

INCA CAPACITY BUILDING FUND

INCA Capacity Building Fund provides clear and positive impacts

The INCA Capacity Building Fund (ICBF) focuses on building capacity and developing skills in the local government sector through interventions directed at four levels:

- Macro – programmes which span across all municipalities.
- Institutional – engagement of municipalities on an individual basis.

- Individual – presentation of bursaries to historically disadvantaged students.
- Community – joint programmes with municipalities to uplift communities.

Grant funds to the value of R3 367 161 were committed during the 2009 financial year. This overview presents a selection of projects and initiatives that benefited from these funds during the review period.

CONTENTS

Chairman's statement	2
The INCA Capacity Building Fund applies its resources in such a way that the impact achieved far outweighs the funds committed.	
Chief executive officer's report	4
Active participation between Government, donor organisations, NGOs and private sector institutions is crucial to building the capacity and skills required by municipalities.	
Directorate and members	7
Reflecting the partnership behind the ICBF.	
An overview of projects undertaken by the ICBF	7
The launch of the HIV/Aids Toolkit is the culmination of a number of years of hard work and negotiations between Government, the ICBF and other donor organisations to create a local level response to the epidemic.	
Corporate governance	11
The directors are responsible for maintaining an effective system of internal control, which provides reasonable assurance of effective and efficient operations.	
Financial statements	12
During the financial year under review, R1 013 349 was disbursed to projects undertaken by the Fund.	



INCA
CAPACITY
BUILDING FUND

CEO'S REPORT // P4

Proper service delivery features high on the agenda of every municipality in South Africa, placing further pressure on already stretched local government capacity.



Chairman's statement

The INCA Capacity Building Fund continues to influence mindsets and build human capacity, contributing to the betterment of local government in South Africa.

The INCA Capacity Building Fund (ICBF/the Fund) continues to make an important contribution to supporting local government's role in society. Being mindful of the limited funds at its disposal, ICBF applies its resources in such a way that the impact achieved far outweighs the funds committed. In this respect I am glad to report that the ICBF was once again instrumental in breaking new ground during the past year.

The value of international best-practice knowledge in waste management and the overall benefits gained from the French delegation from Lille Municipality's visit to three metropolitan municipalities in South Africa far outweighs the amount spent by the Fund to make this visit possible. The catalytic role the Fund plays was also demonstrated through the development of the HIV/Aids Toolkit and its inclusion in the national strategy to deal with the fallout of the pandemic.

The ICBF will continue to support initiatives that provide guidance to local government practitioners, be it through a guided process to support local economic development initiatives or the publication of handbooks on intergovernmental relations and municipal finance and accounting. We believe these focused initiatives can contribute immeasurably to the sustainable management of local government.

During the year, the Fund again made bursaries available to students preparing themselves for a career in public administration,

and we were instrumental in placing these students at municipalities to gain hands-on experience.

Our support of local entrepreneurial cooperatives in townships in the Western Cape illustrated what donor support can achieve for local entrepreneurship. The benefit of this kind of support is not limited to specific projects as the lessons learnt will continue to inform similar initiatives in future.

Through the leadership of its CEO, Noël Jelliman, the ICBF has established itself as a niche entity that disburses donor funds in a transparent and accountable manner. This commitment to the highest ethical and governance standards greatly streamlines oversight by the Board of Directors. The defining characteristic of the Fund remains its catalytic role as a donor, as it continues to influence mindsets and build human capacity, contributing to the betterment of local government in South Africa.



Attie van Zyl
Chairman

Chief executive officer's

Active participation between Government, donor organisations, non-governmental organisations (NGOs) and private sector institutions is crucial to building the capacity and skills required by municipalities.

Noël Jelliman, CEO of the INCA Capacity Building Fund

For a number of years, municipalities across South Africa have been severely criticised for poor service delivery, with the apparent inability of management to sustainably manage municipalities becoming the topic of many debates. Further exacerbating these problems is the fact that municipalities have not escaped current adverse economic conditions, and many municipalities are finding it increasingly difficult to maintain a healthy cash flow position due to non-payment of municipal accounts.

In its Submission for the Division of Revenue 2010/2011, the Financial and Fiscal Commission argues that among stakeholders there is perceived inability of local government to adequately manage its own affairs, powers and functions in the delivery of quality services due to a profound lack of capacity. This lack of capacity is the direct result of a substantial number of experienced personnel continuing to seek opportunities elsewhere, in many instances leading to the appointment of municipal staff who lack the necessary experience. The result is that consultancy firms are now being contracted to provide services to municipalities who lack adequate capacity and skills, and for the most part very little skills transfer takes place. This further results in municipalities having to contract these firms on a continuous basis, at great cost.

National Treasury and the Department of Cooperative Governance and Traditional Affairs have launched numerous initiatives to build required capacity and skills within municipalities. However, the current reporting and implementation challenges imposed by various pieces of legislation make it impossible for already-pressured municipalities to cope with the additional demands on their resources. Workable solutions can be found if Government, donor organisations, NGOs and private sector institutions, such as the INCA Capacity Building Fund (ICBF), partner to build the required skills and capacity within these municipalities. Various initiatives have already gained ground in addressing the skills and capacity challenges faced by municipalities.

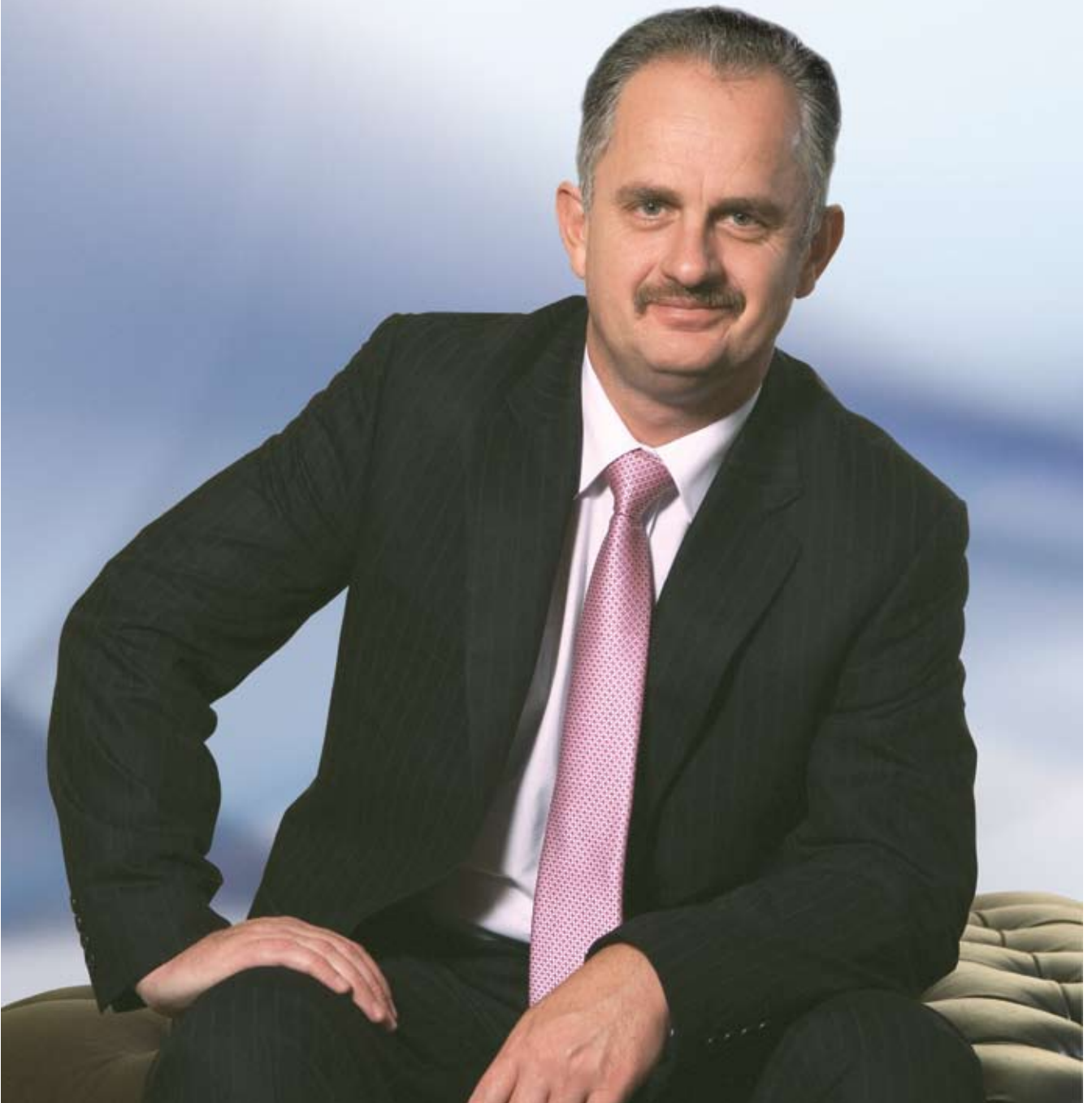
The April 2009 national elections prompted the ICBF to postpone its flagship Local Government Capacity Building Summer School to October 2009. This event creates a platform for local government practitioners to debate challenges within the local government sector, and remains the ICBF's key capacity building event. Together with the French Government, the ICBF co-sponsored the Study Tour to France, an initiative which proved to be highly practical and useful to practitioners. I am pleased to note that the 2008 Study Tour resulted in a very successful reciprocal visit from Lille

Municipality to South Africa in October 2008, funded by the ICBF, to assist the eThekweni, Johannesburg and Cape Town Metropolitan Councils with their long-term waste planning.

The HIV/Aids epidemic continues to pose a real threat to municipalities as a major employer and service provider in South Africa, with an estimated 5.4 million South Africans living with the disease. The staggering national HIV/Aids statistics prompted the Department of Cooperative Governance and Traditional Affairs to launch the Integrated Local Government Response to HIV/Aids. The HIV/Aids Toolkit, developed by the ICBF in partnership with the Medical Research Council, forms an integral part of the Department's response, and was officially launched on 2 March 2009 by Minister Sicelo Shiceka in Durban. The national rollout of the toolkit has been initiated in the Mpumalanga, Free State and Eastern Cape provinces.

The ICBF's Non-financial Managers Training Programme, conducted in partnership with the Institute of Municipal Finance Officers, was completed in April 2009. This programme resulted in a total of 488 municipal managers, senior officials and councillors receiving skills training in budgeting, financial governance and interpretation of financial statements.

{REPORT}



During the year under review, ten students each from the Tshwane University of Technology and University of Johannesburg were seconded to the Tshwane and Ekurhuleni Metropolitan Councils for ten days during their May recess period. Students gained a practical understanding of the daily operations of municipalities, with an opportunity to perform some front-line duties.

Feedback received from the market confirms that the Municipal Finance and Accounting publication, sponsored by the ICBF, continues to be widely utilised as a reference guide by local government practitioners and higher education institutions. To date, 1 264 copies of the book have been purchased and distributed. The ICBF also received its first royalties emanating from the sale of this publication during the year under review.

The Banking on the Future project, aimed at stimulating local economic development (LED) is currently being implemented in Knysna and KwaDukuza municipalities, following its successful implementation in the Mosselbay Municipality in 2006. It is important to note that these projects can take some time to implement, while a lack of support from senior officials and inadequate capacity to compile business plans for identified ventures are among the remaining challenges for implementing agency Resources for African Innovation (RaINN) to overcome.



What the future holds for the ICBF

Proper service delivery features high on the agenda of every municipality in South Africa, placing further pressure on already-stretched local government capacity. It is therefore the ICBF's intention to continue the Summer School programme in its current format, while investigating specific initiatives to address identified deficiencies in local government capacity during the new financial year.

Furthermore, the challenges surrounding water, sanitation and energy efficiency can only be resolved with sufficient financial resources together with much needed capacity. To this end, the Board of Directors has resolved to ascertain how service delivery can be improved in the following two specific areas:

- Assisting municipalities with their planning process and creating capacity relating to energy efficiency and the use of alternative sources of energy.
- In terms of waste management, we intend to assist municipalities with planning around water and sanitation, particularly relating to the maintenance of existing infrastructure.

Once all necessary research has been completed, suitable recommendations will be made to the ICBF to ascertain how it can assist in these areas.

Establishing a network of alumni from the Summer School programme took some time, but we remain confident that this platform will provide an ideal opportunity for future

knowledge sharing. Further enhancements to improve the accessibility of this web-based initiative will be undertaken in future.

The ICBF would like to extend its gratitude to its two member organisations, Infrastructure Finance Corporation Limited and Agence Française de Développement, whose funding of the initiatives described above plays a crucial role in helping the ICBF realise its objectives. I also extend my sincere appreciation to the Board of Directors and our chairman, Mr Attie van Zyl, for their continued support and guidance.

I am confident that the ICBF will continue to make a significant and measurable contribution to capacity building in the local government sector.

Noël Jelliman
Chief Executive Officer – ICBF

DIRECTORATE AND MEMBERS

BOARD OF DIRECTORS

AJ van Zyl (Chairman)	Infrastructure Finance Corporation
NF Jelliman (CEO)	INCA Capacity Building Fund
M Fourie	Independent
C Richard	Agence Française de Développement
V Dago	Agence Française de Développement
R Boqo	Infrastructure Finance Corporation
S Elmaleh	French Embassy in SA

MEMBERS

Agence Française de Développement
Infrastructure Finance Corporation Limited

An overview of projects undertaken by the ICBF

LOCAL GOVERNMENT CAPACITY BUILDING SUMMER SCHOOL AND STUDY TOUR TO FRANCE



Summer School 2008 delegates.

Now in its tenth year, the Local Government Capacity Building Summer School gives senior management within municipalities an opportunity to discuss, debate and find solutions to current challenges facing the municipal sector.

In light of the national elections in April 2009 the event was postponed from February to October 2009. First National Bank again agreed to partner with the ICBF for the 2009 event, and the French Government indicated that they will continue their sponsorship of the Study Tour to France taking place shortly after the Summer School. The itinerary for the Study Tour is largely

be informed by the topics discussed at the October 2009 Summer School. We are very grateful to both the French Government and First National Bank for their continued sponsorships.

The visit to South Africa by Lille Metropolitan Council in October 2008, with the objective of assisting the Cape Town, Johannesburg and eThekweni Metropolitan Municipalities with their long-term waste planning, directly resulted from the needs expressed by Study Tour delegates from eThekweni during their visit to Lille Metropolitan Council.

Bursaries for deserving students and secondments to municipalities

One of the biggest challenges currently facing municipalities is a lack of capacity and skills, exacerbated by an exodus of skilled persons from the sector and unsuitable appointments. This has resulted in municipalities appointing consultancy firms to meet certain capacity and skills requirements, sometimes at exorbitant costs and with little skills transfer taking place. For this reason, building capacity remains a critical pillar for the sustainability of municipalities.

For a number of years the ICBF has made top-up bursaries in Public Administration and Finance available to deserving students. In addition, some of these students are seconded to municipalities to gain practical experience. In May 2009, ten students each were placed with the Tshwane and Ekurhuleni Metropolitan Councils for a period of ten days. During this secondment period the students, mostly in their second and third year of study, were deployed in various departments to gain exposure to operational challenges within these municipalities. Four students also participated in the Stellenbosch University six-week secondment scheme at the Cape Town Metropolitan Council during May and June 2009.

Assisting Local Government in responding to the HIV/Aids epidemic



Handover of the HIV/Aids Toolkit to Minister Sicelo Shiceka of the Department for Provincial and Local Government (renamed the Department of Cooperative Governance and Traditional Affairs).

The HIV/Aids epidemic continues to exert a major impact in South Africa, with estimates of 5,5 million infected persons and a national prevalence of 10,8%. The impact on local government as a major employer and service provider was clearly documented during a research project conducted by the Medical Research Council on behalf of INCA.

The launch of the HIV/Aids Toolkit during March 2009 in Durban is the culmination of a number of years of hard work and negotiations between Government, the ICBF and other donor organisations to create a local level response to the epidemic. This user-friendly toolkit provides valuable guidance to local government officials and politicians in responding to the epidemic at local level. In total, 2000 copies of the toolkit have been printed for national rollout, forming an integral part of the Department of Cooperative Governance and Traditional Affairs' Integrated Local Government Response to HIV/Aids.

The national rollout has commenced in Mpumalanga, the Eastern Cape and Free State provinces. To date, the ICBF has allocated R1,6 million to the project, while the national rollout of R200 million will be funded by Government and other donor organisations over an estimated period of five years.

Banking on the Future – establishing sustainable local economic initiatives for job creation and the alleviation of poverty

Municipalities are often faced with high levels of unemployment in the areas in which they provide municipal services, with attracting or initiating new economic initiatives to stimulate job creation remaining a major challenge. Also, many past initiatives have failed due to a lack of adequate planning. It is against this backdrop that the ICBF launched the first pilot Banking on the Future project in the Mosselbay Municipality in 2006. Since then, the programme has been extended to the Knysna and KwaDukuza municipalities. It is important to note that these programmes can require up to 18 months to implement successfully.

The main objective of the Banking on the Future project is to build necessary capacity through skills transfer.

Additional objectives include:

- Building awareness among all key role-players of the economic drivers in a particular area.
- Enhancing and complementing the local economic development (LED) process within the municipality.
- Drawing on all the expertise of the municipality and stakeholders to identify and evaluate potential projects.
- Identifying the required skills, capacity and resources to execute the identified projects successfully, and where these are lacking, assisting with measures to build the required capacity or sourcing the required skills.

Township Bags Project

In 2008 the ICBF partnered with Afrique du Sud Bidonvilles (ASB), a Section 21 Company, to establish or upgrade six sewing cooperatives (one of which doubles as a training centre) in disadvantaged communities in and around Cape Town. Members of these cooperatives are both employees and owners, with the right and responsibility to take decisions and carry out or participate in management tasks.



Women hard at work at the training centre in Blackheath, Cape Town.

Each cooperative has between eight and ten women who manufacture bags for both the local and international markets, with guidance from ASB. The range of bags manufactured includes conference, general purpose and shopping bags. ASB is responsible for marketing and has overall responsibility for the financial management of the cooperatives. To date, 35 women have been employed through this initiative, while a fifth cooperative is in the process of being established.

The ICBF has allocated R355 000 to the Township Bags Project, making a significant contribution to the quality of life of the women and their families.

Publishing reference guides for local government practitioners

The ICBF continues to support quality publications that assist and increase the effectiveness of local government practitioners. In addition to the HIV/Aids Toolkit, the ICBF has provided support for the writing and printing of the following publications:

MUNICIPAL FINANCE AND ACCOUNTING PUBLICATION

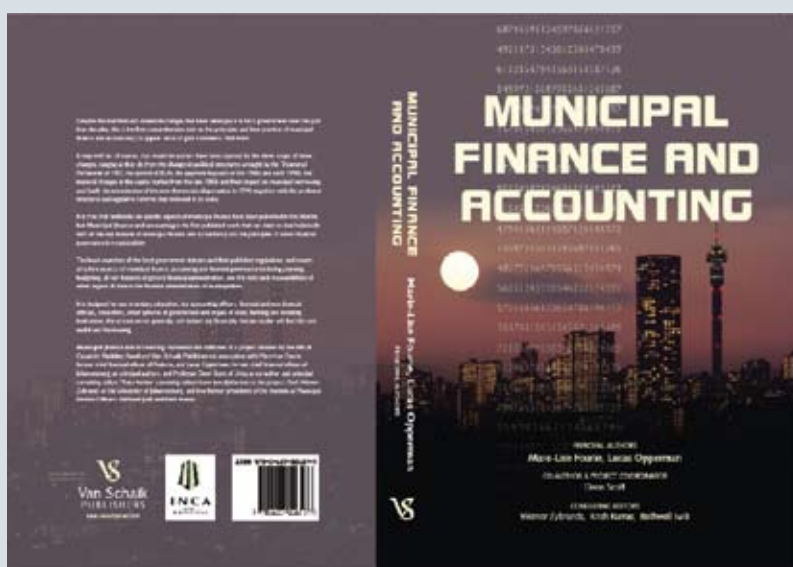
Municipalities are inundated with various legislations and reporting guidelines, with very few reference guides available to assist practitioners. The Municipal Finance and Accounting publication gives practitioners an overview of municipal finance requirements, and includes the legislation relevant to the day-to-day financial activities of municipalities. To date, 1 264 copies have been sold

and distributed, and are being widely utilised in the market place. Requests have been received for a second edition of this publication, which will be commissioned shortly.

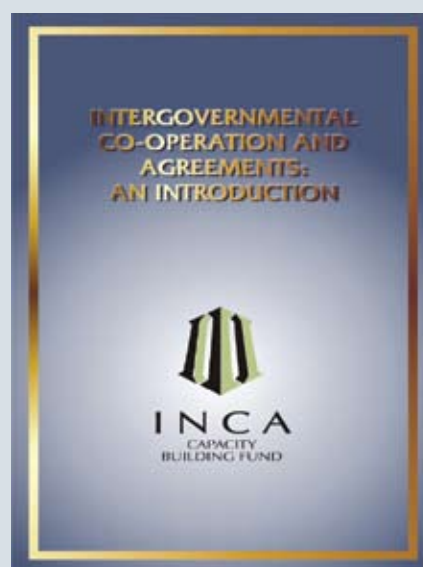
STRATEGIC INTERGOVERNMENTAL CO-OPERATION PUBLICATION

The importance of sound strategic co-operation between the three spheres of government (national, provincial and local) has become a topic for numerous debates and discussions. In particular, the scarcity of financial resources has made it necessary for these spheres of government to work together to fulfil their obligations. It is imperative that all available resources are pooled in a constructive and regulated manner.

The Intergovernmental Co-operation publication provides local government with practical guidance and the relevant directives to conclude intergovernmental agreements. The ICBF funded the writing and distribution of 500 copies of this publication, while the Department of Cooperative Governance and Traditional Affairs commissioned the printing of a further 4 000 copies, with distribution completed during the year under review.



Municipal Finance and Accounting publication



Intergovernmental Relations publication

Corporate governance



INTRODUCTION

The directors endorse the principles of the King Code of Corporate Practices and Governance (the Code) set out in the first, second and third King Reports.

Specifically, the directors report on the following matters:

FINANCIAL STATEMENTS

It is the directors' responsibility to prepare financial statements that fairly present the financial position of the Fund, its operations and cash flows. The independent external auditors are responsible for independently reviewing and reporting on these financial statements.

The annual financial statements set out in this report have been prepared by management in accordance with South African Standards of Generally Accepted Accounting Practice. Management has consistently applied appropriate accounting policies supported by reasonable and prudent judgements and estimates in preparing the financial statements.

BOARD OF DIRECTORS

The Board of Directors retains full and effective control over the

Fund, monitors executive management and ensures that any decisions on material matters are subject to Board approval.

The Fund has appointed non-executive independent directors together with member representatives to serve on the Board with the Chief Executive Officer.

All directors are entitled to have access to and the advice of the Company Secretary.

INTERNAL CONTROL

All investment decisions, except the limited delegation provided to the CEO (expenditure up to a maximum of R30 000), rest with the Board of Directors. The directors also have the responsibility for maintaining an effective system of internal control, which provides reasonable assurance of effective and efficient operations and internal financial control.

GOING CONCERN

The annual financial statements are prepared on a going concern basis and nothing has come to the attention of the Board or management to indicate that the Fund will not remain a going concern.

Contents

Directors' responsibility statement	13
Certification by the company secretary	13
Independent auditor's report	14
Directors' report	15
Balance sheet	16
Income statement	17
Statement of changes in reserves	18
Cash flow statement	19
Notes to the cash flow statement	20
Notes to the annual financial statements	20

Directors' responsibility statement

The Company's directors are responsible for the preparation and fair presentation of the annual financial statements, comprising the balance sheet at 28 February 2009 and the income statement, the statement of changes in reserves and cash flow statement for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements were approved by the Board of Directors on 14 August 2009 and are signed on their behalf by:



Noël Jelliman
Chief Executive Officer



Attie van Zyl
Chairman

Certification by the company secretary

In terms of Section 268G(d) of the Companies Act, 61 of 1973, as amended, I certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies, for the financial year ended 28 February 2009, all such returns as are required by a public company in terms of the Companies Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.



JM Poulter
14 August 2009

Independent auditor's report

TO THE MEMBERS OF INCA CAPACITY BUILDING FUND (ASSOCIATION INCORPORATED UNDER SECTION 21)

We have audited the annual financial statements of INCA Capacity Building Fund, which comprise the balance sheet at 28 February 2009, and the income statement, the statement of changes in reserves and cash flow statement for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out in pages 15 to 23.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of INCA Capacity Building Fund at 28 February 2009, and its financial performance and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa.



Deloitte & Touche

Per: Siyabonga Dube

Partner

14 August 2009

Directors' report

NATURE OF BUSINESS

The Company's core business activities are to uphold and to facilitate the achievement of capacity building by way of education in financial and technical management, providing bursaries tenable at tertiary institutions, developing, presenting and supporting training and information courses. More specifically, developing education and training in the fields of privatisation and technical and financial management of services, public utilities and community development programmes at third tier local government, incorporating not only local authorities but non-governmental organisations, political leaders and the broad community as well as the facilitation of training and educational courses.

OPERATING RESULTS

The Company recorded a deficit of R654 631 (2008: R1 126 458) for the year under review. R1 013 349 (2008: R1 186 837) was disbursed to projects undertaken by the Fund during the financial year under review.

SHARE CAPITAL

The Company is incorporated as an association under Section 21 of the Companies Act and therefore has no share capital.

DIVIDENDS

Dividends do not apply to the Company, as it is an association not for gain.

DIRECTORS

The directors of the Company for the year under review were as follows:

AJ van Zyl	Chief Executive Officer – Infrastructure Finance Corporation (Chairman)
NF Jelliman	INCA Capacity Building Fund (Chief Executive Officer)
M Fourie	Past President of Institute of Municipal Finance Officers and Specialist Adviser
V Rousset	Regional Representative – Agence Française de Développement (Resigned 01 July 2008)
R Boqo	Executive Director – Infrastructure Finance Corporation
V Dago	Deputy Regional Representative – Agence Française de Développement
S Elmaleh	Councillor for Science, Culture and Development – French Embassy in SA
C Richard	Regional Representative – Agence Française de Développement (Appointed 10 October 2008)

COMPANY SECRETARY

J Poulter

POST BALANCE SHEET EVENTS

There were no significant events that took place post year-end.

REGISTERED ADDRESS

Building 4
Pinewood Office Park
33 Riley Road
Woodmead Extension 3
Sandton

POSTAL ADDRESS

PO Box 1847
Gallo Manor
2052

Balance sheet

at 28 February 2009

	Notes	2009 R	2008 R
ASSETS			
Non-current assets			
Equipment	3	769	5 386
Current assets			
Accrued interest		60 596	71 014
Cash and cash equivalents	2	8 376 288	8 564 982
Accounts receivable	4	–	128 163
Total assets		8 437 653	8 769 545
RESERVES AND LIABILITIES			
Reserves			
Accumulated reserves		7 819 467	8 474 098
Current liabilities			
Non-interest-bearing liability	5	532 084	85 361
Accounts payable	6	86 102	210 086
Total reserves and liabilities		8 437 653	8 769 545

Income statement

for the year ended 28 February 2009

	Notes	2009 R	2008 R
Interest received		870 779	849 716
Contributions received		354 990	–
Operating income		1 225 769	849 716
Operating expenses	8	(867 051)	(789 337)
Fund disbursements	9	(1 013 349)	(1 186 837)
Operating deficit		(654 631)	(1 126 458)
Deficit for the year		(654 631)	(1 126 458)

Statement of changes in reserves for the year ended 28 February 2009

	Accumulated reserves R	Total R
Balance at 28 February 2007	9 600 556	9 600 556
Deficit for the year	(1 126 458)	(1 126 458)
Balance at 29 February 2008	8 474 098	8 474 098
Deficit for the year	(654 631)	(654 631)
Balance at 28 February 2009	7 819 467	7 819 467

Cash flow statement

for the year ended 28 February 2009

	Notes	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash utilised in operations	A	(1 069 891)	(2 210 852)
Interest received		881 197	895 496
Net cash outflows from operating activities		(188 694)	(1 315 356)
Decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of year		8 564 982	9 880 338
Cash and cash equivalents at end of year	B	8 376 288	8 564 982

Notes to the cash flow statement

	2009 R	2008 R
Note A: Cash utilised in operations		
Net loss for the year:	(654 631)	(1 126 458)
Interest received	(870 779)	(849 716)
Depreciation	4 617	4 617
Cash utilised in operations before changes in working capital:	(1 520 793)	(1 971 557)
Decrease/(increase) in accounts receivable	128 163	(128 163)
Decrease in accounts payable	(123 984)	(91 837)
Increase/(decrease) in non-interest-bearing liability	446 723	(19 295)
	(1 069 891)	(2 210 852)
Note B: Cash and cash equivalents		
Liquid/short term investments	7 732 055	8 432 055
Bank and cash	644 233	132 927
	8 376 288	8 564 982

Notes to the financial statements for the year ended 28 February 2009

1. ACCOUNTING POLICY

The financial statements are prepared on the historical cost basis in conformity with Statements of Generally Accepted Accounting Practice. The principal accounting policies as set out below are consistent in all material respects with those adopted in the previous year.

1.1 Interest received

Interest received is accrued on a time proportioned basis.

1.2 Investments

Investments are stated at cost less any impairment.

for the year ended 28 February 2009

2. CASH AND CASH EQUIVALENTS

The cash and cash equivalents balance consists of the following:

	2009 R	2008 R
ABSA (Fixed and call deposit)	7 732 055	8 432 055
Bank and cash	644 233	132 927
	8 376 288	8 564 982

The above investments are call and fixed deposits. The interest rate range on the investments is between 10.05% and 11.50% per annum.

3. EQUIPMENT

	Cost R	Accumulated depreciation R	Net carrying value R	
Computer equipment	13 850	13 081	769	
	13 850	13 081	769	
		28 Feb 2009		
	29 Feb 2008 Carrying value R	Additions R	Depreciation R	Carrying value R
Computer equipment	5 386	–	4 617	769
	5 386	–	4 617	769

4. ACCOUNTS RECEIVABLE

	2009 R	2008 R
FNB (Summer School reimbursement)	–	128 163

This credit arises due to the fact that INCA Capacity Building Fund paid for all expenses at the Summer School 2008. First National Bank is to reimburse INCA Capacity Building Fund (ICBF) for half of the costs incurred by ICBF at the Summer School 2008.

Notes to the financial statements (continued)

5. NON-INTEREST-BEARING LIABILITY

	2009 R	2008 R
Infrastructure Finance Corporation Limited	532 084	85 361

The liability arises due to the fact that the operating expenditure of INCA Capacity Building Fund is paid by Infrastructure Finance Corporation Limited. This amount is recovered from the Fund on a monthly basis. This liability is unsecured, bears no interest and has no fixed terms of repayment.

6. ACCOUNTS PAYABLE

	2009 R	2008 R
Audit fees	40 415	43 415
Interest received from call account on behalf of INCA Bond Rehabilitation Company	45 687	166 671
	86 102	210 086

7. CONTRIBUTIONS RECEIVED

A contribution of R479 042 was received from the Embassy of France for a French Study Tour. This contribution does not form part of the normal contributions to the Fund and was offset against the study tour expense.

8. OPERATING EXPENSES

Operating expenses are arrived at after taking the following items into account:

	2009 R	2008 R
Auditor's remuneration	37 563	(16 858)
Administration fee:		
– Infrastructure Finance Corporation Limited	500 000	304 167
Payroll	–	441 679
Directors' emoluments	10 000	7 500
Depreciation	4 617	4 616
Annual report	263 423	–
Consulting (web page design)	16 317	–
Other	35 131	48 233
	867 051	789 337

for the year ended 28 February 2009

9. FUNDS APPLIED

Allocation of funds as at 28 February 2009:

	Funds committed R	Funds disbursed R	Undisbursed commitments R
University of Stellenbosch – Curriculum Secondments	100 000	(12 000)	88 000
France Study Tour – 2009	200 000	(105 250)	94 750
Local Government Capacity Building Summer School 2008	160 158	(8 982)	151 176
Lille Municipality – French Delegation	300 000	(208 341)	91 659
Programme for Non-financial Managers	234 585	25 527	260 112
Municipal Finance publication – Royalties	–	7 087	7 087
HIV/Aids Local Government	270 611	–	270 611
HIV/Aids Task Team	60 000	–	60 000
HIV/Aids Video Production	192 976	–	192 976
HIV/Aids Toolkit	200 000	(99 057)	100 943
Vision K	300 000	–	300 000
Men on Side of Road	76 000	(76 000)	–
Banking on the Future: Toolkit	8 550	(8 550)	–
KwaDukuza	298 470	(156 707)	141 763
Knysna	283 811	(159 399)	124 412
Afrique du Sud Bidonvilles (ASB)	355 000	(182 500)	172 500
Bursaries and Secondment	307 000	(25 000)	282 000
Alumni Programme Software – Bonasource Wild Apric	20 000	(4 177)	15 823
	3 367 161	(1 013 349)	2 353 812

The Fund performs project reviews on a continuous basis. The above commitments except those that have specific donors are funded from the Fund's own resources.

10. TAXATION

No provision is made for taxation liability as the Fund is exempted from income tax and duties in terms of Section 10(1)(cN) of the Income Tax Act.

INCA CAPACITY BUILDING FUND



ADMINISTRATION

Registered name

INCA Capacity Building Fund
(Association Incorporated Under
Section 21)
Reg. no.: 1998/05978/08

Registered office

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Bankers

FNB Corporate

Secretary

JM Poulter

Auditors

Deloitte & Touche
The Woodlands
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Woodmead
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