** |
| **Arrears owed to municipality R'000** | 0 | 0 | 0 | 0 | 0 | **0** |

# BOARD OF DIRECTORS

*The Board subscribes to the values of good corporate governance, and recognises the need to conduct the agency with integrity and in accordance with generally accepted corporate practices.*

## MR SIMPHIWE KONDLO

### Masters Engineering Management, BSc Agricultural Engineering, NDip Civil Engineering

Mr Kondlo is the chief executive officer of the East London Industrial Development Zone. Mr Kondlo has co-authored and presented papers on the planning and delivery of water schemes in South Africa. He is also a board member for Trans-Caledon Tunnel Authority and a member of the South African Institute of Agricultural Engineers.

## MS PHILA XUZA

### Masters Economic Geography

Ms Xuza has 15 years work experience in local economic development planning and implementation. She is widely involved in research and debates on the policy-making process on economic development issues, and has contributed to many national and international conferences and publications.

## MS PORTIA LOYILANE

### B Comm Economics and Business Economics, NDip Education

Ms Loyilane is a determined activist, fighting for the rights and representation of people with disabilities. She is currently a commissioner in the Gender Commission of South Africa. She is also a member of the Council of Disabled People South Africa in the Eastern Cape.


## MR LUNGA NTSHINGA

### B Comm, Post-Graduate Diploma in Business Management

Mr Ntshinga runs his own accounting and consulting firm, with offices in Queenstown and East London. He also serves on various audit committees in the Eastern Cape Province. He is a member of the Southern African Institute for Business Accountants, the Institute of Internal Auditors (SA), and is a registered debt counsellor with the National Credit Regulator.

## DR PELISA MAFUYA

### Bachelor of Medicine and Bachelor of Surgery (MBChB)

Dr Mafuya is the owner of a medical practice in Butterworth that provides 24-hour primary healthcare services. She is also an active businesswoman and owns two guest houses, while also being an active member of her community. Dr Mafuya has acted as a member of several boards and has been an occupational health practitioner and a quality assurer for medical disability grants in the Eastern Cape.

## MR PUMZILE MAJEKE

### B Proc, Dip Certificate in Labour Law

Mr Majeke is a director and partner of Majeke Mjali & Co. Attorneys, Conveyancers and Labour Consultants. He is an active member of various community organisations and the Cape Law Society.

## BOARD OF DIRECTORS

The members of the Board consider that in the period under review, Aspire has substantially complied with the relevant aspects of best practice of corporate governance. The agency subscribes to the principles of the King III report. Furthermore, the agency is governed by and complies with the following acts:

- Municipal Finance Management Act (MFMA)
- Municipal Systems Act
- Occupational Health and Safety Act
- Companies Act

There are six members of the Board of Directors, including the chief executive as ex-officio member. The unitary Board of Directors comprises a majority of non-executive directors, and meets at least quarterly. The chairman is elected on a three-year basis from among the non-executive directors. The term of office of all directors comprising the Board is three years. The current Board was appointed in February 2009.

## ROLE AND FUNCTION

The Board of Directors of Aspire provides strategic direction and is the accounting authority in terms of the Companies Act. In terms of the MFMA, the chief executive officer, who is also an ex-officio director, is the accounting officer.

The Board is responsible for the adaptation of strategic plans, monitoring of operational performance and management, determination of policy and processes to ensure the integrity of the agency's risk management and internal controls, communication policy, and director selection, orientation and evaluation.

The Board has approved a Board charter that provides guidance to the directors in discharging their duties and responsibilities.

The role of the chairperson of the Board is responsibility, in conjunction with the Board, for the agency's strategic direction and necessary policies. The role of the chief executive officer is to assume responsibility for the effective management of Aspire and the implementation of the strategy, policy and board directives.

A continuous education and training programme is available for all Board members in order to improve and maintain the effectiveness of the Board.

## EVALUATION AND PERFORMANCE

Although the individual Board members are appointed for a period of three consecutive years, performance evaluations of the Board as a whole and of individual directors are undertaken on an annual basis. The chairman of the Board appraises the performance of the chief executive officer on an annual basis.

## REMUNERATION PHILOSOPHY

The remuneration of the non-executive directors is determined by the parent municipality in consultation with the Board. No performance rewards are paid or awarded to non-executive directors.

| BOARD MEMBER | CAPACITY: EXECUTIVE/ NON-EXECUTIVE | RACE | GENDER | DESIGNATION |
|---|---|---|---|---|
| Ms P Xuza | Executive | Black | Female | Chief executive officer |
| Mrs NEP Loyilane | Non-executive | Black | Female | Board member |
| Mr S Kondlo | Non-executive | Black | Male | Chairperson of Board |
| Mr L Ntshinga | Non-executive | Black | Male | Board member |
| Dr PN Mafuya | Non-executive | Black | Female | Board member |
| Mr P Majeke | Non-executive | Black | Male | Board member |

| BOARD MEMBER | TERM | BOARD MEETINGS ATTENDED | HR AND ADMINISTRATION COMMITTEE MEETINGS ATTENDED | AUDIT AND FINANCE COMMITTEE MEETINGS ATTENDED | SPECIAL MEETINGS ATTENDED | DIRECTOR'S FEES |
|---|---|---|---|---|---|---|
| Mr S Kondlo | Full year | 3 | n/a | n/a | 3 | 22,434 |
| Mrs NEP Loyilane | Full year | 5 | n/a | 4 | 3 | 40,920 |
| Mr L Ntshinga | Full year | 5 | n/a | 4 | 4 | 56,815 |
| Dr PN Mafuya | Full year | 5 | 4 | n/a | 0 | 33,277 |
| Mr P Majeke | Full year | 5 | 4 | n/a | 0 | 31,000 |
| **TOTAL** | | | | | | **184,446** |

# ANNUAL FINANCIAL STATEMENTS

- STATEMENT OF RESPONSIBILITY
- REPORT OF THE INDEPENDENT AUDITORS
- REPORT OF THE AUDIT COMMITTEE
- DIRECTORS' REPORT
- STATEMENT OF FINANCIAL POSITION
- STATEMENT OF FINANCIAL PERFORMANCE
- STATEMENT OF CHANGES IN NET ASSETS
- CASH FLOW STATEMENT
- ACCOUNTING POLICIES
- NOTES TO THE ANNUAL FINANCIAL STATEMENTS
- GENERAL INFORMATION

# STATEMENT OF RESPONSIBILITY

## FOR THE YEAR ENDED 30 JUNE 2011

The Municipal Finance Management Act requires the directors to ensure that the Amathole Economic Development Agency (Proprietary) Limited keeps full and proper records of its financial affairs. The annual financial statements should fairly present the state of affairs of the Amathole Economic Development Agency (Proprietary) Limited, its financial results, and its financial position at the end of the year in terms of South African Statements of Generally Accepted Accounting Practice, including any interpretations of such statements issued by the Accounting Practices Board with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) replacing the equivalent GAAP Statement.

The annual financial statements are the responsibility of the directors. The external auditors are responsible for independently auditing and reporting on the financial statements.

Our external auditors have audited the annual financial statements and their audit report appears on pages 64 to 65. The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, Generally Recognised Accounting Practice and the Companies Act. These annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgments and estimates. The directors have reviewed the company's budgets and cash flow forecasts for the year ended 30 June 2011.

On the basis of this review, and in the light of the current financial position and existing borrowing facilities, the directors have every reason to believe, and the auditors concur, that the company will be a going concern in the year ahead and consequently have continued to adopt the going concern basis in preparing the financial statements.

To enable the directors to meet the above responsibilities, the board of directors sets standards and implements systems of internal control and risk management that are designed to provide reasonable, but not absolute assurance against material misstatements and losses.

The entity maintains internal financial controls to provide assurance regarding:

- The safeguarding of assets against unauthorized use or disposition, and
- The maintenance of proper accounting records and the reliability of financial information used within the business or for publication

The controls contain self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention or the overriding of controls. An effective system of internal control, therefore, aims to provide reasonable assurance with respect to the reliability of financial information and, in particular, financial statement presentation. Further, because of changes in conditions, the effectiveness of internal financial controls may vary over time. The directors are of the opinion that the entity's systems of internal control and risk management did function as intended for the year under review.

In the opinion of the directors, based on the information available to date, the annual financial statements fairly present the financial position of the Amathole Economic Development Agency (Proprietary) Limited at 30 June 2011 and the results of its operations and cash f ow information for the year and the Code of Corporate Practices and Conduct has been adhered to.

The annual financial statements for the year ended 30 June 2011, set out on pages 66 to 98, were approved by the Accounting Officer and the Board of Directors on 29 November 2011, and are signed on its behalf by:

**S. KONDLO**
Chairperson
East London
29 November 2011

**PHL XUZA**
Chief Executive Officer
East London
29 November 2011

# REPORT OF THE INDEPENDENT AUDITORS

## FOR THE YEAR ENDED 30 JUNE 2011

## REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL OF AMATHOLE DISTRICT MUNICIPALITY ON AMATHOLE ECONOMIC DEVELOPMENT AGENCY (PROPRIETARY) LIMITED T/A ASPIRE

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the accompanying financial statements of the Amathole Economic Development Agency (Proprietary) Limited T/A Aspire, which comprise the statement of financial position as at 30 June 2011, the statement of financial performance, statement of changes in net assets and cash f ow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 66 to 98.

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

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice and the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and Companies Act of South Africa (Act No. 61 of 1973 and effective from 1 May 2011, Act No. 71 of 2008), 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), 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 Amathole Economic Development Agency (Proprietary) Limited T/A Aspire as at 30 June 2011 and its financial performance and its cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA and Companies Act.

### Emphasis of matters

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

### Fruitless and wasteful expenditure

9. As disclosed in note 24 to the financial statements, the entity incurred fruitless and wasteful expenditure of R560 451 (2010: 5 605) due to interest and penalties incurred as a result of disputes and late payment of taxes to SARS and late payment to a creditor.

## 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 100 to 119 and material non-compliance with laws and regulations applicable to the entity.

### Predetermined objectives

11. There were no material findings on the annual performance report.

### Compliance with laws and regulations

### Strategic planning and performance management

12. The accounting officer did not assess the performance of the entity by 20 January 2011, taking into account the monthly statements referred to in section 87 for the first half of the financial year and the targets set in the service delivery, business plan or other agreement with the entity's parent municipality in terms of section 88(1)(a)(i) of the MFMA. Assessments were done seven (7) days later than required by the act.

### Budgets

13. The accounting officer of the municipal entity did not, by no later than seven working days after the end of each month, submit to the accounting officer of the parent municipality, a statement in the prescribed format on the state of the entity's budget, as required by section 87(1) of the MFMA.

### Procurement and contract management

14. Awards were made to providers whose directors are persons in the service of other state institutions in contravention of the requirements of Supply Chain Management (SCM) regulation 44.

### Expenditure Management

15. The accounting officer of the entity did not take all reasonable steps to ensure that all money owing by the municipal entity be paid within 30 days of receiving the relevant invoice or statement as required by section 99(2)(b) of the MFMA.

16. The board of directors of the entity did not promptly report, in writing, to the mayor and the municipal manager of the parent municipality and the Auditor-General, particulars of any fruitless and wasteful expenditure incurred by the entity, and any steps that have been taken to recover the expenditure and prevent a recurrence of the expenditure, as required by section 102 of the MFMA.

## INTERNAL CONTROL

17. 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 findings on compliance with laws and regulations included in this report.

### Financial and performance management

18. The entity does not have adequate processes in place to ensure compliance with all applicable laws and regulations. The entity has thus incurred fruitless and wasteful expenditure, made late payments and thus did not fully comply with all requirements of the MFMA.

### Governance

19. Despite an adequate risk assessment process, the entity did not respond to and adequately monitor the risks identified. As a result, there were instances of non-compliance with the MFMA and the SCM Regulations.

AUDITOR-GENERAL

East London
30 November 2011

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

# REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 30 June 2011.

## AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference.

During the current year 4 meetings were held.

| Name of Member | Number of Meetings Attended |
|---|---|
| L Ntshinga (Chairperson) | 4 |
| NEP Loyilane | 4 |
| P Ncede | 2 |
| J Buchner | 4 |

## AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from section 166 of the MFMA and Treasury Regulation 3.1.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

## THE EFFECTIVENESS OF INTERNAL CONTROL

The system of internal control applied by the department over financial risk and risk management is effective, efficient and transparent.

In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal auditors, the Audit Report on the Annual Financial Statements and the management report of the Auditor-General, it was noted that no matters were reported indicating any material deficiencies in the system of internal control or any deviations therefrom.

Accordingly, we can report that the system of internal control for the period under review was efficient and effective.

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the Agency during the year under review.

## EVALUATION OF FINANCIAL STATEMENTS

The Audit Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the Agency's compliance with legal and regulatory provisions; and
- reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements, and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

## INTERNAL AUDIT

The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the department in its audit.

## AUDITOR-GENERAL SOUTH AFRICA

The Audit Committee has met with the Auditor-General South Africa to ensure that there are no unresolved issues, and therefore has recommended the adoption of the annual financial statements by the Board of Directors at their meeting held on 28 November 2011.

**L. NTSHINGA**
Chairperson - Audit Committee
28 November 2011

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 JUNE 2011

The Board of Directors present their sixth Annual Report.

### 1 CONSTITUTION

Amathole Economic Development Agency (Proprietary) Limited is a Municipal entity constituted by the Amathole District Municipality and became operational with effect from 1 September 2005.

### 2 OBJECTIVES AND PRINCIPAL ACTIVITIES

The main objectives of the Agency are to stimulate economic growth in the Amathole district through promotion of entrepreneurial activity, leveraging of business development support and facilitation of investment into strategic economic sectors and spatial nodes.

### 3 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the course of the year, the Agency acquired plant and equipment including computer software at a cost price of R 608 928 (2010 - R43 608). During the year under review, the Agency disposed of plant and equipment with a book value of R81 204 (2010 - Rnil). Plant and equipment with a book value of R8 515 was scrapped during the year (2010 – R 2 282). In lieu of this R 7 281was received as an insurance claim.

### 4 CORPORATE GOVERNANCE

The Board subscribes to the values of good corporate governance and recognises the need to conduct the enterprise with integrity and in accordance with accepted corporate practices. The members of the Board are of the opinion that during the year under review, the Agency has substantially complied with the relevant aspects of good corporate governance.

### 5 ORDINARY SHARE CAPITAL

No ordinary shares were issued during the year under review (2010 – R nil).

### 6 FINANCIAL RESULTS

The results of the Agency are fully disclosed in the annual financial statements and do not in our opinion require further comment.

### 7 POLICY DIRECTIVES

No policy directives were received from the Member of the Executive Council for Local Government and Traditional Affairs during the year.

### 8 DIVIDENDS

No dividends are payable to the Agency's ordinary shareholder. Retained income attributable to the ordinary shareholder is re-invested in projects to promote development.

### 9 INTEREST-BEARING BORROWINGS

No new borrowings were incurred during the year.

## 10 INSURANCE

The Agency protects itself against catastrophic financial and fraudulent losses by means of a normal external insurance policy through Indwe Insurance Brokers.

## 11 CONTRACTS

No contracts in which directors and officers of the company had an interest were entered into during the year.

## 12 COMPLIANCE WITH MFMA

After its incorporation on 1 September 2005, the Agency commenced with the employment of staff, capacitating of the Agency and the formulation of policies and procedures. Although the small number of staff results in difficulty in complying with all of the requirements of the MFMA, the Board is of the opinion that with the exception of the issues reported on under note 25, the agency complies in all material respects with the MFMA.

## 13 AUDIT COMMITTEE AND INTERNAL AUDIT

During the course of the financial year the Audit committee met for the prescribed minimum number of meetings and the internal audit unit functioned well during the year and all outstanding reports have been submitted to the Audit Committee for review and acceptance by the date of these financial statements.

## 14 SUBSIDIARIES AND ASSOCIATES

The Amathole Economic Development Agency (Proprietary) Limited has no subsidiaries or associated companies.

## 15 EVENTS SUBSEQUENT TO YEAR END

The directors are not aware of any matters or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements, which may significantly affect the financial position of the company or the results of its operations.

## 16 NUMBER OF EMPLOYEES

During the year under review the average number of employees was 8 (2010 – 8) and 3 secondees from the German Development Service (2010 - 3).

## 17 DIRECTORS AND SECRETARY

The directors of the company during the year under review and up to the date of this report were as follows:

Mr. SN Kondlo
Ms. P Xuza
Ms. NEP Loyilane
Dr. P Mafuya
Mr. P Majeke
Mr. L Ntshinga

Subsequent to the year end STBB Consulting were retained to provide a representative on a short-term basis, to act as the Company Secretary while a permanent appointee is sourced.

## 18 BUDGET COMPARISON

The entity's budget and financial reporting is on a comparable basis with regards to sundry income, interest received and expenditure. However, with regards to grant income, the budget is prepared on a cash basis or alternatively when the grant will be allocated to the entity, whilst for financial reporting, grants are recorded as revenue from non-exchange transactions when they become receivable and are then recognised as income on a systematic basis over the periods necessary to match the grants with the related costs which they are intended to compensate.

The entity's budget was approved by the Board of Directors on 3 August 2010 and submitted to the parent municipality on 4 October 2010. A comparison between the budget and actual financial performance is as follows:

| **Financial Performance comparison** | **Actual R** | **Budget R** | **Variance R** |
|---|---|---|---|
| **Revenue** | | | |
| Interest received | 848 169 | 547 611 | 300 558 |
| | | | |
| Revenue from non-exchange transactions | | | |
| - Amathole District Municipality | 8 799 771 | 10 000 000 | -1 200 229 |
| - Industrial Development Corporation | 2 140 889 | 6 530 426 | -4 389 537 |
| - NDPG Capital Grant | 33 183 144 | 70 974 009 | -37 790 865 |
| - NDPG Technical Assistance Grant | 4 965 653 | 5 661 482 | -695 829 |
| - Department of Rural Development and Land Reform | 10 010 849 | 15 778 256 | -5 767 407 |
| - Other grant income | 9 143 988 | 15 433 687 | -6 289 699 |
| | | | |
| Other operating income | 173 850 | 841 732 | -667 882 |
| | | | |
| Sponsorships | 271 579 | 97 368 | 174 211 |
| | | | |
| **Total revenue** | 69 537 892 | 125 864 571 | -56 326 679 |
| | | | |
| **Expenses** | | | |
| - Audit fees | 245 212 | 264 306 | 19 094 |
| - Administrative | 2 311 123 | 3 087 771 | 776 648 |
| - Board and sub-committee expenditure | 206 446 | 378 400 | 171 954 |
| - Deficit on disposal of property, plant and equipment | 2 048 | - | -2 048 |
| - Depreciation and amortisation | 104 784 | 80 774 | -24 010 |
| - Interest and penalties paid | 530 408 | - | -530 408 |
| - Project expenditure | 60 495 203 | 116 163 139 | 55 667 936 |
| - Staff costs | 5 435 628 | 8 308 105 | 2 872 477 |
| | | | |
| **Total expenditure** | 69 330 852 | 128 282 495 | 58 951 643 |
| | | | |
| **Surplus / (Deficit) before taxation** | 207 040 | -2 417 924 | 2 624 964 |
| | | | |
| **Acquisition of Property Plant and Equipment and Intangible Assets** | | | |
| - Computer equipment and software | 311 382 | 60 800 | 250 582 |
| - Furniture and fittings | 297 546 | 215 000 | 82 546 |

## 18 BUDGET COMPARISON (continued)

**Grant Income**

The total variance of R 56 326 679 is caused by the following:

- The grants are recognised to the extent expenditure is incurred, hence for the explanation refer to expenditure below.
- A large proportion of the income variation consists of R37 790 865 on the NDPG capital grant allocation. This is mainly due to delays on the implementation of projects in Butterworth and Dutywa, as well as lower than expected gazetted allocations from National Treasury.
- Variances of R4 389 537 were incurred on the IDC funding grant and R5 767 407 on funding from the Department of Rural Development and Land Affairs. These were due to delays in the acceptance of project business plans and this then carried through to implementation.

**Staff Costs**

Due to successful negotiation with donor organisations to provide the agency with seconded staff at limited cost, not all staff positions were filled during the year. These functions were performed by existing staff at no or limited extra cost to the agency.

**Project Expenditure**

The total variance of R 55 667 936 was caused by the following:

- As outlined under grant income, delays or postponement in the approval of grant income applications resulted in a corresponding decrease in project expenditure. This was most notable in Butterworth, Dutywa and the Mlungisi Community Commercial Park. Similarly the resolution of land issues for the Kesikammahoek blueberry project also resulted in implementation delays.
- All corporate, communications and strategic projects were completed under budget during the financial year

The variance is the aggregate of numerous overhead expense items. The variance is the result of a concerted effort by the entity to reduce overhead expenditure and to minimise administration functions. It should be noted that the agency incurred a R530 408 penalties and interest charge from SARS which was under appeal at year end.

**Property, Plant and Equipment**

In November 2010 the agency moved to new office premises and as such incurred the corresponding necessity to acquire new property, plant and equipment.

The Board is of the opinion that expenditure is effectively managed and that current processes and controls ensure that budgeted expenditure are not exceeded.

# STATEMENT OF FINANCIAL POSITION

## AT 30 JUNE 2010

| | Notes | 2011<br>R | 2010<br>R |
|---|---|---|---|
| **ASSETS** | | | |
| NON-CURRENT ASSETS | | 589 983 | 175 558 |
| Property, plant and equipment | 4 | 439 600 | 175 558 |
| Intangible assets | 5 | 150 383 | - |
| CURRENT ASSETS | | 25 661 756 | 13 617 746 |
| Trade and other receivables from exchange transactions | 6 | 723 647 | 1 056 747 |
| Receivables from non-exchange transactions | 7 | 1 744 938 | - |
| Taxation | 16 | - | 83 626 |
| Cash and cash equivalents | 8 | 23 193 171 | 12 477 373 |
| **TOTAL ASSETS** | | 26 251 739 | 13 793 304 |
| **NET ASSETS AND LIABILITIES** | | | |
| NET ASSETS AND RESERVES | | 359 282 | 359 282 |
| Contributions from owner | 9 | 1 000 | 1 000 |
| Accumulated surplus | | 358 282 | 358 282 |
| NON-CURRENT LIABILITIES | | | |
| Long-term lease liability | 10 | 20 254 | 6 572 |
| CURRENT LIABILITIES | | 25 872 203 | 13 427 450 |
| Trade and other payables from exchange transactions | 11 | 1 224 100 | 1 876 182 |
| Revenue from non-exchange transactions | 12 | 24 432 685 | 11 545 613 |
| Short-term lease liability | 10 | 13 083 | 5 655 |
| Taxation | 16 | 202 335 | - |
| **TOTAL NET ASSETS AND LIABILITIES** | | 26 251 739 | 13 793 304 |

# STATEMENT OF FINANCIAL PERFORMANCE

## FOR THE YEAR ENDED 30 JUNE 2011

| | Notes | 2011<br>R | 2010<br>R |
|---|---|---|---|
| **REVENUE** | | | |
| Interest received | 13 | 848 169 | 637 338 |
| Revenue from non-exchange transactions | 12 | | |
| - Amathole District Municipality | | 8 799 771 | 6 250 907 |
| - Industrial Development Corporation | | 2 140 889 | 226 165 |
| - NDPG Capital Grant | | 33 183 144 | 4 500 000 |
| - NDPG Technical Assistance Grant | | 4 965 653 | 2 811 681 |
| - Department of Rural Development and Land Reform | | 10 010 849 | - |
| - Other grant income | | 9 143 988 | 2 520 072 |
| Other operating income | 14 | 173 850 | 298 470 |
| Sponsorship | | 271 579 | 292 006 |
| **Total revenue** | | 69 537 892 | 17 536 639 |
| **EXPENSES** | | | |
| - Audit fees | | 245 212 | 149 119 |
| - Administrative | | 2 31 1 123 | 1 661 683 |
| - Board and sub-committee expenditure | | 206 446 | 135 895 |
| - Deficit on disposal of property, plant and equipment | | 2 048 | 2 282 |
| - Depreciation and amortisation | | 104 784 | 77 243 |
| - Interest and penalties paid | | 530 408 | 5 605 |
| - Project expenditure | | 60 495 203 | 11 645 105 |
| - Staff costs | | 5 435 628 | 3 848 566 |
| **Total expenditure** | 15 | 69 330 852 | 17 525 498 |
| **Surplus before taxation** | | 207 040 | 11 141 |
| Taxation | 16 | 207 040 | 3 119 |
| **Surplus for the year** | | - | 8 022 |

# STATEMENT OF CHANGES IN NET ASSETS

## FOR THE YEAR ENDED 30 JUNE 2011

| | Contributions from owner R | Accumulated Surplus R | Total R |
|---|---|---|---|
| **2010** | | | |
| Balance at 1 July 2009 | 1 000 | 350 260 | 351 260 |
| Net surplus for the year | - | 8 022 | 8 022 |
| Balance at 30 June 2010 | 1 000 | 358 282 | 359 282 |
| **2011** | | | |
| Balance at 1 July 2010 | 1 000 | 358 282 | 359 282 |
| Net surplus for the year | - | - | - |
| Balance at 30 June 2011 | 1 000 | 358 282 | 359 282 |

# CASH FLOW STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

| | Notes | 2011<br>R | 2010<br>R |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Gross cash receipts** | | | |
| Revenue from non-exchange transactions | | 76 766 364 | 21 211 850 |
| Other operating income | | 173 850 | 298 470 |
| Sponsorships | | 271 579 | 292 006 |
| Interest received | | 848 169 | 637 338 |
| **Gross cash payments** | | | |
| Staff costs | | -5 306 090 | -3 801 369 |
| Suppliers | | -61 474 090 | -14 583 568 |
| Taxation | | -42 727 | -142 009 |
| **Net cash inflow from operating activities** | 20 | 11 237 055 | 3 912 718 |
| **Cash flows from investing activities** | | | |
| Proceeds on disposal of property, plant and equipment | | 87 671 | - |
| Purchase of intangible assets | | -159 249 | - |
| Purchase of property, plant and equipment | | -449 679 | -43 608 |
| | | -521 257 | -43 608 |
| **Net increase in cash and cash equivalents** | | 10 715 798 | 3 869 110 |
| Cash and cash equivalents at beginning of year | | 12 477 373 | 8 608 263 |
| **Cash and cash equivalents at the end of year** | | 23 193 171 | 12 477 373 |

# ACCOUNTING POLICIES

## FOR THE YEAR ENDED 30 JUNE 2011

The Annual Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Annual Financial Statements and to comply with the statutory requirements of the Municipal Finance Management Act (Act No, 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the Act.

### 1. BASIS OF PREPARATION

The Annual Financial Statements have been prepared on the going concern basis.

### 1.1 Statement of compliance

The financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board and have also adopted the transitional provisions as applicable in terms of the standards and principles contained in Directive 2 issued by the Accounting Standards Board in March 2009.

Certain South African Statements of Generally Accepted Accounting Practice (GAAP) were replaced by GRAP 1 - 3 statements for financial periods ending on or after 31 March 2006. A further change was effective from 1 April 2009 when in terms of Section 91 of the Public Finance Management Act, Act No 1 of 1999, as amended, the Minister of Finance prescribed additional Standards of GRAP as well as other Standards to be applicable, these are listed below:

| Reference | Topic |
|---|---|
| GRAP 1 | Presentation of Financial Statements |
| GRAP 2 | Cash Flow Statements |
| GRAP 3 | Accounting Policies, Changes in Accounting Estimates and Errors |
| GRAP 4 | The Effects of Changes in Foreign Exchange Rates |
| GRAP 5 | Borrowing Costs |
| GRAP 6 | Consolidation and Separate Financial Statements |
| GRAP 7 | Investment in Associates |
| GRAP 8 | Investment in Joint Ventures |
| GRAP 9 | Revenue from Exchange Transactions |
| GRAP 10 | Financial Reporting in Hyperinflationary Economies |
| GRAP 11 | Construction Contracts |
| GRAP 12 | Inventories |
| GRAP 13 | Leases |
| GRAP 14 | Events After the Reporting Date |
| GRAP 16 | Investment Property |
| GRAP 17 | Property, Plant and Equipment |
| GRAP 19 | Provisions, Contingent Liabilities and Contingent Assets |
| GRAP 100 | Non-current Assets Held for Sale and Discontinued Operations |
| GRAP 101 | Agriculture |
| GRAP 102 | Intangible Assets |
| IPSAS 20 | Related Party Disclosure |
| IPSAS 21 | Impairment of Non-Cash Generating Assets |

Currently the recognition and measurement principles in the above Standards do not differ or result in material differences compared to the previous years financial statements.

The following GRAP standards have been issued but are not yet effective or effective from the date indicated:

| | |
|---|---|
| GRAP 18 | Segment Reporting |
| GRAP 20 | Related Party Disclosure |
| GRAP 21 | Impairment of Non-Cash Generating Assets - Effective from 1 April 2012 |
| GRAP 23 | Revenue from Non-Exchange Transactions - Effective from 1 April 2012 |
| GRAP 24 | Presentation of Budget Information in Financial Statements - issued November 2007 - Effective from 1 April 2012 |
| GRAP 25 | Employee Benefits |
| GRAP 26 | Impairment of Cash Generating Assets - Effective from 1 April 2012 |
| GRAP 103 | Heritage Assets - Effective from 1 April 2012 |
| GRAP 104 | Financial Instruments |
| GRAP 105 | Transfer of Functions Between Entities Under Common Control |
| GRAP 106 | Transfer of Functions Between Entities Not Under Common Control |
| GRAP 107 | Mergers |

On 2 February 2011 the Minister of Finance announced the effective date of those GRAP standards indicated above. The effective date of the remaining GRAP standards will be announced at some future date still to be made known.

Management has considered all of the above-mentioned standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash f ows of the entity.

In the absence of a standard or pronouncement listed above that specifically applies to a transaction, other event or condition, management will apply judgement in considering the following pronouncements in descending order, in developing an accounting policy for such a transaction, event or condition:

* Standards of GRAP that have been issued, but are not yet in effect
* IPSAS
* IFRS
* SA Statements of GAAP

## 1.2 Underlying principles

The financial statements have been prepared on the historical cost basis utilising accounting policies appropriate to a going concern, which assumes that the Agency will continue in operation for the foreseeable future.

Aa asset, being a resource controlled by the Agency as a result of a past event from which future economic benefits are expected to flow, is recognised when it is probable that the future economic benefits associated with it will flow to the Agency and its cost or fair value can be measured reliably.

A liability, being a present obligation of the Agency arising from a past event the settlement of which is expected to result in an outf ow of resources, is recognised when it is probable that future economic benefits associated with it will f ow from the Agency and its cost or fair value can be measured reliably.

Changes in accounting policies are accounted for in accordance with transitional provisions in the applicable standard or, if no guidance is provided, they are applied retrospectively unless it is impracticle to do so, in which case the change is applied prospectively. Changes in accounting estimates are recognised in surplus and deficit in the period they occur. Prior period errors are retrospectively restated unless it is impracticle to do so.

## 1.3 Use of estimates and judgements

**Use of Estimates**

The preparation of Annual Financial Statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the economic entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Annual Financial Statements are disclosed in the relevant sections of the financial statements. These estimates, however, are based on management's best knowledge.

**Significant judgements and sources of estimation uncertainty**

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

Significant judgements include:

### 1.3.1 Receivables

The entity assesses its receivables for impairment at each Statement of Financial Position date. In determining whether an impairment loss should be recorded in the Statement of Financial Performance, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. Where applicable individual amounts are impaired so as to reflect the expected proceeds from the amount due.

### 1.3.2 Useful lives of Property, Plant, Equipment and Intangibles

As described in Accounting Policiies 2.2. and 2.5, the entity depreciates / amortises its property, plant, equipment and intangible assets over their useful lives. The estimated useful lives, residual values and depreciation method are reviewed at each year end. The residual values of the assets are based on industry knowledge.

### 1.3.3 Effective interest rate

Details relative to these are to be found in the relevant notes to the Annual Financial Statements.

# 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

## 2.1. Revenue recognition

**Revenue from exchange transactions**

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

**Revenue from non-exchange transactions**

Non-exchange transactions are defined as transactions where the Agency receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised in accordance with 2.1.1 below.

#### 2.1.1. Government grants

Government grants arise from non-exchange transactions and are recognised in the Statement of Financial Position once the grant can be measured reliably and confirmation has been received that the grant will be paid.

On initial recognition, the grant is recognised at its fair value, which is taken as the monetary amount, unlesss the grant on initial recognition has extended payment terms, in which case the monetary amount is disclosed. Delay in receipt of a grant does not result in the grant being discounted, but does result in the grant being checked for impairment.

Recognition of grant income is deferred and recognised as a liability in the Statement of Financial Position when conditions attaching to the grant have not been fulfilled at the reporting date.

Where grant income has been received and has been committed but the related commitment cannot be defined as an accrual, such related grant income is transferred to revenue from non-exchange transactions when the commitment has been realised.

#### 2.1.2. Interest revenue

Interest income is recognised as it accrues in surplus or deficit, using the effective rate method.

#### 2.1.3. Rental income

Rental income from sub-letting surplus space, is recognised in surplus or deficit on a straight-line basis over the term of the relevant lease.

#### 2.1.4 Construction contracts

Expenditure on construction contracts is recognised in the period the work is performed , as there are no future economic benefits or service potential to the Agency. Contract revenue is released from revenue from non-exchange transaction liabilities as the expenditure is incurred.

### 2.2. Property, plant and equipment

#### 2.2.1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will **f** ow to the entity, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and to the condition necessary for it to be capable of operating in the manner intended by the entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost is measured at at the carrying amount of the asset given up.

#### 2.2.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset.

Subsequently all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

#### 2.2.3 Depreciation

Depreciation is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to last. Components of assets that are significant in relation to the whole asset and that have different useful lives, are depreciated seperately. Depreciation only commences when the asset is available for use, unless stated otherwise.

The depreciation rates are based on the following estimated useful lives.

| | Years |
|---|---|
| * Plant and equipment | 5 |
| * Furniture and fittings | 7 |
| * Office equipment | 5 |
| * Computer equipment | 3 |

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

#### 2.2.4 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

## 2.4. Impairment of assets

#### 2.4.1 Cash and Non-Cash generating assets

At each reporting date the entity assesses whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation is recognised immediately in surplus or deficit.

## 2.5 Intangible assets

### 2.5.1 Initial Recognition

Intangible assets are initially recognised at cost.

An asset is identified as an intangible asset when it:

* is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
* arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the economic entity or from other rights and obligations.

An intangible asset is recognised when:

* it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably.

### 2.5.2 Subsequent Measurement, Amortisation and Impairment

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed annually.
Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life. Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Intangible assets according to the Annual Financial Statements are as follows:

* computer software, amortised over 3 years.

### 2.5.3 Derecognition

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. The gain or loss is recognised in surplus or deficit when the asset is derecognised.

## 2.6. Financial instruments

### 2.6.1 Classification

The economic entity classifies financial assets and financial liabilities into the following categories:

* Financial assets at fair value through surplus or deficit - held for trading
* Receivables

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

### 2.6.2 Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the relevant instrument.

The entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exists and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 2.6.3 Initial measurement

Financial instruments are initially measured at fair value plus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Where the effect of any extended payment terms is not material no adjustments are made.

The fair value of a financial instrument is normally the transaction price, but may be affected by other factors which the entity takes into account when measuring fair value.

### 2.6.4 Subsequent measurement

**Financial Assets**

**Receivables**

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

**Cash and Cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at nominal value.

**Impairment of Financial Assets**

Financial assets are assessed for indicators of impairment at each Statement of Financial Position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash **f** ows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus or deficit.

**Financial Liabilities**

Financial liabilities, including borrowings and trade payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the carrying value.

#### 2.6.5 Derecognition of Financial Assets

The entity derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity or except when approval is given to write-off the Financial Assets due to non recoverability.

#### 2.6.6 Derecognition of Financial Liabilities

The entity derecognises Financial Liabilities when, and only when, the entity's obligations are discharged, cancelled or they expire.

## 2.7. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held in a current account with the bank.

## 2.8. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### 2.8.1 The Entity as Lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### 2.8.2 The Entity as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## 2.9. Employee benefits

#### 2.9.1 Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The entity has opted to treat its provision for leave pay as an accrual. The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor. The entity recognises the expected cost of performance bonuses only when the entity has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

#### 2.9.2 Defined contribution plan

A defined contribution plan is a plan under which the entity pays fixed contributions into a separate entity. The entity has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The entity's contributions to the defined contribution fund are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The entity has no further payment obligations once the contributions have been paid.

## 2.10 Related parties

The entity operates in an economic environment, together with other entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the Eastern Cape provincial sphere of government will be considered to be related parties. Senior (key) management is defined as individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from the level of executive management up to the board of directors are regarded as key management per the definition of the standard. Close family members of key management personnel are considered to be those family members who may be expected to influence, or be inf uenced by key management individuals in their dealings with the entity. Other related party transactions are also disclosed in terms of the requirements of the standard

## 2.11 Finance costs

The entity recognises all finance costs in the Statement of Financial Performance. Costs are only incurred from overdue accounts with suppliers for the entity has no borrowings, with the exception of lease transactions, on which finance costs are levied.

## 2.12 Prepayments

Prepayments are recognised as an asset at fair value when the expenses are paid.

## 2.13. Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but is not recognised because:

a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
b. the amount of the obligation cannot be measured with sufficient reliability.

## 2.14. Irregular expenditure

Irregular expenditure is expenditure that is in contravention of the entity's supply chain management policy. It is accounted for as expenditure in the Statement of Financial Performance.

## 2.15. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. It is accounted for as expenditure in the Statement of Financial Performance.

All irregular and fruitless and wasteful expenditure is charged against income in the period in which it was incurred.

## 3. Taxation

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax is recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside surplus or deficit, directly in equity, or a business combination.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

| | 2011<br>R | 2010<br>R |
|---|---|---|
| **4 PROPERTY, PLANT AND EQUIPMENT** | | |
| **4.1 Summary of property, plant and equipment** | | |
| **Owned assets at cost** | 712 279 | 502 530 |
| Computer equipment | 323 335 | 251 005 |
| Office equipment | 40 785 | 27 748 |
| Furniture and fittings | 348 159 | 223 777 |
| **Accumulated depreciation** | 272 679 | 326 972 |
| Computer equipment | 181 022 | 188 442 |
| Office equipment | 22 055 | 23 270 |
| Furniture and fittings | 69 602 | 115 260 |
| **Net carrying amount** | 439 600 | 175 558 |

**4.2 Movement in plant and equipment**

| | Computer Equipment | Office Equipment | Furniture & Fittings | Total |
|---|---|---|---|---|
| **2011** | | | | |
| Opening carrying amount | 62 563 | 4 478 | 108 517 | 175 558 |
| Additions | 152 133 | 20 279 | 277 267 | 449 679 |
| Depreciation | -63 868 | -4 244 | -27 806 | -95 918 |
| Disposals | -8 515 | -1 783 | -79 421 | -89 719 |
| Closing carrying amount | 142 313 | 18 730 | 278 557 | 439 600 |
| **2010** | | | | |
| Opening carrying amount | 62 804 | 10 028 | 138 643 | 211 475 |
| Additions | 42 624 | - | 984 | 43 608 |
| Depreciation | -40 583 | -5 550 | -31 110 | -77 243 |
| Disposals | -2 282 | - | - | -2 282 |
| Closing carrying amount | 62 563 | 4 478 | 108 517 | 175 558 |

| | 2011 R | 2010 R |
|---|---|---|

### 4.3 Fully Depreciated plant and equipment

The following assets are fully depreciated but are still used in the organisation:

| | | |
|---|---|---|
| At cost | | |
| Computer equipment | 93 417 | 97 559 |
| Office equipment | 19 416 | - |

It is anticipated that these items of plant and equipment will be replaced during the next financial year.

## 5 INTANGIBLE ASSETS

| | | |
|---|---|---|
| **Computer software** | | |
| Additions | 159 249 | - |
| Amortisation for the year | -8 866 | - |
| Closing carrying amount | 150 383 | - |

The amortisation expense has been included in the line item depreciation and amortisation' on the Statement of Financial Performance. A useful life of 3 years has been used in the calculation of amortisattion.

## 6 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

| | | |
|---|---|---|
| Deposits | 134 991 | 23 550 |
| Prepayments | 55 332 | 9 266 |
| Sundry receivables | 21 680 | 16 538 |
| VAT receivable | - | 369 378 |
| Related party receivable – Amathole District Municipality | 511 644 | 638 015 |
| | 723 647 | 1 056 747 |

## 7 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

| | | |
|---|---|---|
| Grants receivable | 1 744 938 | - |
| | 1 744 938 | - |

| | | 2011 | 2010 |
|---|---|---|---|
| | | R | R |
| **8** | **CASH AND CASH EQUIVALENTS** | | |
| | ABSA call account | 5 495 459 | 1 477 062 |
| | ABSA fixed deposit | 8 270 057 | 9 878 237 |
| | Bidvest cash passport | 6 619 | 6 592 |
| | Bank balances and cash | 9 419 987 | 1 114 812 |
| | Cash on hand | 1 049 | 670 |
| | | 23 193 171 | 12 477 373 |

The bank balance is held with ABSA Bank of South Africa and is held in a current account. Funds amounting to R 24 432 685 (2010 – R 11 545 613) are held in terms of grant funded projects and the use of these amounts are restricted to the specific project. Refer to note 12 for details with regards to the individual projects.

The Bidvest passport account is held with Bidvest Bank. The account consists of €674.70 held for overseas missions by the Agency. The account does not attract any interest.

The ABSA Call account is held with ABSA Bank Limited on call and earns interest at an average rate of 5.1% (2010 - 5.2%) pa, capitalised on the 10th day of each month.

There are three fixed deposits held with ABSA Bank Limited. For account one (R6 269 042), the last investment was made on 22 June 2011 and matures on 26 July 2011. The investment attracts interest at 5.40% (2010 – 6.40%) pa(effective). For account two (R 2 000 000), the last investment was made on 29 June 2011 and matures on 7 July 2011 attracting interest at 5.10%. The third is for R1 015 maturing on 7 July 2011 at 4.90%. Interest is capitalised at the end of the period.

| | | | |
|---|---|---|---|
| **9** | **CONTRIBUTIONS FROM OWNER** | | |
| **9.1** | **Authorised** | | |
| | 1 000 ordinary shares of R 1 each | 1 000 | 1 000 |
| **9.2** | **Issued** | | |
| | 1 000 ordinary shares of R 1 each | 1 000 | 1 000 |
| **9.3** | **Share Capital Reconciliation** | | |
| | Balance at beginning of the year | 1 000 | 1 000 |
| | Issued this year | - | - |
| | Balance at end of the year | 1 000 | 1 000 |

| | 2011 R | 2010 R |
|---|---|---|

## 10 LEASE LIABILITIES

| | | |
|---|---|---|
| Future Minimum Lease Payable | | |
| Not later than one year | | |
| Buildings | 559 680 | 483 599 |
| Office equipment | 56 401 | 27 528 |
| | 616 081 | 511 127 |
| Later than one year and not later than 5 years | | |
| Buildings | 819 157 | 136 969 |
| Office equipment | 79 157 | 51 770 |
| | 898 314 | 188 739 |
| | 1 514 395 | 699 866 |
| Liabilities arising from smoothing of the above lease expenditure | | |
| Current | 13 083 | 5 655 |
| Non - current | 20 254 | 6 572 |
| | 33 337 | 12 227 |

Buildings
In November 2010 the business moved to new premises and a new lease, which escalates at 9% per annum, was negotiated for a period of 3 years to 31 October 2013. The prior lease, that expires in October 2011, was taken over by the Amathole District Municipality.

Office equipment
A photocopier rental agreement was cancelled and replaced with a new agreement that ends on 31 August 2013. This accounts for R76 825 of the total cost for the current year. A telephone rental agreement is in place till 30 November 2013 at a total future cost of R58 732.

The amount payable per month on these leases is R48 380 (2010 - R34 000). There are no special restrictions by lessors as a result of these leasing arrangements.

## 11 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

| | | |
|---|---|---|
| Sundry payables | 300 331 | 518 143 |
| Accrual for leave pay | 231 365 | 178 409 |
| Payroll accruals | 222 872 | 73 379 |
| Accrual for bonus payments | 329 210 | 255 919 |
| VAT payable | 140 322 | - |
| Amathole District Municipality current account | - | 850 332 |
| | 1 224 100 | 1 876 182 |

| | | 2011 | 2010 |
|---|---|---|---|
| | | R | R |
| **12** | **REVENUE FROM NON-EXCHANGE TRANSATIONS** | | |
| | **Amathole District Municipality:** | | |
| | Balance at beginning of year | 4 406 732 | 2 657 639 |
| | Grants received | 11 315 789 | 8 000 000 |
| | Released to Statement of Financial Performance | -8 799 771 | -6 250 907 |
| | Balance at end of year | 6 922 750 | 4 406 732 |
| | **Amathole District Municipality – BURP:** | | |
| | Balance at beginning of year | 1 394 223 | 2 235 418 |
| | Released to Statement of Financial Performance | -23 979 | -841 195 |
| | Balance at end of year | 1 370 244 | 1 394 223 |
| | **Industrial Development Corporation:** | | |
| | Balance at beginning of year | 956 261 | 1 182 426 |
| | Grants received | 3 000 000 | - |
| | Released to Statement of Financial Performance | -2 140 889 | -226 165 |
| | Balance at end of year | 1 815 372 | 956 261 |
| | **Eastern Cape Development Bank:** | | |
| | Grants received | - | 140 465 |
| | Released to Statement of Financial Performance | - | -140 465 |
| | Balance at end of year | - | - |
| | **Ngqushwa Municipality:** | | |
| | Grants received | 223 896 | - |
| | Released to income | -156 896 | - |
| | Balance at end of year | 67 000 | - |
| | **European Union – Dwesa / Cwebe and Essential Oils:** | | |
| | Grants received | - | 43 494 |
| | Released to Statement of Financial Performance | - | -43 494 |
| | Balance at end of year | - | - |
| | **DEDEA - Woodhouse:** | | |
| | Grants received | 1 648 000 | - |
| | Released to Statement of Financial Performance | -699 470 | - |
| | Balance at end of year | 948 530 | - |
| | **ECDC / European Union – Keiskammahoek:** | | |
| | Grants received | 173 105 | 200 545 |
| | Released to Statement of Financial Performance | -173,105 | -200,545 |
| | Balance at end of year | - | - |

| | | 2011 | 2010 |
|---|---|---|---|
| | | R | R |
| 12 | **REVENUE FROM NON-EXCHANGE TRANSATIONS (Continued)** | | |
| | **NDPG – Technical Assistance:** | | |
| | Grants received | 4 965 653 | 2 811 681 |
| | Released to Statement of Financial Performance | -4 965 653 | -2 811 681 |
| | Balance at end of year | - | - |
| | **NDPG – Capital Grant:** | | |
| | Grants received | 42 405 413 | 4 500 000 |
| | Released to Statement of Financial Performance | -33 183 144 | -4 500 000 |
| | Balance at end of year | 9 222 269 | - |
| | **Mbhashe Municipality – N2 Summit:** | | |
| | Balance at beginning of year | 87 719 | 87 719 |
| | Balance at end of year | 87 719 | 87 719 |
| | **Eastern Cape Development Corporation:** | | |
| | Grants received | 813 676 | - |
| | Released to Statement of Financial Performance | -722 776 | - |
| | Balance at end of year | 90 900 | - |
| | **DNT – Hamburg Artist's Retreat:** | | |
| | Balance at beginning of year | 4 604 187 | 635 557 |
| | Grants received | 6 258 536 | 5 263 004 |
| | Released to Statement of Financial Performance | -7 367 762 | -1 294 374 |
| | Balance at end of year | 3 494 961 | 4 604 187 |
| | **Department of Rural Development and Land Reform:** | | |
| | Grants received | 10 327 298 | - |
| | Released to Statement of Financial Performance | -10 010 849 | - |
| | Balance at end of year | 316 449 | - |
| | **Development Bank of South Africa:** | | |
| | Balance at beginning of year | 96 491 | 96 491 |
| | Balance at end of year | 96 491 | 96 491 |
| | **Revenue from non-exchange transactions at end of year** | 24 432 685 | 11 545 613 |

| | | 2011 | 2010 |
|---|---|---|---|
| | | R | R |
| **13** | **INTEREST RECEIVED FROM NON-EXCHANGE TRANSACTIONS** | | |
| | **Interest received** | | |
| | ABSA call account | 121 774 | 50 834 |
| | ABSA fixed term deposit | 506 193 | 476 449 |
| | ABSA current bank account | 213 815 | 110 055 |
| | Eskom deposit | 991 | - |
| | South Africa Revenue Service | 5 396 | - |
| | | 848 169 | 637 338 |
| **14** | **OPERATING INCOME** | | |
| | Income from tender documents | 7 632 | 12 280 |
| | Profit on foreign exchange | 296 | - |
| | Surplus on disposal of property, plant and equipment | - | 13 423 |
| | Rental of excess office space | 8 620 | - |
| | Implementation fees | 157 302 | 272 767 |
| | | 173 850 | 298 470 |
| **15** | **OPERATING EXPENDITURE** | | |
| | **Auditor's remuneration** | | |
| | Audit fees - current year | 245 212 | 149 119 |
| | **Administrative expenses** | | |
| | Loss on foreign exchange | - | 1 121 |
| | Rental of premises | 549 162 | 382 824 |
| | Rental other | 57 539 | 40 947 |
| | Repairs and maintenance | 66 916 | 43 116 |
| | Travel and subsistence | 117 256 | 170 825 |
| | Other | 1 520 250 | 1 022 850 |
| | | 2 311 123 | 1 661 683 |
| | **Board and sub-committee expenditure** | | |
| | Non-Executive board members | | |
| | S. Kondlo | 22 434 | 8 737 |
| | L. Ntshinga | 56 815 | 39 562 |
| | P. Mafuya | 33 277 | 28 526 |
| | P Majeke | 31 000 | 18 000 |
| | NEP. Loyilane | 40 920 | 22 947 |
| | | 184 446 | 117 772 |
| | Audit committee members that are non-directors | | |
| | J. Buchner | 14 000 | 6 000 |
| | P. Ncede | 8 000 | 12 123 |
| | | 22 000 | 18 123 |
| | | 206 446 | 135 895 |

| | | 2011 | 2010 |
|---|---|---|---|
| | | R | R |
| 15 | **OPERATING EXPENDITURE (Continued)** | | |
| | **Deficit on disposal of property, plant and equipment** | | |
| | Computer equipment | 1 234 | 2 282 |
| | Furniture and fittings | 814 | - |
| | | 2 048 | 2 282 |
| | **Depreciation and amortisation** | | |
| | **Depreciation** | | |
| | Computer equipment | 64 083 | 40 583 |
| | Office equipment | 4 244 | 5 550 |
| | Furniture and fittings | 27 806 | 31 110 |
| | **Amortisation** | | |
| | Computer software | 8 651 | - |
| | | 104 784 | 77 243 |
| | **Interest and penalties paid** | | |
| | South African Revenue Service Interest | 199 342 | 5 605 |
| | South African Revenue Service Penalties | 330 901 | - |
| | Credit card | 32 | - |
| | Telephone account | 133 | - |
| | | 530 408 | 5 605 |

**Project expenditure**

The Agency accounts for project expenditure on a per project basis as outlined below. Refer to note 12 for grant income released to the Statement of Financial Performance.

| | | |
|---|---|---|
| Bedford regeneration | 42 541 | - |
| Essential oils cluster | 132 513 | 138 794 |
| Alice regeneration | 1 208 519 | 236 602 |
| Adelaide regeneration | 40 880 | - |
| Hamburg Artists Retreat | 11 953 326 | 1 367 824 |
| Hamburg regeneration | 1 107 915 | 627 779 |
| Peddie regeneration | 40 529 | - |
| PetroPark | -5 548 | 135 160 |
| Amabele & blueberry farming | 10 069 948 | 108 540 |
| Abenzi Woodhouse | 2 033 836 | 475 789 |
| Stutterheim regeneration | 564 331 | 1 492 246 |
| Stutterheim-Mlungisi bridge | 9 996 311 | 4 523 928 |
| Stutterheim CBD upgrade | 2 107 311 | - |
| Mlungisi community commercial park | 4 544 555 | - |
| Keiskammahoek regeneration | 1 107 632 | 228 338 |
| Ndakana zero waste business cluster | 341 189 | 307 200 |
| Cathcart regeneration | 107 190 | - |
| Dutywa regeneration | 847 994 | 266 895 |
| Butterworth regeneration | 963 127 | 520 946 |
| Butterworth CBD upgrade | 11 974 606 | 841 195 |
| Cebe tourism feasibility | 2 102 | - |
| Marketing and communications | 347 311 | 221 120 |
| Aspire strategic projects | 967 085 | 152 752 |
| | 60 495 203 | 11 645 105 |

| | 2011 | 2010 |
|---|---|---|
| | R | R |
| **Staff costs** | | |
| Basic salaries | 3,382,335 | 2,616,875 |
| Allowances | 749,736 | 597,994 |
| Bonus payments | 627,190 | 474,096 |
| Leave paid / accrual | 52,955 | 112,943 |
| Retirement benefits (note 22) | 484,580 | - |
| Medical aid | 81,751 | - |
| Unemployment insurance fund/Skills Development Levy | 57 081 | 46 658 |
| | 5 435 628 | 3 848 566 |
| **Total expenditure per Statement of Financial Performance** | 69 330 852 | 17 525 498 |

Included in the staff costs is the staff managers' remuneration below:

| | | |
|---|---|---|
| **Senior Managers' remuneration** | | |
| Executive – Chief Executive Officer | | |
| - Salaries | 890 129 | 816 997 |
| - Allowances | 193 201 | 181 648 |
| - Leave paid | - | 73 687 |
| - Bonus | 176 298 | 154 391 |
| - Company contributions to medical aid and provident fund | 117 359 | - |
| | 1 376 987 | 1 226 723 |
| Chief Financial Officer | | |
| - Salaries | 687 828 | 628 713 |
| - Allowances | 290 955 | 273 557 |
| - Leave paid | - | 52 123 |
| - Bonus | 165 092 | 148 044 |
| - Company contributions to medical aid and provident fund | 100 766 | - |
| | 1 244 641 | 1 102 437 |

## 16 TAXATION

### 16.1 South African normal tax

| | | |
|---|---|---|
| - Current tax | 206 439 | 3 119 |
| - Underprovision prior year | 601 | - |
| | 207 040 | 3 119 |
| South African effective and nominal tax rate | 28% | 28% |

| | | 2011 | 2010 |
|---|---|---|---|
| | | R | R |
| **16.2** | **Taxation asset /(liability)** | | |
| | - Amount paid / (payable) at beginning of the year | 83 626 | -49 659 |
| | - Current tax | -206 439 | -3 119 |
| | - Transfer of overpaid provisional tax to the VAT account | -127 045 | - |
| | - Interest and penalties received / (paid) | 5 396 | -5 605 |
| | - Interest reversed by SARS | 13 460 | - |
| | - Underprovision per 2006 assessment | -601 | - |
| | - Less: Paid during year | 29 268 | 142 009 |
| | | -202 335 | 83 626 |

## 17 FINANCIAL RISK MANAGEMENT

The company's financial instruments consist primarily of cash deposits with Amalgamated Banks of South Africa (ABSA), pre-payments, VAT receivable and accounts payable and provisions. The book value of financial instruments approximates fair value.

## 18 CREDIT AND LIQUIDITY RISK

In the normal course of operations, the company is exposed to limited credit and liquidity risks since its main debtors and funders are the Amathole District Municipality, provincial and national departments and public entities.

## 19 RELATED PARTY TRANSACTIONS

| | | |
|---|---|---|
| Amathole District Municipality (ADM) | | |
| - Percentage shareholding | 100% | 100% |
| - Grants received | 10 000 000 | 8 000 000 |
| - Grant received for Essential Oils | 1 315 789 | - |
| - Amount owed by / (to) related party | 511 644 | -212 317 |
| - Capital grant from NDPG received from ADM | 42 405 413 | - |

No financial benefit accrues to the Agency or the District Municipality.

## 20 NOTES TO CASH FLOW STATEMENT

| | | |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net surplus before taxation | 207 040 | 11 141 |
| Adjustment for non-cash items: | | |
| - Depreciation and amortisation | 104 784 | 77 243 |
| - Increase in operating lease smoothing | 21 110 | 11 065 |
| - Deficit on disposal of property, plant and equipment | 2 048 | 2 282 |
| - Increase in revenue retained from non-exchange transactions | 12 887 072 | 4 650 363 |
| **Operating surplus before working capital changes** | 13 222 054 | 4 752 094 |
| (Decrease) in payables from exchange transactions | -652 082 | -153 659 |
| (Increase)/Decrease in receivables from exchange transactions | -1 332 917 | -685 717 |
| **Net cash inflow from operating activities** | 11 237 055 | 3 912 718 |

| | 2011 | 2010 |
|---|---|---|
| | R | R |

## 21 PRIOR PERIOD ERRORS

**Trade and other receivables from exchange transactions**

An error was identified that resulted in the underpayment of VAT. This amount was recovered from Amathole District Municipality as the amount originally received excluded the VAT portion.

**Commitments**

No amount was shown in the annual financial statements reflecting commiments, this has now been amended.

The impact of the changes are as follows:

**Statement of Financial Position**

| | |
|---|---|
| Reducing VAT Receivables | -630 000 |
| Increase in amount owing by Amathole District Municipality | 630 000 |
| Increase/Decrease in Accumulated Surplus | - |

This change had no impact on the amount reflected as trade and other receivables in the 2010 Annual Financial Statements.

**Notes to the Annual financial Statements**

| | |
|---|---|
| Increasing the amount reflected as a commitment | 29 016 334 |

## 22 RETIREMENT BENEFITS

The Amathole Economic Development Agency contributes to a Liberty Life Provident Fund. The Fund is a defined contribution fund with compulsory membership for all permanent employees. Contributions commenced from 1 September 2010 and were R484 580 for the period.

## 23 COMMITMENTS

| | | |
|---|---|---|
| Existing commitments and orders | 55 192 445 | 29 016 334 |

The committed expenditure relates to various contracts for projects yet to be completed. These and other projects will be completed over the coming months. The major projects include Stutterheim CBD upgrade R25 mil, construction of Hamburg Artist's Retreat R18 mil and Butterworth street light construction R5 mil. We have received assurance from some of our financial supporters that sufficient funds will be made available to meet these commitments.

| | 2011 R | 2010 R |
|---|---|---|

## 24 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

| | | |
|---|---|---|
| **Fruitless and Wasteful** | | |
| Opening Balance | 5 605 | 29 091 |
| Less condoned by the Board | - | -29 091 |
| | 5 605 | - |
| Interest and penalties paid to SARS in respect of taxation, employee's tax | 554 713 | 5 605 |
| Interest on late payment to Telkom | 133 | - |
| Fruitless and wasteful expenditure awaiting authorisation | 560 451 | 5 605 |

The 2010 amount relates to interest and penalties incurred on the late payment of income tax by the company during the 2009 calendar year. The 2011 amounts relate to interest and penalties incurred due to disputes with SARS regarding the VAT application pertaining to revenue received. Included in the amount of R530 243 is an amount of R330 901 that has been raised as a penalty. We have raised an objection and believe that this amount may be waived. Discussions are also to be held with SARS regarding the levying of VAT on some revenue amounts and this may yield a reduction in the interest levied. Further an amount of R24 469 in respect of late payment on employees tax, of which an objection has also been raised. An amount of R133 was levied for late payment of a Telkom account.

The fruitless and wasteful expenditure is expected to be condoned by the Board at a meeting following the year end for despite extensive discussions on VAT implications SARS differed in their view resulting in the imposition of VAT on grants received and the penalties and interest arising therefrom. There is no one who can be held responsible for the differing interpretation of VAT legislation, hence the expectation of this matter being condoned.

## 25 NON-COMPLIANCE WITH MUNICIPAL FINANCE MANAGEMENT ACT

Due to delays in obtaining financial information, the Agency is unable to report on the state of the Agency's budget and accounting records to the parent municipality within 7 working days of month end as required by section 87 (11).

## 26 CURRENCY

The amounts are South African Rands rounded off to the nearest R1.

## 27 CAPITAL DISCLOSURES

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders; and
- benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets and its mandate from its parent municipality. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt to adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, minority interest, retained earnings, and revaluation reserve) other than amounts recognised in equity relating to cash **f** ow hedges, and includes some forms of subordinated debt. During 2010, the company's strategy was to not exceed a ratio of 6:1 in order to secure access to finance at a reasonable cost. The debt to adjusted capital ratios at 30 June 2011 and 30 June 2010 were as follows:

| | 2011 | 2010 |
|---|---|---|
| | R | R |
| Total Debt | 25 872 203 | 13 427 450 |
| Less: Cash and cash equivalents | -23 193 171 | -12 477 373 |
| NET DEBT | 2 679 032 | 950 077 |
| TOTAL EQUITY / ADJUSTED CAPITAL | 359 282 | 359 282 |
| Debt to adjusted capital ratio | 7.45 | 2.64 |

## 28 FINANCIAL INSTRUMENTS

### 28.1 Categories of financial instruments

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| **Financial assets** | | | R | | | R |
| | Designated as at fair value through profit or loss | Loans and receivables | Total Carrying Value | Designated as at fair value through profit or loss | Loans and receivables | Total Carrying Value |
| Trade receivables from exchange transactions | - | 723 647 | 723 647 | - | 688 369 | 688 369 |
| Recceivables from non-exchange transactions | | 1 744 938 | 1 744 938 | - | | - |
| Provisional tax | - | - | - | - | 83 626 | 83 626 |
| VAT receivable | - | - | - | - | 368 378 | 368 378 |
| Cash and cash equivalents | 23 193 171 | - | 23 193 171 | 12 477 373 | - | 12 477 373 |
| Total | 23 193 171 | 2 468 585 | 25 661 756 | 12 477 373 | 1 140 373 | 13 617 746 |

| | 2011 | 2010 |
|---|---|---|
| | R | R |
| **Financial liabilities** | At amortised cost | At amortised cost |
| Accounts payable | 1 224 100 | 1 876 182 |
| Taxation | 202 335 | - |
| | 1 426 435 | 1 876 182 |

### 28.2 Fair value of financial instruments

**Financial instruments with short-term maturities**

At year end the carrying amounts of cash and cash equivalents, accounts receivable, provisional taxation paid, VAT receivable and accounts payable approximated their fair values due to the short-term maturities of these assets and liabilities.

## 28.3 Risks arising from financial instruments

### 28.3.1 Liquidity risk

The Agency's exposure to liquidity risk is limited to accounts payable with a maturity of three months or less. Management has implemented appropriate budgeting and cash f ow strategies to ensure that the Agency has sufficient cash flows to meet its its obligations as they fall due.

### 28.3.2 Credit risk

Credit risk arises mainly from cash and cash equivalents, VAT receivable and accounts receivable. The Agency only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party..

***Concentrations of credit risk***

The Agency determines concentrations of credit risk by reference to major counter-parties. Counter-parties comprise large South African banks with high-quality credit ratings, other government agencies private sector entities.

| Counterparty | 2011<br>R | 2010<br>R |
|---|---|---|
| ABSA Bank Limited | 23 185 503 | 12 470 111 |
| Bidvest Bank Limited | 6 619 | 6 592 |
| South African Revenue Service | - | 453 004 |
| Other counterparties | 2 469 634 | 688 039 |
| Total | 25 661 756 | 13 617 746 |

### 28.3.3 Market risk

***Interest rate risk***

The Agency's exposure to interest rate risk arises primarily from the investment of surplus operational cash with large South African banks. Interest rate risk is managed by investing surplus cash in instruments with short-term maturities, typically 90 days or less, allowing the Agency to respond to interest rate trends. An increase of 1% in the discount rate applied to the estimated future cash flows of fixed-rate investments will result in a decrease in fair value of R 7 024 (2010: R 11 271)

***Foreign exchange risk***

The Agency has no material exposure to foreign exchange risk.

# GENERAL INFORMATION

## FOR THE YEAR ENDED 30 JUNE 2011

### REGISTERED NAME:

Amathole Economic Development Agency (Proprietary) Limited

### REGISTRATION NUMBER:

2005 / 030812 / 07

### AUDITORS:

Office of the Auditor – General, Eastern Cape

### BANKERS:

ABSA Bank Limited – East London

### PHYSICAL ADDRESS:

6 Princes Road, Vincent, East London, 5201

### POSTAL ADDRESS:

PO Box 500, East London, 5200

### LEGISLATION:

The Agency is governed by and complies with the Municipal Finance Management Act 56 of 2003 as well as the Companies Act of 1973, as amended.

| | | STRATEGIC EVALUATION CRITERIA / TARGETS | | |
|---|---|---|---|---|
| **PROJECT DESCRIPTION** | **OBJECTIVE & ACTIVITY** | **JOB CREATION & TRAINING** | **CAPITAL INVESTMENT - FUNDS RAISED** | **CAPITAL INVESTMENT - EXPENDITURE** |
| **Hamburg Artist Retreat** The objective of the Artist's residency is to attract artists to Hamburg, as such developing a programme that will attract both artists and tourists into the area to create opportunities to grow the economy, thereby regenerating the town | Construction of the Hamburg Artist Retreat | Train 30 people over the course of the project | | |
| | | Create 80 temporary construction jobs | | |
| | | | | Expend capital investment of R10 million into the Hamburg Artist Retreat |
| | Implement institutional arrangements for the Hamburg Artist Retreat | | | |
| | Outline operational requirements for the Hamburg Artist Retreat | | | |
| | | | | |
| | Source operational funding from donor agencies | | Raise R6 million for operational funding | |
| | | | | |
| | Secure partnerships with training providers and identify artists with an interest in the project | | | |
| | | | | |
| **Hamburg regeneration** The objective is to identify and undertake appropriate interventions to enbale the economic regeneration of Hamburg town | Compile high level feasibility study and market research | | | |
| | Compile town regeneration strategy | | | |
| | Compile Local Spatial Development Framework (LSDF) | | | |
| | Complete business plans for identified interventions | | | |
| | Complete required infrastructure upgrade applications | | | |
| | | | | |

| BUSINESS OPPORTUNITIES & PARTNERSHIPS | RESEARCH & KNOWLEDGE | SMALL TOWN REGENERATION | CORPORATE MANAGEMENT | DATE | ACHIEVED (Yes, No) | MEASURES TAKEN TO IMPROVE PERFORMANCE |
|---|---|---|---|---|---|---|
| | | | | Jun-11 | Yes | |
| | | | | Jun-11 | Yes | |
| | | | | Jun-11 | Yes | |
| Establish the Hamburg Artist Retreat business entity | | | | Jun-11 | Yes | |
| | | Undertake an assessment report of the creative industries | | Dec-10 | Yes | |
| | | Complete a business plan for the operations of the Hamburg Artist Retreat | | Dec-10 | No | Given the uniqueness of this type of project, data was difficult to source. Management attempted several different approaches to complete the business plan, but could not do so within the target date. This target is carried forward to the next financial year. |
| | | | | Dec-10 | No | Many funders were approached throughout the year and expressed interest. Commitment of funding was not obtained as funders required a more detailed business plan and also were hesitant to committ until the actual construction was complete. Management undertook quarterly progress reviews. |
| Secure 3 funding agreements or commitments for the opeartions of the Hamburg Artist Retreat | | | | Jun-11 | No | |
| Secure 5 MOU's with partners for implementation of Retreat programmes | | | | Jun-11 | No | Several potential partners were approached. As the Retreat will not complete construction until mid-2012, course providers were hesitant to commit. Management fortnightly reviews of progress in operational meetings. |
| Sign up 20 artists to attend courses at the Retreat | | | | Jun-11 | No | Over 200 artists have registered on a database of interest. Formal agreements could not be implemented until the building was complete. |
| | | Compile a high level feasibility report for Hamburg | | Dec-10 | Yes | |
| | | Compile a regeneration strategy document for Hamburg with indentifed interventions | | Dec-10 | Yes | |
| | | Complete a LSDF for Hamburg | | Jun-11 | Yes | |
| | | Compile 3 business plans for identified interventions | | Jun-11 | Yes | |
| | | Submit 1 MIG application for infrastructure upgrade | | Dec-10 | No | Due to lenghty MIG processes, management decided that the infrastructure road upgrades should be incoorporated into the NDPG business plan submission. This target then fell away. |
| | | Compile 2 infrastructure applications for Hamburg | | Jun-11 | Yes | |

| | | STRATEGIC EVALUATION CRITERIA / TARGETS | | |
|---|---|---|---|---|
| **PROJECT DESCRIPTION** | **OBJECTIVE & ACTIVITY** | **JOB CREATION & TRAINING** | **CAPITAL INVESTMENT - FUNDS RAISED** | **CAPITAL INVESTMENT - EXPENDITURE** |
| **Peddie Regeneration** The objective is to undertake appropriate research to generate information for the regeneration of Peddie town | Compile a research report in conjunction with FHISER | | | |
| | Raise funds for technical assistance studies | | | |
| **Essential Oils** The objective is to assist with the establishment of a high value crop which can be processed within the corridor | EC Essential oils forum | | | |
| **Alice Regeneration** The objective is to identify and undertake appropriate interventions to enbale the economic regeneration of Alice town | Identify processed to resolve land release issues | | | |
| | Compile high level feasibility study and market research for Alice | | | |
| | Compile town regeneration strategy | | | |
| | Compile Local Spatial Development Framework (LSDF) | | | |
| | Complete business plans for identified interventions | | | |
| | Complete required infrastructure upgrade applications | | | |
| **Bedford & Adelaide Regeneration** The objective is to undertake appropriate research to generate information for the regeneration of Bedford & Adelaide | Concept development for the regeneration of Bedford & Adelaide | | | |

| BUSINESS OPPORTUNITIES & PARTNERSHIPS | RESEARCH & KNOWLEDGE | SMALL TOWN REGENERATION | CORPORATE MANAGEMENT | DATE | ACHIEVED (Yes, No) | MEASURES TAKEN TO IMPROVE PERFORMANCE |
|---|---|---|---|---|---|---|
| | | Complete a regeneration research report for Peddie | | Jun-11 | Yes | |
| | | Submit a funding application to an appropriate funder to raise funds for technical studies | | Jun-11 | No | This project has multiple stakeholders. Aspire attended monthly stakeholder meetings on the regeneration of Peddie with the outcome that DBSA will most likely lead this project in the future. |
| Establish an essential oils production facility in the Eastern node | | | | Jun-11 | Yes | |
| Achieve a signed Memorandum of Agreement for the disposal of public works properties in Alice | | | | Jun-11 | Yes | |
| | | Compile a final approved high level feasibility report for Alice | | Dec-10 | Yes | |
| | | Complete a regeneration strategy for Alice | | Jun-11 | Yes | |
| | | Complete a LSDF for Alice | | Jun-11 | Yes | |
| | | Compile 2 business plans for targetted interventions | | Jun-11 | Yes | |
| | | Submit 1 MIG application for infrastructure upgrade | | Jun-11 | No | Due to the outcomes of the feasibility studies there was uncertainty of which infrastructure should be included in the final application and the extent of infrastructure upgrade required. Management undertook multiple stakeholder discussions but at year end this target still required further consultation which continues in the new financial year. Different funders were also approached to identify which infrastructure can be funded from which sources. |
| | | Complete 2 research reports on Adelaide & Bedford in conjunction with FHISER | | Jun-11 | Yes | |
| | | Submit a funding application to an appropriate funder to raise funds for technical studies | | Jun-11 | No | Due to the outcomes of the research reports, the need was identifed for a regeneration strategy for these two towns in order to identify required interventions. Therefore management decided to improve the process and delay the technical studies until a concrete strategy was defined. |

| | | STRATEGIC EVALUATION CRITERIA / TARGETS | | |
|---|---|---|---|---|
| **PROJECT DESCRIPTION** | **OBJECTIVE & ACTIVITY** | **JOB CREATION & TRAINING** | **CAPITAL INVESTMENT - FUNDS RAISED** | **CAPITAL INVESTMENT - EXPENDITURE** |
| **Petropark** The objective is to create a one stop facility for tourists & locals on the N6 route at the entrance of town | Generate an expression of interest for private sector investor | | | |
| | Register new erf with DEEDS office | | | |
| **Woodhouse** The objective is to implement a training facility and to empower local community members in timber down-streaming in the Amahlathi area | Commence pilot project training | Train of 20 local people in the pilot training phase | | |
| | Set up the Woodhouse section 21 company | Appoint 1 centre manager to control day-to-day operations | | |
| | | | | |
| | Source operational funding for the Woodhouse | | | |
| | | | | |
| | Exit project | | | |
| **Keiskammahoek Regeneration** The objective is to identify and undertake appropriate interventions to enable the economic regeneration of Keiskammahoek town | Compile a status quo report for Keiskammohoek | | | |
| | Undertake feasibility studies on identified interventions | | | |
| | Compile Local Spatial Development Framework (LSDF) | | | |
| | Compile a town regeneration strategy | | | |
| | Compile a research report in conjunction with FHISER | | | |
| | Assess feasibility of an agri-produce market in Keiskammahoek | | | |
| | | | | |
| **Amabele Regeneration** the objective is the Amabele Village development and establishment of a berry corridor within the Amathole District | Implement large berry out growers in Keiskammahoek | Create 30 jobs in large outgrowers | | |
| | | | Raise R21.6 million for implementation | |
| | | | | |

| BUSINESS OPPORTUNITIES & PARTNERSHIPS | RESEARCH & KNOWLEDGE | SMALL TOWN REGENERATION | CORPORATE MANAGEMENT | DATE | ACHIEVED (Yes, No) | MEASURES TAKEN TO IMPROVE PERFORMANCE |
|---|---|---|---|---|---|---|
| | | Receive at least one viable investor proposal | | Dec-10 | Yes | |
| | | Complete the application for registration of the identified erf | | Dec-10 | No | 70% of the process has commenced and legal counsel appointed to facilitate the process. Awaiting valuation of the land to be completed in order to get the property value to complete the deed of donation by ADM to ALM in order to submit the application to the Deeds office. The property valuation took longer than initially planned. Progress reviewed in fortnightly mangement meetings and target carried forward to new financial year. |
| | | | | Dec-10 | Yes | |
| | | | | Dec-10 | Yes | |
| Establish the Woodhouse business entity | | | | Dec-10 | Yes | |
| | | Submit 1 funding application for operational funds to appropriate funder | | Dec-10 | Yes | |
| Source 1 new funding partner for the Woodhouse | | | | Dec-10 | Yes | |
| | | Complete a project exit report | | Dec-10 | Yes | |
| | | Complete a status quo report for Keiskammahoek | | Dec-10 | Yes | |
| | | Complete a feasibility study for identified interventions | | Jun-11 | Yes | |
| | | Complete a LSDF for Keiskammahoek | | Jun-11 | Yes | |
| | | Complete a regeneration strategy document for Keiskammahoek | | Jun-11 | Yes | |
| | | Complete research report for Keiskammahoek with FHISER | | Jun-11 | Yes | |
| | | Complete a business plan for an agri-produce market | | Jun-11 | Yes | |
| | | Undetake the basic assessment for a fresh produce market in the Keiskammahoek town | | Jun-11 | Yes | |
| | | | | Jun-11 | Yes | |
| | | | | Jun-11 | Yes | |
| Establish 3 berry business entities | | | | Jun-11 | Yes | |

| | | STRATEGIC EVALUATION CRITERIA / TARGETS | | |
|---|---|---|---|---|
| **PROJECT DESCRIPTION** | **OBJECTIVE & ACTIVITY** | **JOB CREATION & TRAINING** | **CAPITAL INVESTMENT - FUNDS RAISED** | **CAPITAL INVESTMENT - EXPENDITURE** |
| **Amabele Regeneration (continued)** | Provide start up assistance (eg. EIA, land issues, funding) for Amabele processing facility | | | |
| | | | | |
| | Implement Ndakana zero waste agricultural business cluster | | | |
| | | | | |
| | | | | |
| **Cathcart Regeneration** | Compile a research report in conjunction with FHISER | | | |
| **Stutterheim Regeneration** the objective of the project is to regenerate the economy of Stutterheim and its surrounds | Stutterheim & Mlungisi bridge & access road construction finalised | Employ at least 45 people for the 12 month construction period | | |
| | | | | Expend R12.8 million on construction |
| | | | | |
| | | | | |
| | | | | |
| | | Train 12 people in construction methods | | |
| | Stutterheim central transport/administration & commercial node | | | |
| | | | | |

| BUSINESS OPPORTUNITIES & PARTNERSHIPS | RESEARCH & KNOWLEDGE | SMALL TOWN REGENERATION | CORPORATE MANAGEMENT | DATE | ACHIEVED (Yes, No) | MEASURES TAKEN TO IMPROVE PERFORMANCE |
|---|---|---|---|---|---|---|
| | | Commence environmental impact assessment (EIA) for processing facility | | Jun-11 | No | Management reviewed the project development fortnightly. As more data become available a decision was taken to undertake an EIA for the entire Amabele village, not just the processing facilty. A council approval for this approach is needed and a more detailed terms of reference, therefore project scope changed, delaying the target. This target will be carried forward to the new financial year. |
| | | Submit a funding application for Amabele | | Jun-11 | Yes | |
| | | Complete 6 business plans for Ndakana products | | Dec-10 | Yes | |
| Establish 1 business entity at Ndakana | | | | Jun-11 | Yes | |
| Register the Ndakana development entity | | | | Jun-11 | Yes | |
| | | Complete a research report for Cathcart in conjunction with FHISER | | Jun-11 | Yes | |
| | | | | Jun-11 | Yes | |
| | | | | Jun-11 | Yes | |
| | | Obtain practical certificate | | Mar-11 | No | The project is on target however construction delays were incurred due to rain days which were unavoidable. Therefore practical completion will occur early in the new financial year. |
| | | Complete close out report | | Jun-11 | Yes | |
| | | Improve the linkage between town and township - measure in distance | | Jun-11 | Yes | |
| | | | | Jun-11 | Yes | |
| | | Obtain an EIA record of decision | | Jun-11 | No | Management made every effort to achieve the target however an amendment had to be done to the initial report submitted, which was then resubmitted in April 2011. At year end Aspire was still awaiting final approval. |
| | | Obtain the re-zoning and closure of public park approval | | Jun-11 | No | Management made every effort to achieve the target, and Council approved to proceed with the Development Faciliation Act. A route to conclude land issues was only granted in April 2011, thereby delaying achievement of the target. Progess is monitored monthly. |

| | | STRATEGIC EVALUATION CRITERIA / TARGETS | | |
|---|---|---|---|---|
| **PROJECT DESCRIPTION** | **OBJECTIVE & ACTIVITY** | **JOB CREATION & TRAINING** | **CAPITAL INVESTMENT - FUNDS RAISED** | **CAPITAL INVESTMENT - EXPENDITURE** |
| **Stutterheim Regeneration (continued)** | Stutterheim Mlungisi Community Commercial Park | | | |
| | | Creat 17 temporary jobs during construction | | |
| | | | Generate R53 million for construction of entire facility | |
| | | | | |
| | | | | |
| | | | | |
| | Stutterheim CBD upgrade | Create 15 temporary jobs during construction | | |
| | | | | Expend R5 million on construction |
| | | | | |
| | | | | |
| | Infrastructure upgrade applications | | | |
| | Housing development | | | |
| | | | | |
| **Cebe Community** the objective was to investigate tourism potential at Cebe | Feasibility for new tourism development | | | |
| | | | | |

| BUSINESS OPPORTUNITIES & PARTNERSHIPS | RESEARCH & KNOWLEDGE | SMALL TOWN REGENERATION | CORPORATE MANAGEMENT | DATE | ACHIEVED (Yes, No) | MEASURES TAKEN TO IMPROVE PERFORMANCE |
|---|---|---|---|---|---|---|
| | | Complete a business plan for supporting infrastructure for the Mlunigisi park | | Dec-10 | Yes | |
| | | | | Jun-11 | No | Project implementation was delayed due to excessive rain days which were unavoidable. 10 jobs were created with the church relocations & bulk earthworks. Target will be achieved early in the new financial year. Progress monitored by management monthly. |
| | | | | Dec-10 | Yes | |
| Include at least 1 small contractor in the construction | | | | Jun-11 | Yes | |
| | | Commence the establishment of a new secondary node in Stutterheim | | Jun-11 | No | This target is in progress. Longer than anticpated lead times were needed for funding approvals hence causing delay. Mangement monitors progress with funders and contractors fortnightly. Construction will start August 2011. |
| | | Write a manual for the operation, management and maintenance of the new facility | | Jun-11 | Yes | |
| | | | | Jun-11 | No | The project is on track. Management took a decision to make the project more labour intensive and increase participation in the project by using local contractors and labourers. This resulted in small delays in procurement with construction only starting in June 2011. R1.8m expended and 10 jobs created at year end. |
| | | | | Jun-11 | No | |
| | | Develop a town brand for Stutterheim | | Jun-11 | Yes | |
| Gain agreement for 4 partnerships with respect to the CBD upgrade | | | | Jun-11 | Yes | |
| | | Submit 2 MIG applications (electricity, water & sanitation) | | Dec-10 | No | The infrastructure applications were completed, but not submitted to MIG due to lengthy approval processes and a change of strategy. Management submitted them to alternative funders. |
| | | Complete a high level feasibility report for housing development in Stutterheim | | Jun-11 | Yes | |
| | | Complete a business plan for supporting infrastructure with respect to housing | | Jun-11 | No | As an outcome of the feasibility a need for a private housing developer was identified. It was decided that an expression of interest be issued to identify an appropriate property developer who will develop the business plan with the local municipality providing an enabling environment for the targeted housing development. Management decided that due to the land being owned by the municpality this target be handed over to the local municipality, which was agreed. |
| | | Complete tourism feasibility study for Cebe | | Dec-10 | No | The pre-feasibility studies determined that the project viability was low and therefore the project not pursued further. Management resolved to eliminate these two targets. |
| | | Complete business plan for possible intervention | | Dec-10 | No | |

| | | STRATEGIC EVALUATION CRITERIA / TARGETS | | |
|---|---|---|---|---|
| **PROJECT DESCRIPTION** | **OBJECTIVE & ACTIVITY** | **JOB CREATION & TRAINING** | **CAPITAL INVESTMENT - FUNDS RAISED** | **CAPITAL INVESTMENT - EXPENDITURE** |
| **Dutywa Regeneration** the objective of the project is to regenerate the economy of Dutywa and its surrounds | Compile town regeneration strategy for Dutywa | | | |
| | Undertake an agricultural feasibility study | | | |
| | Compile a high level feasibility study and market research for identified interventions | | | |
| | Compile Local Spatial Development Framework (LSDF) | | | |
| | Compile business plans for identified interventions | | | |
| | Complete required infrastructure upgrade applications | | | |
| **Butterworth Regeneration** The objective is to identify and undertake appropriate interventions to enbale the economic regeneration of Butterworth | Construct 70% of the CBD upgrade blocks | Create 40 temporary construction jobs | | |
| | | | | Expend R12 million on construction of the CBD |
| | Compile a high level feasibility study for Butterworth | | | |
| | Compile town regeneration strategy | | | |
| | Compile two business plans for identified interventions | | | |
| | Complete required infrastructure upgrade applications | | | |
| **GIS Data Collection and Map Production** the objective is for Aspire to have a system to be able to generate and verify existing spatial data | | | | |

| BUSINESS OPPORTUNITIES & PARTNERSHIPS | RESEARCH & KNOWLEDGE | SMALL TOWN REGENERATION | CORPORATE MANAGEMENT | DATE | ACHIEVED (Yes, No) | MEASURES TAKEN TO IMPROVE PERFORMANCE |
|---|---|---|---|---|---|---|
| | | Complete a town regeneration strategy document for Dutywa | | Dec-10 | Yes | |
| | | Complete an agriculture viability report for Dutywa and surrounds | | Dec-10 | Yes | |
| | | Complete a high level feasibility report for identified interventions | | Jun-11 | Yes | |
| | | Complete a LSDF for Dutywa town | | Jun-11 | Yes | |
| | | Complete a business plan for identified regeneration initiative | | Jun-11 | No | The agricultural study showed that there was no viability for an agricultural intervention, therefore management resolved not to progress this further. Subsequent improvements were made for idea generation for a commercial community precinct and an upgrade of the municipal management system which will carry forward to the new financial year. |
| | | Submit 5 MIG applications to support infrastructure upgrades | | Jun-11 | No | As the initial agricultural business initiative was not viable, identifcation of infrastructure required was delayed. Therefore management resolved to delay this target as improved data and initiatives are gathered and identified. |
| | | | | Jun-11 | Yes | |
| | | | | Jun-11 | Yes | |
| | | Complete a high level feasibility report | | Dec-10 | Yes | |
| | | Complete a regeneration strategy for Butterworth | | Dec-10 | No | Management made every effort to complete this target. A regeneration strategy requires intensive public particpation and collaboration. These processes were delayed due to the election period. Baseline information for the strategy was collected at year end, but management decided that a local spatial development framework plan be developed. The strategy will form part of the local spatial development framework which is a target for the new financial year. |
| | | Complete 2 business plans for identified interventions | | Jun-11 | Yes | |
| | | Submit 5 MIG applications for infrastructure upgrades | | Jun-11 | No | Identifcation of required infrastructure upgrades and funding sources took longer than anticipated. Management monitored progress at fortnightly management meetings and undertook reviews of planning with the local municipality. This was subsequently resolved to be completed in conjunction with the local municipality going forward. |
| | Purhcase a GIS system and populate it with data for Amathole target towns | | | Jun-11 | Yes | |

| | | STRATEGIC EVALUATION CRITERIA / TARGETS | | |
|---|---|---|---|---|
| **PROJECT DESCRIPTION** | **OBJECTIVE & ACTIVITY** | **JOB CREATION & TRAINING** | **CAPITAL INVESTMENT - FUNDS RAISED** | **CAPITAL INVESTMENT - EXPENDITURE** |
| **Research benefiting small towns** the objective is to increase the pool of knowledge about the economic regeneration of small towns | Enable monitoring and evaluation (M&E) of interventions | | | |
| | Undertake a 5 year strategic review of Aspire | | | |
| | Write papers on "The Future of Struggling Small Towns in South Africa" | | | |
| | Compile a regeneration framework for small towns | | | |
| | Write a paper on "Locally-based development in the Eastern Cape Province: evaluating and supporting policy, institutional capabilities and linkages with New Zealand" | | | |
| | Compile a document on "The Operational Features of Regional development Agencies - Governance, operations, resources and accountability" | | | |
| | Assist policy development discussions | | | |
| **Partnership development** the objective is to increase partnership collaboration to increase awareness of small town regeneration | Collaborate with NZ Aid research and cultural exchange programs in Amathole | | | |
| | Establish a partnership with the Department of Cooperative Governance and Traditional Affairs (as custodians of municipal development intervention programs) | | | |

| BUSINESS OPPORTUNITIES & PARTNERSHIPS | RESEARCH & KNOWLEDGE | SMALL TOWN REGENERATION | CORPORATE MANAGEMENT | DATE | ACHIEVED (Yes, No) | MEASURES TAKEN TO IMPROVE PERFORMANCE |
|---|---|---|---|---|---|---|
| | Develop small town regeneration M&E tool | | | Jun-11 | No | Tool not yet developed. Management decided to acquire assistance from GIZ, a company well experienced in the development of M&E systems. Work started on the development of the scope in cooperation with GIZ. Target carried to subsequent financial year. |
| | Complete strategic review report | | | Full year | Yes | |
| | Complete paper and submit for publication | | | Full year | Yes | |
| | Complete a policy framework document | | | Full year | Yes | |
| | Complete paper and submit for publication | | | Full year | Yes | |
| | Complete paper and submit for publication | | | Full year | Yes | |
| | Complete policy discussion document on Regional Development in SA forward: leveraging the experience of the Amathole Economic Development Agency | | | Full year | Yes | |
| Signed research contract in place | | | | Full year | Yes | |
| Signed partnership agreement in place | | | | Full year | No | Every effort was made but at year end no signed contract was in place, however partnership arrangments had been implemented. These took the form of collaborations to host the 5th Small Towns Conference and a Review of LED Famework and the development of the Small Towns Regeneration Strategy in South Africa. |

| | | STRATEGIC EVALUATION CRITERIA / TARGETS | | |
|---|---|---|---|---|
| PROJECT DESCRIPTION | OBJECTIVE & ACTIVITY | JOB CREATION & TRAINING | CAPITAL INVESTMENT - FUNDS RAISED | CAPITAL INVESTMENT - EXPENDITURE |
| **Corporate Finance** to improve project management and to ensure the integrity of the Agency's financial controls and systems | Provide strategic financial advice and assistance to the Agency as a whole and specifically on individual projects | | | |
| | Maintain reporting integrity and financial control | | | |
| | Ensure proper operating and effective internal financial controls | | | |
| | Provide regular reporting on project expenditure | | | |
| | Effective and efficient budget management and ensuring that expenditure in line with the set budgets | | | |
| **Harnessing Resources and Treasury management** the objective is to ensure that the Agency's funds are effectively managed and that returns on available cash are maximised in accordance with policy | To increase Aspire resources through identifying possible savings and reduction of costs | | | |
| | | | | |
| | Maximise income | | | |
| | | | | |
| | | | | |

| BUSINESS OPPORTUNITIES & PARTNERSHIPS | RESEARCH & KNOWLEDGE | SMALL TOWN REGENERATION | CORPORATE MANAGEMENT | DATE | ACHIEVED (Yes, No) | MEASURES TAKEN TO IMPROVE PERFORMANCE |
|---|---|---|---|---|---|---|
| | | | Project managers achieve budgeted capital investment targets | As per project targets | Yes | |
| | | | Obtain an unqualified audit opinion with regards to financial disclosures and results | Nov-10 | Yes | |
| | | | Limited matters reported on by Auditor General and limited significant issues raised by Internal Audit | AG = Nov-10; Internal audit = quarterly reports | Yes | |
| | | | Quarterly reports submitted to the CEO | 15 days from quarter end | Yes | |
| | | | Actual expenditure per disclosure category as reflected in management accounts and annual financial statements are within budget | Manage-ment accounts = Monthly; AFS = Nov-10 | Yes | |
| | | | Reduce overhead expenditure by R200,000 when calculated as a factor of number of staff | Full year | Yes | |
| | | | Achieve matching of expenditure income of R200,000 | Full year | Yes | |
| | | | Meet budgeted figure for investment income | Full year | Yes | |
| | | | Secure new funding, equivalent to at least 20% of the 2010/2011 budget for programs | Full year | Yes | |
| | | | Achieve 80% of budget expenditure on programs | Full year | Yes | |

| | | STRATEGIC EVALUATION CRITERIA / TARGETS | | |
|---|---|---|---|---|
| PROJECT DESCRIPTION | OBJECTIVE & ACTIVITY | JOB CREATION & TRAINING | CAPITAL INVESTMENT - FUNDS RAISED | CAPITAL INVESTMENT - EXPENDITURE |
| **Good Organisational Governance** to conduct the agency with integrity and in accordance with generally accepted good corporate practices | Obtain unqualified audit report | | | |
| | Maintain Board relations & reporting | | | |
| | Timely and accurate performance reporting of the Agency | | | |
| | Timely completion of bank reconciliations | | | |
| | Comply with statutory payments made by prescribed due dates | | | |
| | Ensure that procurement is done in accordance with Supply Chain Management (SCM) policy and good practice | | | |
| | Ensure that internal audit function operating effectively | | | |
| | Operate a fully efficient and functioning office | | | |
| | Safeguard petty cash | | | |
| **Procurement** the objective is to comply with all legislative procurement regulations and procure goods and services in a fair, timely and accurate manner | Ensure that Supply Chain Management (SCM) policy is inline with the mandate of the Agency and that policy ensures a stream lined and efficient procurement process whilst complying with relevant legislation | | | |
| | Effective operation of Supply Chain Management (SCM) | | | |

| BUSINESS OPPORTUNITIES & PARTNERSHIPS | RESEARCH & KNOWLEDGE | SMALL TOWN REGENERATION | CORPORATE MANAGEMENT | DATE | ACHIEVED (Yes, No) | MEASURES TAKEN TO IMPROVE PERFORMANCE |
|---|---|---|---|---|---|---|
| | | | Obtain an unqualified report with regards to compliance & performance management | Nov-10 | Yes | |
| | | | Submit progress reports to the Board once a quarter | Quarterly | Yes | |
| | | | Submit mid-year performance report to ADM by the end of January 2011 | Jan-11 | Yes | |
| | | | Submit annual progress report to ADM in May 2011 (in support of the State of the District Address (SODA) and ADM's Annual report) | May-11 | Yes | |
| | | | Compile monthly bank reconciliation within 7 days of receiving statement | Monthly | Yes | |
| | | | Make all payments by prescribed due dates | Monthly | No | While every effort was made to pay timeously in compliance with legislation, 2 late payments to SARS occurred during the financial year. Mangement control will be strengthed to prevent reoccurance of this situation. |
| | | | Limited queries from external and internal auditors | Annual audit | Yes | |
| | | | Quarterly internal audit reports submitted to Audit Committee | Quarterly | Yes | |
| | | | Ensure office resources & assets are available & maintained at all times | Full year | Yes | |
| | | | Reconcile petty cash accurated to be 100% accurate when checked by auditors or financial officer | Full year | Yes | |
| | | | Compile a revised SCM policy in line with current regulations | Dec-10 | Yes | |
| | | | Obtain Board approval of revised SCM policy. | Mar-11 | Yes | |
| | | | Operate a functional supplier database with service providers entered in a timely manner | Full year | Yes | |
| | | | Limited significant queries from external and internal auditors regarding SCM compliance | Full year | Yes | |
| | | | Records presented to CEO six monthly and as required | 15 days after end of six month period | Yes | |

| | | STRATEGIC EVALUATION CRITERIA / TARGETS | | |
|---|---|---|---|---|
| PROJECT DESCRIPTION | OBJECTIVE & ACTIVITY | JOB CREATION & TRAINING | CAPITAL INVESTMENT - FUNDS RAISED | CAPITAL INVESTMENT - EXPENDITURE |
| **Procurement (continued)** | | | | |
| | Provide regular reporting on procurement procedures | | | |
| | Meet HDI procurement targets | | | |
| **Promotion of Aspire** the objective is promote and raise awareness of the agency's corporate image and identity | Maintain a functional website with accurate information | | | |
| | Procure corporate marketing materials as required to promote Aspire | | | |
| | Compile the agency's annual report accurately and timeously | | | |
| | Host a small towns conference with funding raised from project partners | | | |
| | Undertake successful communications for the agency with respect to projects and corporate image | | | |
| **Human Resources (HR)** the objective is to ensure that the agency has an efficient HR function and that personnel policies are applied fairly and consistently | Esnure that HR policies in place & available to staff | | | |

| BUSINESS OPPORTUNITIES & PARTNERSHIPS | RESEARCH & KNOWLEDGE | SMALL TOWN REGENERATION | CORPORATE MANAGEMENT | DATE | ACHIEVED (Yes, No) | MEASURES TAKEN TO IMPROVE PERFORMANCE |
|---|---|---|---|---|---|---|
| | | | No successful legal matters instituted by suppliers against the agency regarding SCM compliance | Full year | Yes | |
| | | | Quarterly reports submitted to the CEO | 15 days after end of quarter | Yes | |
| | | | Monthly management account reporting regarding expenditure versus actual per Pastel system | Monthly | Yes | |
| | | | Ensure that 60% of Aspire's preferential procurement goes to historically disadvantaged individuals and businesses | Full year | Yes | |
| | | | Website functioning & updated, new report management functionality added | Full year | Yes | |
| | | | Corporate marketing materials available as required | Full year | Yes | |
| | | | Annual report printed and submitted in accordance with MFMA | Jan-11 | Yes | |
| | Small town conference event takes place successfully with multiple funders | | | Oct-10 | Yes | |
| | | | Implement an annual communications plan for the agency | Full year | Yes | |
| | | | Resolve brand naming rights with respect to the new Companies Act requirements | Jun-11 | No | Management monitored progress of the Act and potential requirements. The new Companies Act only came into effect 1st May 2011. Time did not allow for the full implementation of all changes, but this is currently in progress and will be completed in the new financial year. |
| | | | Develop an induction procedure and roll it out for new staff | Dec-10 | Yes | |
| | | | Implement a staff benefits scheme for all agency staff | Dec-10 | Yes | |
| | | | Develop employment contracts for all staff | Dec-10 | No | As Aspire entered more fully into it's implementation programme, a management review of HR realised that the structure of the organisation would need to change to support the new programmes. A significant number of new staff were also employed in this financial year. Therefore management agreed to delay these 3 targets until after the organisational review to avoid repetition of work and cost. All of these targets were completed in July 2011. |
| | | | Develop and implement a staff training plan for staff career development | Jun-11 | No | |
| | | | Complete a TASK review and salary benchmark assessment | Jun-11 | No | |

## ACRONYMS

| | |
|---|---|
| ADM | Amathole District Municipality |
| AREDS | Amathole Regional Economic Development Strategy |
| BEE | Black economic empowerment |
| CBD | Central business district |
| CHP | Combined heat and power |
| CPA | Communal property association |
| GIZ | German Development Service (Deutsche Gesellschaft für Internationale Zusammenarbeit) |
| DEDEAT | Department of Economic Development, Environmental Affairs and Tourism |
| ECF | Employment Creation Fund |
| EPWP | Expanded Public Works Programme |
| HR | Human resources |
| LSDF | Local spatial development framework |
| MFMA | Municipal Finance Management Act |
| NCDT | Ndakana Community Development Trust |
| NEDA | Nkonkobe Economic Development Agency |
| PSC | Project steering committee |
| SCM | Supply chain management |

ASPIRE

*Amathole beyond limits*

**Amathole Economic Development Agency (Pty) Ltd**
6 Princes Road, Vincent, East London, 5201 • PO Box 500, East London, 5200
Tel: 043 721 2070 • Fax: 043 721 2074 • info@aspire.org.za
www.aspire.org.za

*Reg No. 2005/030812/07*
Auditors: Office of the Auditor General (Eastern Cape)