



South African
CitiesNetwork

South African
CitiesNetwork

ANNUAL REPORT 2005



VISION AND MISSION

The SA Cities Network is an independent Section 21 Company established by Provincial and Local Government Minister Sydney Mufamadi, in conjunction with mayors of South Africa's largest cities and the South African Local Government Association, to:

- Promote good governance and management of South African cities
- Analyse strategic challenges facing South African cities, particularly in the context of global economic integration and national development
- Collect, collate, analyse, assess, disseminate and apply the experience of large city government in a South African context
- Promote shared-learning partnership between different spheres of government to support the governance of South African cities

The SA Cities Network functions through a Secretariat that is based at the Johannesburg Metropolitan Council office and derives its day-to-day operational mandate from a Board of Directors constituted by City Managers of its member cities.

CONTENTS

■ Members	4
■ Board of Directors	6
■ Chairperson's Report	8
■ Program of Activities	10
■ Cross-Cutting & Special Projects	14
■ Annual Financial Statements	19

FOUNDING MEMBERS

- Buffalo City (East London)
- City of Cape Town
- Ekurhuleni Metropolitan Municipality (East Rand)
- eThekweni Metropolitan Municipality (Durban)
- City of Johannesburg
- Mangaung Municipality (Bloemfontein)
- Msunduzi Municipality (Pietermaritzburg)
- Nelson Mandela Metropolitan Municipality
- City of Tshwane (Pretoria)

FOUNDING PARTNERS

- Department of Provincial and Local Government (DPLG)
- South African Local Government Association (SALGA)



BOARD OF DIRECTORS



**Mr Andrew Boraine -
Chairperson**

Mr Boraine is the Chief Executive of the Cape Town Partnership, a public-private partnership focusing on urban renewal in the Cape Town central city.



**Mr David Morema -
Vice-Chairperson**

Mr Morema is the National Coordinator of the National Association of Social Housing Organisation (NASHO)



Mr Mojalefa (JJ) Matlole

Mr Matlole is the City Manager of Mangaung Municipality in the Free State. Mangaung is the capital city of the Free State Province and seat of the provincial government.



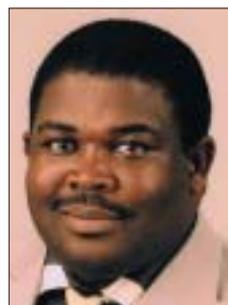
Dr Michael O. Sutcliffe

Dr Sutcliffe is the City Manager of eThekweni Municipality in KwaZulu-Natal. It hosts the biggest port in Southern Africa, and busiest in Africa.



Mr Thomas Phakathi

Mr Phakathi is currently the Ex-Officio Member of the Greater Johannesburg ANC Region. He is also a member of the Mayoral Committee and Chairperson of Municipal Administration.



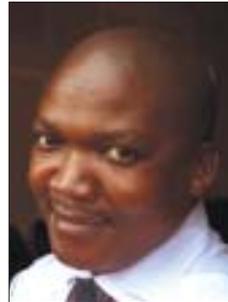
Mr Mxolisi Tsika

Mr Tsika is the City Manager of Buffalo City in the Eastern Cape. Buffalo City is the capital city of the Eastern Cape Province and seat of the provincial government.



Mr Mzimasi Leslie Mangcotywa

Mr Mangcotywa is the Municipal Manager of the Nelson Mandela Metropolitan Municipality, which is a major port city in the Eastern Cape Province.



Mr Thabane Zulu

Mr Thabane Zulu is the City Manager of the Msunduzi Municipality. Msunduzi is the capital city of the KwaZulu-Natal Province and seat of the provincial government.



Mr Sithole Mbanga

Mr Mbanga is the Chief Executive Officer of South African Cities Network and former head of the Local Government Support & Learning Networks Program.



Mr Elroy I. Africa

Mr Africa is the Deputy Director General: Governance & Development at the Department of Provincial and Local Government (DPLG).



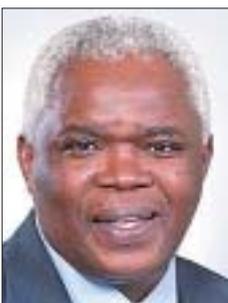
Dr Makhosini Khoza

Dr Khoza is the Chief Executive Officer of the South African Local Government Association (SALGA). SALGA is the official representative body of South Africa's municipalities.



Mr Blake Mosley-Lefatola

Mr Mosley-Lefatola is the City Manager of the City of Tshwane. Tshwane is the capital city of South Africa and seat of national government.



Dr Wallace Mgoqi

Dr Mgoqi is the City Manager of the City of Cape Town. Cape Town is the seat of National Parliament.

CHAIRPERSON'S REPORT



Mr Andrew Boraine

By 2030 there will be two billion new city dwellers worldwide, the majority of them living in informal settlements. The rapid growth of cities presents challenges by way of providing the growing population with enough basic services (water, sanitation, education and housing, among others).

The United Nations believes that by 2015 there will be 27 so-called megacities with a population of more than 10 million - most of them in Africa and Asia. The African continent has seen its urban population grow at an average annual rate of 4 percent, outstripping Latin America and Asia.

Cities are also centers for economic growth and are therefore an opportunity to create social cohesion, especially if well governed. As South Africa's economy matures, it invariably becomes the economy of our major cities, secondary towns and rural hinterlands. Facts from the State of South African Cities Report indicate that at present the nine largest cities in the country house 16,5 million people, some 37% of the country's total population on less than 2% of its land area. And these nine cities have an economic importance far in excess of their relative size:

- In 2001 the cities gave employment to 4 866 812 people, some 50,7% of the country's total working population of 9 583 761.
- In 2002, the economies of the nine cities collectively contributed an estimated R379 billion in Gross Value Add, 62% of South Africa's total estimated GVA for that year.
- Municipalities across the country as a whole approved R25,8 billion in new building plans in 2002. The nine cities contributed R17,7 billion of this new fixed investment - 68,6%.

- The combined municipal budget for the nine cities stood at R50,5 billion in 2002/3 (R7,7 billion capital budget and R42,8 billion operating budget). This was 65% of the total local government budget of R77,5 billion.

South Africa's economy, like that of many developed and fast-developing nations, is now essentially an urban economy mainly centered in and around three of our member cities, Johannesburg, eKurhuleni and Tswane in the greater Gauteng Province, which is bordered by the Free State, Mpumalanga and North West Provinces.

It is for this reason the SACN has played a pivotal role in supporting the Gauteng Province in conceptualizing the Gauteng City Region Project. This initiative requires consensus and care in its execution. Importantly, it is an acknowledgement on the part of our government that well governed cities are an important ingredient in creating socially cohesive societies through enhanced economic development.

In the past financial year the SACN has suffered losses as a result of the passing away of Mr Bheki Nene and Mr Musa Soni, respectively.

Our condolences go to their families, friends and colleagues. Their contribution to the struggle, democracy and local government transformation will have an immense impact on our entire livelihood into the future. Hambani kahle. Nilale ngoxolo.



PROGRAM OF ACTIVITIES

Reconfiguring Knowledge Creation Capability

When the SA Cities Network was established, its founding principals expressed the need to generate and disseminate knowledge as one of the key outputs and/or outcomes of value add to member cities in particular, and democratic local governance in general. In addition to ensuring that South African cities develop qualitative and realistic city development strategies, the founder members of the SACN recognized that any leap forward would be based on a proper understanding of the history of developmental local government and, importantly, its future direction. Thus knowledge management is a pivotal part of city development strategy development.

To this extent, the Secretariat has now restructured the nature and form of knowledge generating structures of the SACN by establishing holistic reference groups in the form of Productive Cities, Inclusive Cities, Well Governed Cities and Sustainable Cities Reference Groups. These reference groups have been structured and aligned to the programmatic framework of the SACN. This means that since twelve months ago the generation and dissemination of knowledge has taken a holistic form, that which is not limited by sector imperatives but by strategic intent.

These Reference Groups have adopted a program that allows practitioners to meet and exchange lessons at least once quarterly, finding innovative solutions and dialogue on various challenges that confront their respective cities. The reference groups also influence the programmatic activities that are driven by the SACN Secretariat and Management Committee, whose task is to support the generation of knowledge products that aim to assist strategic planning within the cities.

In the next financial year, a series of knowledge exchange platforms in the form of a seminar series will be implemented in conjunction with national and provincial government partners. This need has been expressed in light of numerous commercial seminar programs that are not primarily aimed at finding tangible solutions to challenges of city governance. Additionally, the expansion of the seminar program will allow practitioners sufficient space and platform to address sector specific issues (e.g. transport, data collection and analysis strategies, capacity building and skills retention) in a demand-driven manner.

It has also become obvious that more lesson sharing is taking place among officials and lesser participation has been solicited among political leadership and councillors, in particular. To this extent, the SACN will take advantage of the strengthened relations developed with SALGA to, firstly, resuscitate the District and Local Learning Network program and, secondly, identify the knowledge needs of SACN member city decision makers.

Productive Cities Program

Consequent to the above, the former Local Economic Development and Transport Working Group have been successfully consolidated to form the Productive Cities Reference Group to give impetus to the need for a strategic approach to knowledge sharing. It is our realization that transportation has major implications for economic development and that economic value helps motivate for transportation projects, and vice-versa.

The first joint reference group for the entire SACN program took place in Mangaung on 11 and 12 May 2005 and identified ways of aligning their projects and processes.

The following issues and needs now constitute the core program activity of the SACN's thematic Reference Groups:

Productive Cities Reference Group Program

- Skills development strategies for productive and inclusive cities
- Economic development exchange program

- Networks and clusters for economic development
- Improved data for economic development
- A seminar and workshop series for transportation

Inclusive Cities Reference Group Program

- Expanded Public Works Program
- Sustainable Human Settlements
- Urban Renewal

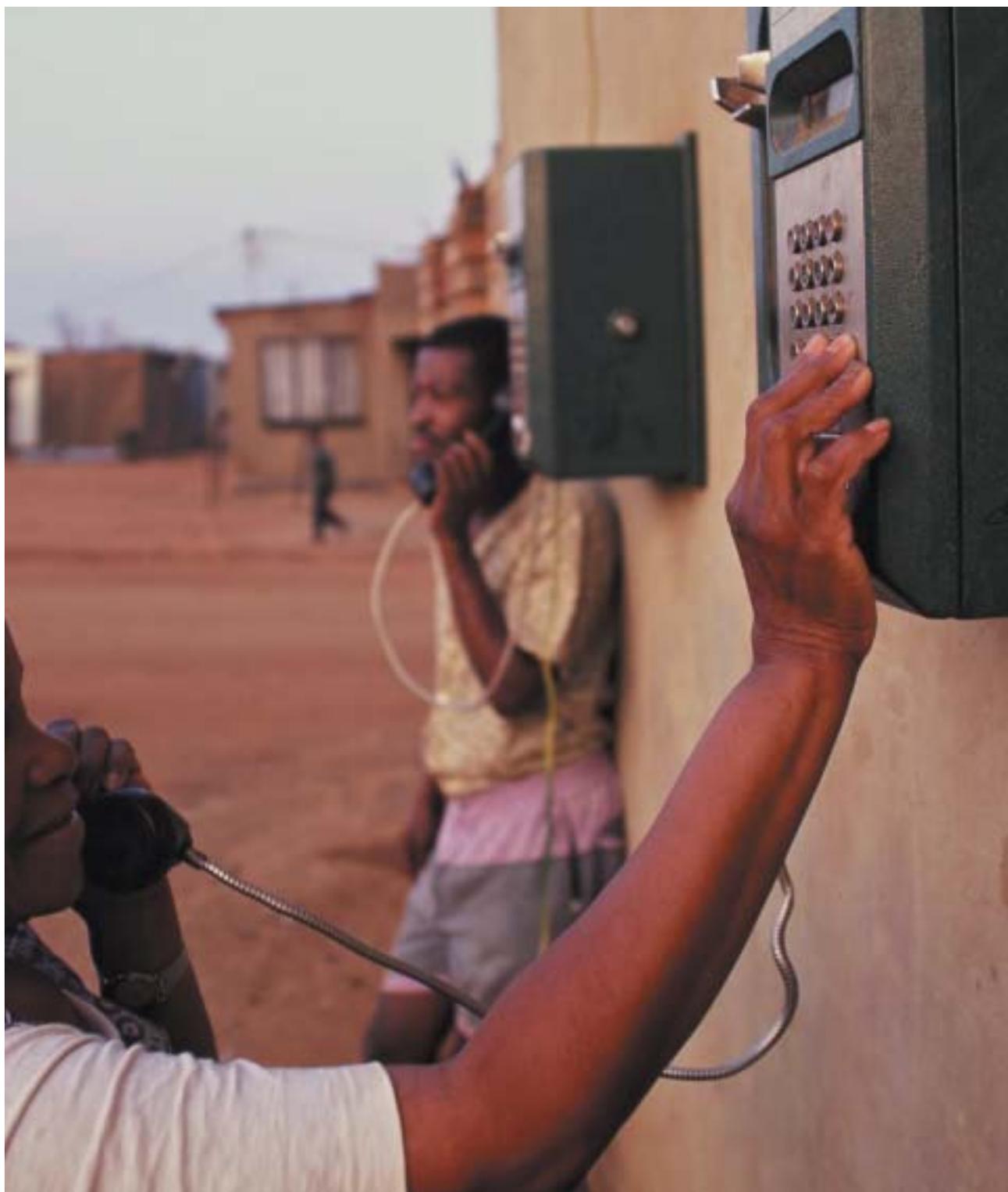
Well Governed Cities Reference Group Program

- Urban Indicators Project
- City Indicators Capacity Building

Sustainable Cities

- Urban Environmental Planning & Management Project
- Waste Management Project
- Alternative Energy Project
- Air Quality Project
- Water Resource Project





CROSS-CUTTING AND SPECIAL PROJECTS

HIV & AIDS Communities of Practice

SACN cities have agreed to participate in a Communities of Practice Program which was established to facilitate knowledge sharing between the cities. A Local Level Forum has been established in Gauteng as part of the Communities of Practice. This forum enables the three member cities within Gauteng to get together with other role players such as NGO's and research institutions to share experiences. This also initiates dialogue between participants during and beyond the forum meetings. The forum has met three times this year.

Other activities under the communities of practice include Buffalo City Municipality for undertaking study tours to the City of Cape Town and Msunduzi Municipality for exposure to workplace/employee wellness programs. In addition the SACN provided some technical assistance to Buffalo City Municipality during the month of August as the municipality completed a Medical Research Council led workplace prevalence study. This study was used as the foundation for an HIV/AIDS strategy for the municipality. The workplace prevalence study was documented by the MRC and made available to other SACN cities.

Furthermore, eight member cities participated in the second annual program review of the HIV/AIDS mainstreaming program which was held on 1 November 2004. The program review included reports from each city on the challenges and successes in implementing HIV/AIDS mainstreaming initiatives. Participants were also introduced to the experiences of the International Centre for Sustainable Cities in using long-term planning strategies to address social needs such as equal access to infrastructure and housing.



Guidelines for HIV and AIDS responses at the municipal workplace

One of the outcomes of the SACN HIV and AIDS program review was an agreement that one of the most pressing issues for municipalities is the successful implementation of workplace programs for addressing HIV and AIDS at the municipal work place. As a result the participants agreed that assistance in developing program standards based upon local experience was essential. An HIV and AIDS symposium was then held in Cape Town on 23 to 25 February 2005. The symposium, which SACN held in collaboration with SALGA, aimed at assisting municipalities to develop program and benchmarks for managing HIV/AIDS in their workplaces. Participants included all SACN members; district municipalities, DPLG, SAMWU, AIDS Law project, Daimler Chrysler and De Beers

Research Projects

Three research papers have been commissioned addressing three related developmental challenges. The aim of these papers is to research and report on best management and development practices in city level responses to HIV and AIDS. Recommendations are then made to assist cities in identifying areas for interventions. The three papers focus on the implications of HIV and AIDS on:

- Migration patterns
- Urban poverty
- Land use management.

International Exchange Program

A USAID funded knowledge exchange program has been initiated between SA Cities Network member cities and Virginia Beach in the United States. SACN and ICMA are tasked to facilitate this program. The DTI has committed to collaborate with SACN to facilitate networks and clusters for economic development. Partners are being explored to facilitate the enhancement of data for economic development. A seminar and workshop series has been developed and will be rolled out in July 2006.

State of the Cities Report (SOCR)

For the nine member cities of the SACN, the SOCR has become a source of reference, influencing a “new and different approach to conducting the business of developmental local government”. In many instances, national independent public organizations, government associated bodies and departments, Committees of Parliament in both the national and provincial legislatures, local government councillors and officials have all supported the SOCR as being reflective of the mature levels reached by local sphere of government in a short space of time.

The Management Committee and Board has decided that the SOCR Project should become an anchor project of the SACN, focusing and building our joint capacity to monitor and evaluate new challenges, analyze trends and deepen the analysis. To that extent, the objective/purpose of the SCOR 2006 will have to be as follows:

1. To provide inter-provincial and inner regional information and analysis of trends that must impact both negatively and positively on development.
2. To provide summarized city/municipality specific and comparative data and information that assists in the good governance and management of demarcated municipal areas.
3. Importantly, to become a positive influence, factor and key ingredient for the national Medium Term Expenditure Framework (MTEF) process and thus become more useful to provincial and national spheres of government, state-owned enterprises and the private sector.
4. To influence city performance scorecards by providing direction to, and by summarizing challenges that will be faced by urban South Africa for the next decade or so, ostensibly setting the agenda for the future.



CONTENTS

**South African Cities Network (Association incorporated under Section 21)
(Registration No. 2002/031754/08) (Non-profit organisation No: 032-488-NPO)**

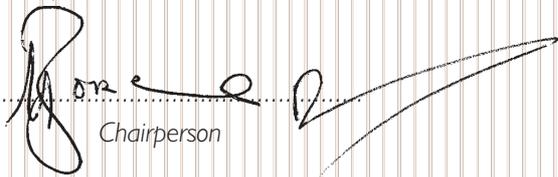
■ Report of the independent auditors	20
■ Report of the directors	21 - 23
■ Balance sheet	24
■ Income statement	25
■ Statement of changes in reserves	26
■ Cash flow statement	27
■ Notes to the financial statements	28 - 32

The following schedule has been attached for information purposes only and does not form part of the audited financial statements.

■ Detailed expenditure schedule.....	33 - 34
--------------------------------------	---------

APPROVAL

The financial statements set out on pages 24 to 34 have been approved by the board of directors and are signed on their behalf by:


.....
Chairperson


.....
Chief Executive Officer

CERTIFICATE BY SECRETARY

I confirm that South African Cities Network (Association Incorporated under Section 21) has complied with all its statutory requirements.


.....
Secretary

Johannesburg, 28 October 2005

REPORT OF THE INDEPENDENT AUDITORS to the members

South African Cities Network (Association incorporated under Section 21)

We have audited the annual financial statements of the South African Cities Network set out on pages 24 to 34 for the year ended 30 June 2005. These financial statements are the responsibility of the directors, while our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards which require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company at 30 June 2005 and the results of its operations 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 in South Africa.

Supplementary information

The schedule set out on page 33 - 34 has been attached for information purposes only and is not covered by the audit opinion.

Douglas & Velcich

Chartered Accountants (SA)

Registered Accountants and Auditors

Johannesburg, 28 October 2005

REPORT OF THE DIRECTORS for the year ended 30 June 2005

The directors present the attached annual financial statements and submit their report for the year ended 30 June 2005.

General Review

The SA Cities Network has become a formidable part of the South African governance machinery, adding value to the critical decision making component that is making the economy grow in unprecedented historical patterns. Social cohesion is also being achieved through efforts ensuring a better understanding of what will make our cities more inclusive and integrated.

The interaction with national government departments, provincial government and state owned enterprises is on the increase. There is more recognition that the SA Cities Network is an important ingredient of enhancing city governance for purposes of meeting the national development agenda. It is in the light of the above that the SACN Secretariat has been charged with ensuring that in 2006, after the second democratic local government elections which will usher in new leadership and also retain the already developed managerial skills base, a new edition of the "State of the Cities Report" will be published.

The "State of the Cities Report" will target the Medium Term Expenditure Framework process that is championed by the National Treasury as cities become more and more important to economic growth. The Secretariat has also been challenged with increasing the participation of our social partners and the private sector in our activities, especially in terms of the pivotal and supportive role that these sectors play in the governance of cities.

Annual Financial Statements for the year ended 30 June 2005

Enhancing Value-Add

By July 2006, an evaluation report that speaks to the impact that the SA Cities Network has had on our cities and governance in general will be produced, aimed at assisting the members to chart the way forward for the SACN and its Secretariat. With current levels of success, and more challenges, it is anticipated that the SACN will be given a new lease of life and an order to sharpen its strategic value add.

The programmatic framework continues to be the core informant of our city development strategies. As local government gears itself to review the impact and effectiveness of the first Integrated Development Plans (IDP), the SACN will galvanize its member cities to give substance to the IDP Evaluation process.

Share capital and dividends

The company has no share capital and its memorandum and articles of association prohibit the payment of dividends to members.

Property and equipment

During the year under review, the company acquired equipment to the value of R53,499 (2004 - R236,310).

Statements of responsibility

The directors are responsible for the maintenance of adequate accounting records, the preparation and integrity of the financial statements and related information. The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with generally accepted accounting practice and in the manner required by the Companies Act, 1973.

The directors are also responsible for the company's systems of internal control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

Annual Financial Statements for the year ended 30 June 2005

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

Results for the year

The results of operations for the year are fully disclosed in the attached financial statements.

Post balance sheet events

No material fact or circumstance has occurred between the balance sheet date and the date of this report.

Board members

S Mbanga (Chief Executive Director)	Appointed: (18/08/2004)
El Africa	Appointed: (02/02/2004)
AM Boraine	Appointed: (19/12/2002)
M Khoza	Appointed: (31/03/2005)
ML Mangcotywa	Appointed: (19/12/2002)
MJ Matlole	Appointed: (19/12/2002)
WM Mgoqi	Appointed: (19/02/2003)
DN Morema	Appointed: (19/12/2002)
BK Mosley-Lefatola	Appointed: (19/12/2002)
TZ Phakathi	Appointed: (19/12/2002)
MO Sutcliffe	Appointed: (19/12/2002)
MB Tsika	Appointed: (19/12/2002)
TW Zulu	Appointed: (31/03/2005)
SB Nene	Deceased
JCS Sibisi	Resigned: (31/03/2005)

Secretary

Secretarial services are performed by S Kalidas.

Auditors

During the year under review, Douglas & Velcich were appointed as auditors.

Annual Financial Statements for the year ended 30 June 2005

BALANCE SHEET AT 30 JUNE 2005

	Notes	2005 R	2004 R
ASSETS		1,246,045	629,000
Non current assets		184,265	228,649
Equipment	3	184,265	228,649
Current assets		1,061,780	400,351
Accounts receivable		10,390	83,390
Accrued income	5	212,640	-
Cash at bank and on hand		838,750	316,961
Total assets		1,246,045	629,000
RESERVES AND LIABILITIES		1,246,045	629,000
Reserves		243,903	125,445
Accumulated funds		243,903	125,445
Long term liability		14,650	39,142
Instalment sale agreement	4	14,650	39,142
Current liabilities		987,492	464,413
Accounts payable		671,299	418,798
Provision for leave		48,123	-
Current portion of long-term liabilities	4	40,570	45,615
Deferred grant income	5	227,500	-
Total reserves and liabilities		1,246,045	629,000

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 R	2004 R
INCOME		6,319,071	6,597,689
Grants	5	3,815,294	4,560,925
Interest received		58,979	11,764
Subscriptions received	6	2,227,500	2,025,000
Other income		217,298	-
EXPENDITURE		6,200,613	6,209,061
Establish Secretariat		-	341,513
Secretariat Costs		2,967,586	2,703,394
Information Technology		339,854	34,956
Knowledge Management and Communications		320,867	-
Networking, Membership and Partnership		276,092	1,253,740
City Development Strategies		1,525,211	1,213,885
Productive Cities		104,763	50,014
Inclusive Cities		327,918	522,241
Well Governed Cities		338,322	-
Sustainable Cities		-	89,318
SURPLUS FOR THE YEAR		118,458	388,628

Annual Financial Statements for the year ended 30 June 2005

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 30 JUNE 2005

	Accumulated Funds R	Total R
Balance at 1 July 2003	(263,183)	(263,183)
Surplus for the year	388,628	388,628
Balance at 30 June 2004	125,445	125,445
Surplus for the year	118,458	118,458
Balance at 30 June 2005	243,903	243,903

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 R	2004 R
Cash inflows from operating activities	9	531,738	464,600
Interest received		58,979	11,764
Interest paid on finance lease		(15,849)	-
Net Cash inflows from operating activities		574,868	476,364
Cash flows utilised in investing activities		(23,542)	(236,310)
Acquisition of equipment		(53,499)	(236,310)
Proceeds from disposal		29,957	-
Cash flows utilised in financing activities		(29,537)	84,757
(Decrease)/increase in long-term liabilities		(24,492)	39,142
(Decrease)/increase in current portion of long-term liabilities		(5,045)	45,615
Net increase in cash and cash equivalents		521,789	324,811
Cash and cash equivalents at beginning of year		316,961	(7,850)
Cash and cash equivalents at end of year		838,750	316,961

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

I. ACCOUNTING POLICIES

The financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies which are consistent with those applied in the previous year:

1.1 Accounting convention

The Association is registered under the Companies Act, 1973, as an association not for gain and as such no part of its income or property shall be transferred to members, directly or indirectly. All reserves of the Association are consequently non-distributable.

1.2 Equipment

Equipment is stated at cost less provision for depreciation. Depreciation is calculated to write off the cost of the equipment on the straight line method at the following rates:

Computer equipment	- 33.3% per annum
Office equipment	- 20% per annum

1.3 Income recognition

Income from grants is generally brought to account in the period to which it relates. All other income is brought to account as and when received.

Accrued grant income is income designated for the current year, but received after the financial year end. It is included in income and accounted for as a current asset.

Deferred grant income comprises income received in advance of the period to which it relates. It is excluded from income, and is accounted for as a current liability.

2. MEMBERS' GUARANTEE

In terms of the Memorandum of Association, the subscribers to the memorandum guarantee to each contribute R1 in the event of the company being wound up. At the balance sheet date the guarantee value amounted to R8 (2004: R8).

Annual Financial Statements for the year ended 30 June 2005

3. EQUIPMENT

	Computer equipment R	Office equipment R	Total R
30 June 2005			
Net book value 30 June 2004	75,168	153,481	228,649
At cost	104,301	176,744	281,045
Accumulated depreciation	(29,133)	(23,263)	(52,396)
Additions during the year	49,000	4,499	53,499
Depreciation for the year	(34,055)	(32,738)	(66,793)
Disposal at book value	(31,090)	-	(31,090)
At cost	(51,989)	-	(51,989)
Accumulated depreciation	20,899	-	20,899
Net book value 30 June 2005	59,023	125,242	184,265
At cost	101,312	181,243	282,555
Accumulated depreciation	(42,289)	(56,001)	(98,290)
30 June 2004			
Net book value 30 June 2003	40,434	-	40,434
At cost	44,735	-	44,735
Accumulated depreciation	(4,301)	-	(4,301)
Additions during the year	59,566	176,744	236,310
Depreciation for the year	(24,832)	(23,263)	(48,095)
Net book value 30 June 2004	75,168	153,481	228,649
At cost	104,301	176,744	281,045
Accumulated depreciation	(29,133)	(23,263)	(52,396)

Annual Financial Statements for the year ended 30 June 2005

4. INSTALMENT SALE LIABILITY

Nedcor Bank Limited
Less: Current portion of long-term liability disclosed under current liabilities

	2005 R	2004 R
	55,220	84,757
	(40,570)	(45,615)
	14,650	39,142

The above liability is secured by an instalment sale agreement over office equipment valued at R82,507 (2004 - R107,259). Instalments paid during the year ended 30 June 2005 amounted to R45,386. The liability has incurred interest at rates fluctuating between 12.5% and 15.5% per year.

5. GRANTS

USAID
 Received
 Accrued in 2005
Department of Provincial and Local Government
SIDA
 Received
 Deferred to 2006
Cities Alliance

	258,455	1,122,900
	45,815	1,122,900
	212,640	-
	1,500,000	1,500,000
	511,630	-
	739,130	-
	(227,500)	-
	1,545,209	1,938,025
	3,815,294	4,560,925

Annual Financial Statements for the year ended 30 June 2005

	2005 R	2004 R
6. SUBSCRIPTIONS RECEIVED		
Buffalo City Municipality	165,000	150,000
City of Cape Town	330,000	300,000
Ekurhuleni Metropolitan Municipality	247,500	225,000
eThekweni Metropolitan Municipality	330,000	300,000
City of Johannesburg	330,000	300,000
Mangaung Municipality	165,000	150,000
Msunduzi Municipality	165,000	150,000
Nelson Mandela Metropolitan Municipality	247,500	225,000
City of Tshwane	247,500	225,000
	2,227,500	2,025,000
7. DIRECTORS' REMUNERATION		
For managerial services	500,000	629,991
8. COMMITMENTS		
The company has commitments in respect of operating lease charges for premises and office equipment as follows:		
Payable within one year	60,000	72,000
Payable thereafter	-	60,000
	60,000	132,000

Annual Financial Statements for the year ended 30 June 2005

	2005 R	2004 R
9. RECONCILIATION OF PROFIT FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Profit/(loss) from operations	1 18,458	388,628
Adjustment for:		
- depreciation	66,793	48,095
- loss on disposal of assets	1,133	-
- interest received	(58,979)	(11,764)
- interest paid on finance lease	15,849	-
- increase in deferred income	227,500	-
- increase in accrued income	(212,640)	-
Operating cash flows before movements in working capital	158,114	424,959
	373,624	39,641
Decrease/(increase) in accounts receivable	73,000	(83,390)
Increase in accounts payable	300,624	123,031
	531,738	464,600

10. TAXATION

No provision for taxation has been made as the directors are still awaiting a response on qualification for exemption from income tax in terms of section 10(1)(cN) as read with section 30 of the Income Tax Act.

DETAILED EXPENDITURE SCHEDULE FOR THE YEAR ENDED 30 JUNE 2005

	2005 R	2004 R
Expenditure		
Secretariat Costs	2,967,586	2,703,394
Salaries	2,197,721	1,581,407
Office Consumables	512,164	896,112
Rent and services	72,000	36,000
Office refreshments	5,519	2,372
Office sundries	27,906	53,290
Postage and courier	34,813	32,657
Travel - local (staff)	59,429	53,749
Printing and stationery	46,052	557,921
Bank charges	7,013	6,250
Office insurance	23,167	8,090
Loss on disposal of assets	1,133	-
Depreciation	66,793	48,095
Telephone and cellphone	112,135	97,688
Internet	56,204	-
Financial and Legal Fees	57,713	205,469
Audit fees and other financial services	16,128	205,469
Interest paid on instalment sale agreement	15,849	-
Legal Fees	25,736	-
Organisational Development	199,988	20,406
Organisational Development	167,164	-
Staff training and development	32,824	20,406

DETAILED EXPENDITURE SCHEDULE FOR THE YEAR ENDED 30 JUNE 2005 (continued)

	2005 R	2004 R
Networking and Strategic Input	276,092	1,253,740
Management and Board Meetings	86,092	-
Local and International Conferences	121,901	-
Networking, Membership and Partnership	-	1,253,740
Annual Report	68,099	-
Information Technology	339,854	34,956
Establish Secretariat	-	341,513
City Development Strategies	1,525,211	1,213,885
Productive Cities	104,763	50,014
Inclusive Cities	327,918	522,241
Well Governed Cities	338,322	-
Sustainable Cities	-	89,318
Knowledge Management and Communications	320,867	-
	6,200,613	6,209,061