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board of trustees

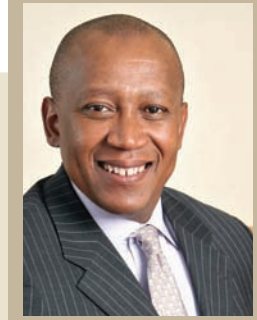
Financial Year 31 March 2008



M Phaweni
(Chairperson)



K Kutoane
(Chief Executive Officer)



MC Mogase
Non Executive South African



K Mdlulwa
Non Executive South African



D Chaine
Non Executive South African



M Mnyani
Non Executive South African



EP Stroebel
Non Executive South African

vision and mission



Vision

What do we want to be?

We aim to be the pre-eminent providers of public risk capital and a preferred funding partner in bridging the funding gap and extending the reach of private sector funding partners in the financing of affordable housing for the benefit of low income majority of our nation, and thus meeting the government desire for rapid delivery of sustainable human settlements.

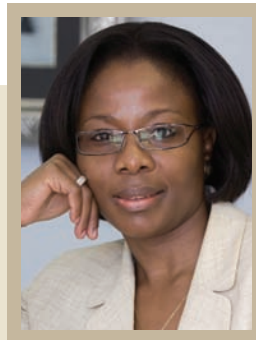
Mission

Primary reason for being

We mobilise risk mitigating development finance in dynamic collaboration with a boundary-less network of public and private sector partners in facilitating the establishment of sustainable human settlements across the development value chain and market segments served in alignment with government housing sector.

The key and primary pillar of our democratic constitution is the Freedom Charter from which I would like to extract the following relevant line which is central to our existence as the Gauteng Partnership Fund (GPF).

“...All people shall have the right to live where they choose, **be decently housed**, and to bring up their families in comfort and security... Unused housing space to be made available to the people... Rent and prices shall be lowered... Slums shall be demolished and new suburbs built where all have transport, roads, lighting, playing fields, crèches, and social centres...”



M Phaweni
[Chairperson]

Democratic South Africa has gone a long way in addressing the challenges impeding the realisation of the ideals of the Freedom Charter as highlighted above. We have many comprehensive programs ranging from progressive legislation to specific programmes such as Reconstruction and Development Programme (RDP), Development Facilitation Act, Breaking New Ground (BNG) programme, Social Housing policy, Rental Housing Act, Urban Renewal Programme, 20 Priority Township Programme and many others aimed at ensuring an integrated and coordinated approach across all spheres of government. All these have created an enabling environment for delivery of affordable decent housing for the majority of our poor people.

I dare to say that there are still many challenges, judging from our experiences in Gauteng, that are facing the national, provincial and local government structures in the provision of affordable, low cost housing in South Africa. These range from availability of low priced, well located land for housing developments, acute institutional capacity constraints to externally generated challenges such as the recent spiraling cost of building materials fuelled as it were by the rampant inflationary pressures that began to bedevil our economy over the past two or so years. These have led to almost 350 basis points increase in interest rates over the past 24 months, thus hardening access to borrowed funds for the majority of institutions and people.

Amidst these unprecedented and daunting challenges the GPF has continued to be the pinnacle of innovative funding for low cost affordable housing in Gauteng. During this financial year GPF has solidified its partnership arrangements with the major banks and other funding institutions as well as development finance sources such as the Development Bank of Southern Africa (DBSA). We have also concluded new partnerships with financiers and developers and are now firmly on the ground and poised to play even a more meaningful role in galvanising private sector funding within the broader affordable housing developments across the whole delivery value chain. I am pleased that we have once again met and even exceeded our targets for 2007/8 financial year. Out of the budget of R76 million, we have realised investment of

report of the chairperson



R84 million, attracting over R265 million in private sector funding. This compares more favourably with the total private sector funding of R175 million realised in 2006/7.

It is with great enthusiasm that I unveil the exciting new future strategy for the GPF which has been largely informed by the current pressing needs as far as low income housing is concerned. While over the past five years GPF has focused exclusively on intervening in the financing of social housing sector, we are now extending our facilitation reach to cover the entire spectrum of housing development, identifying funding gaps and developing targeted financing structures and instruments in partnership with the private sector players. This approach, which will target the whole delivery value chain, will result in more rapid delivery of affordable housing in Gauteng in alignment with the Gauteng Department of Housing (GDoH) policies and other government housing development programmes.

I feel honoured to have worked with a dedicated Board of Trustees who have ensured that GPF adheres to strict corporate governance principles, and who have been able to provide invaluable guidance to the Chief Executive Officer, Mr Kutoane Kutoane and his executive management team in their day to day running of the operations of GPF. I thank the entire board for their dedicated individual and collective services to the realisation of the mandate and objectives of the GPF. Their input and commitment throughout the year in guiding this organisation to achieve its strategic objectives has been most remarkable.

As is customary, I also wish to extend a sincere word of appreciation to all our private sector banking and development financing institutions, with whom we have worked with for the commitment they have demonstrated to partnering with us in addressing the dire need for affordable housing in Gauteng. We are going to depend more and more on them for meeting our new strategic challenges.

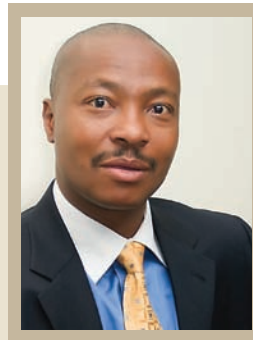
We have continued to enjoy a special patronage of our MEC for Housing in Gauteng, Mrs. Nomvula Mokonyane and the unwavering support of the entire team of her department. They have all never shied away in the face of challenges we have had to grapple with this financial year, and their overall guidance has proved helpful in many respects.

Finally I wish to thank the management and the staff of GPF for their continued commitment to GPF and to meeting the 2007/2008 targets without compromising standards of excellence in the face of great challenges.

M Phaweni (Chairperson)

report of the chief executive officer

GPF was established with a singular mandate to normalise the social (rental) housing market in Gauteng. This was to be achieved through application of innovative funding mechanisms which would provide an attractive menu of funding instruments (mostly subordinated debt) to the private sector to fund housing projects in this market. To date we have achieved most of these objectives, although the ability to do more has been hampered by the challenges identified below. Since 2003/4 financial year to date we have contributed R360 million in financing to social housing projects, leveraging up to R1 381 million of private bank funding. All in all over 10 000 dwelling units have been delivered during this period. This financial year we have exceeded our target investment of R76 million by R8 million, leveraging some R265 million of private sector funding. This investment has delivered 2 224 units.



K Kutoane
[Chief Executive Officer]

As mentioned above there has been many challenges to grapple with, some internal and others imposed by the environment within which GPF operates. The South African economy has been experiencing an unprecedented property boom in the past few years which has brought significant demand driven cost pressures to bear on the supply of social/rental housing stock in Gauteng. We have seen progressively declining rates of applications for financial assistance by Social Housing Institutions who could no longer afford the purchase price of housing stock in the wake of escalating construction and material costs and the compounded increase in the cost of funds as mounting inflation pressures prompted SARB to increase interest rates by a whopping 350 basis points over the 24 month period to March 2008.

“This financial year we have exceeded our target investment of R76 million by R8 million”

Furthermore, the time it takes to process new developments to the point of actual delivery of housing stock is too long (anything in excess of 24 months holding period), and with the rising costs the ultimate cost to the low income beneficiaries is prohibitive without concomitant increases in the subsidy portion. Beside escalating costs as we have outlined above there is an additional problem of the present power crisis which will impact on the ability of developers to deliver desired number of housing units.

In order to address this challenge we have conceptualised a special strategic initiative which will see the establishment of the special fund to finance the acquisition of various properties in the inner cities by a special purpose warehousing entity which will then develop them for onward disposal to deserving social housing institutions and emerging property entrepreneurs. Work is already advanced towards the establishment of this fund, and we have solicited other

report of the chief executive officer

“For repeat funding it has always been clear that one of the measures of success for the GPF is when the market could progressively be met 100% by commercial/private sources of funding.”



development finance institutions, especially the Development Bank of Southern Africa to consider joining in with us in this initiative. We have also engaged with the City of Johannesburg authorities to ensure coordination and alignment.

Since inception we have not been proactively and systematically promoting our services in the target market, instead depending largely on the network of financing partners and SHI's with whom we have relationships to directly present projects for equity funding to the organisation. This has created a situation of poor visibility of the GPF in the market which can explain why we have not been able to generate first time investor interest.

In order to address the issue of lack of market visibility we have decided to engage the services of the marketing consultant to design the marketing plan and advise on the implementation strategy as part of our new strategic positioning that I will outline below. This will enable us to systematically create a profile for GPF in the target market, and disseminate information in a structured manner to the carefully selected market audience. We intend to utilise our project team to proactively implement the marketing plan through a programme of road shows and participation in relevant industry forums and media appearances. We have already seen positive responses to the trial media presentations launched in some popular industry shows and advertorials by the CEO over the last few months.

One factor making it difficult to generate sufficient interest among new entrants, especially prospective black entrepreneurs has been lack of own equity contribution and necessary experience required to secure a project. This is compounded by severe lack of capacity in many Social Housing Institutions', especially the not-for-profit institutions. The likes of Madulamoho would be a stuck exception and the better performing of this category of institutions. Our new strategy will see a more active capacity enhancement programme for the housing development organisation which will be directly tied to a particular project being considered for funding.

For repeat funding it has always been clear that one of the measures of success for the GPF is when the market could progressively be met 100% by commercial/private sources of funding. We can safely assume, as suggested by some of the major banks, that banks are able to refinance without intervention from the GPF once they have established a track record with the particular SHI. Most SHI's who previously benefited from the GPF equity funding are increasingly opting for bank debt under our subsidised loan facility. This is encouraging.

We have recently designed a development finance facility with ABSA which has been approved

by the board. This was based on our experience with the subsidised loan facility product with which we have had sterling success. The objective was to bridge the time and costs of developers in securing serviced land and undertaking all necessary processes to make the land suited for commencement of actual development. We have been canvassing with the other major banks for similar products. Our new strategic positioning and expanded mandate will enable us to pursue this approach with renewed vigour.

We spent a considerable length of time this year reviewing our position as capital investment facilitator in the low income housing finance sector. We have reviewed the challenges facing this sector, the funding gaps that exist, actual needs of the population and delivery constraints. This elaborate review has led us to certain conclusions which have shaped our future strategy going forward.

Risk Sharing Partnerships

We have established working partnerships with Standard Bank and Absa Bank with products such as the subsidised loan facility and development finance facility aimed at sharing the risk and thus enabling the banks to progressively fund projects on the more favourable risk to reward ratio. We have taken the decision that it is optimum to finance projects through the creation of such enabling facilities for banks, and leveraging on the expansive resources within the banks as our partners.

Perhaps the best strategy would be to maintain a small number of project personnel to continue with direct funding interventions in partnership with such institutions as the Trust for Urban Housing Finance (TUHF), while the main focus for GPF should be the establishment of funding partnerships with banks on risk sharing basis and monitor the performance of the facilities tied to such risk sharing partnerships. I anticipate that going this route would lead to better deployment of our professional resources.

Strategic Repositioning

This financial year we have initiated the process of reviewing our mandate and strategic positioning in the light of the changing market conditions and needs. The idea is to seek the expansion of the GPF mandate to enable funding interventions in the wider affordable housing market. Our situational evaluation has revealed that most bottlenecks in the delivery of affordable housing stock to the designated income categories exist throughout the whole value chain, starting with the land acquisition process, zoning and registration, services provision all the way to development and the actual delivery of a finished home to the beneficiary. Throughout this process we will identify funding gaps and design optimal funding strategies in



“This financial year we have initiated the process of reviewing our mandate and strategic positioning in the light of the changing market conditions and needs.”

report of the chief executive officer



partnerships with private sector funding institutions.

The primary motivation informing this strategic repositioning exercise is the rapidly changing dynamics of the low income housing sector in SA which has prompted GPF management to conclude that if we were to be relevant in the delivery chain we need to reinvent ourselves and follow the market rather than pursue blindly what we perceive as the market need. This meant that the mandate needed to be revisited and reviewed for continued relevance and to take into account the changes being experienced and the need identified over time within the context of a very dynamic environment.

The Breaking New Ground (BNG) programme of government has identified the creation of sustainable, integrated human settlements as a primary policy priority. GPF has been identified by GDoH as one institution that should play a key role in the realisation of delivery milestones under this policy imperative. Our strategic review process has defined the manner of approach for GPF as far as bridge funding is concerned. We have presented a comprehensive strategic plan document to the Board with an addendum plan of execution and targets, and this has been approved. The MEC and executives in the GDoH have assured us of their support in this initiative.

As part of this unfolding new strategy we have engaged with a number of major private equity houses, mostly those that would not have capacity and/or appetite for traditional debt funding but who need to meet their Financial Sector Charter commitments to explore establishment of the equity type risk sharing fund structure between them and GPF. This may take a form of a jointly funded fund to be independently managed or a series of funds for each institution depending on the different return expectations preferences with respect to particular funding instruments. The idea here will be to use public funds held by the GPF as a sweetener to attract substantial private sector equity funds, and as far as possible grant funding from local and international foundations and NGOs into the target market. We have solicited the services of the reputable corporate finance advisor to assist in the formulation of the business case, the fund structure and its viability. We aim to present the completed proposal to the Board early in the new financial year.

Investment Structuring and Pricing

A new pricing structure has been implemented. We have adopted the guidelines provided by the public finance theory and determined the approximation of the "opportunity cost of public funds" which will form the benchmark for pricing of GPF's funding instruments. We have also adopted consistent investment parameters to guide the Board in the decision making process.

These are highlighted in our revised investment policy.

Vote of Thanks

It is with sincere delight for me to thank the Chairperson of the Board, Ms Magapa Phaweni and the entire Board of Trustees for providing me with invaluable support and guidance which enabled me to quickly grasp the challenges and meet the objectives for the year. It would not have been possible without such level of support. The members of the Gauteng Department of Housing deserve special mention and a word of thanks from me for their patience in guiding me through the myriad of policies for low cost housing, and the many implementation challenges. I truly feel indebted to them for having made me a low cost housing expert over night.

Finally it gives me great pleasure to acknowledge the support I received from the senior management team who helped me to understand the issues specific to GPF, as well as ensuring that the eye is kept firmly on the ball to guard against any compliance and governance surprises. I also wish to extend a sincere word of thanks to the rest of management and staff at GPF for their dedication to the organisation and for upholding its core principles as well as in sharing my passion for rapid social delivery to our people.



K Kutoane (Chief Executive Officer)



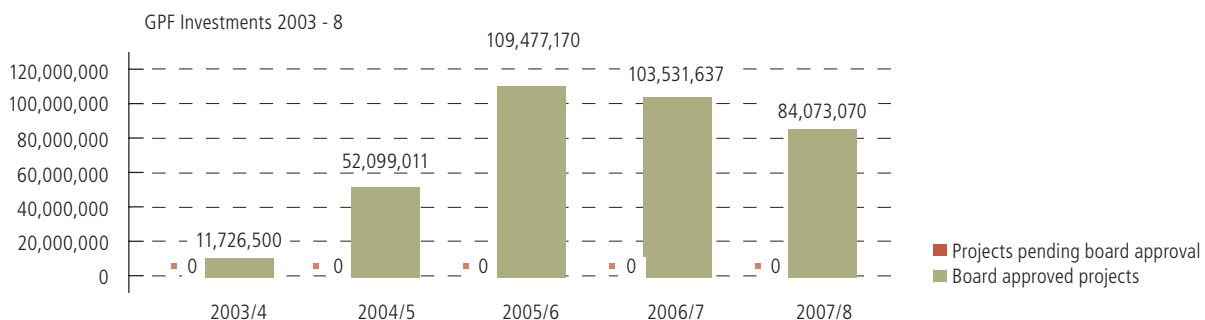
report of the chief executive officer

#	YEAR	PROJECT / INSTITUTION	GPF INVESTMENT	OTHER INVESTORS Excluding subsidies	# OF UNITS
	2003/4	EQUITY/MEDIUM DENSITY			
1		Brickfields (Phase 1)	R10,000,000	R84,230,187	631
2	reallocated	Guarantee Fund (Nurcha)	R 0	R 0	0
		CAPACITY FUND			
3		GGICHC	R 603,000	R 0	0
4		Cope Housing Association	R 382,000	R 0	0
5		Yeast City	R 318,500	R 0	0
6		Housing Company Tshwane	R 423,000	R 0	0
	2004/5	EQUITY/MEDIUM DENSITY			
7		Brickfields (Phase 2)	R 14,300,000	R 0	178
8		Kliptown Project	R 34,000,000	R 105,408,246	1408
		CAPACITY FUND			
9		Yeast City	R 368,000	R 0	0
10		JHTFH	R 601,905	R 0	0
11	Cancelled	Housing Company Tshwane	R 293,000	R 0	0
12		Cope Housing Association	R 536,106	R 0	0
		INTUTUKO FUND			
13		Harmonie Hof	R 192,000	R 1,049,850	70
14		Davenport	R 195,000	R 1,221,000	10
15		Edeleon	R 190,000	R 1,182,500	24
16		Sonskyn	R 195,000	R 1,200,000	33
17		Warrington Court	R 195,000	R 1,500,000	18
18		Yellow Wood Park	R 190,000	R 1,300,000	20
19		91 Derby Road	R 100,000	R 471,260	8
20		Maryland	R 200,000	R 837,500	28
21		407 Fox Street	R 45,000	R 609,976	16
22		Ravello	R 200,000	R 1,295,304	8
23		Saraleon	R 200,000	R 1,021,313	14
24		Caroldene	R 98,000	R 1,342,100	18
	2005/06	EQUITY/MEDIUM DENSITY			
25		Manner Mansions	R 2,836,466	R 11,345,868	80
26	moved to Absa	Purchase Place	R 6,600,000	R 50,272,768	280
27		President Place	R 6,000,000	R 11,024,224	317
		STD SUBSIDISED LOAN FACILITY			
28		Mount Ethene	R 358,000	R 1,790,000	36
29		Biccard House	R 707,000	R 3,535,000	54
30		66 Small Street	R 3,022,800	R 15,114,000	148
31		African City	R 2,221,620	R 11,108,100	145
32		Montrose	R 2,040,000	R 10,200,000	108
33		Glazina Court	R 260,000	R 1,300,000	32
34		Inner city	R 6,120,000	R 30,600,000	1342
35		Inner city	R 2,118,000	R 10,590,000	142
36		The Ridge Hotel	R 1,612,800	R 8,064,000	134
		CAPACITY FUND			
37		Madulamoho	R 295,585	R 0	0
38		JTFTH	R 573,959	R 0	0
39		Cope Housing Association	R 188,223		
40		ASHCO	R 445,140		
		ABSA SUBSIDISED LOAN FACILITY			
42		African Diamond	R 1,851,416	R 6,479,956	70
43		Atkinson House	R 7,082,543	R 24,788,902	296
44		Essanby House	R 3,115,885	R 10,905,598	135

report of the chief executive officer

45		Textile House	R 3,689,333	R 12,912,666	174
46		Stirling House	R 2,247,421	R 7,865,974	73
47		Briley	R 540,668	R 1,892,337	40
48		Protea	R 550,311	R 1,926,088	33
49		BRIDGING FACILITY	R 25,000,000	R 0	1869
50		STD SUBSIDISED LOAN FACILITY	R 30,000,000	R 70,000,000	
	2006/7	EQUITY/MEDIUM DENSITY			
51		Maseleng Investments	R 3,100,000	R 11,680,000	120
52		Elkero	R 6,578,266	R 2,575,734	168
53		New Regent	R 2,271,068	R 73,112	58
54		Montrose	R 10,793,533	R 6,473,810	317
		PRE-DEVELOPMENT CAPACITY			
55		Waterval project survey	R 0	R 125,000	0
56		Ekuruleni Survey	R 0	R 100,000	0
57		Leamohetswe feasibility study	R 0	R 14,250	0
58		Ikhaya labantu	R 0	R 500,000	0
		CAPACITY FUND			
59		Madulamoho	R 680,300		
60		Yeast City	R 108,470		
		SUBSIDISED LOAN FACILITY			
61		ABSA Sub-loan facility projects	R 30,000,000	R 70,000,000	
62		TUHF WHOLESALE FACILITY	R 30,000,000	R 450,000,000	
63	cancelled	RMB Sub-loan facility projects	R 20,000,000	R 70,000,000	
	2007/8	EQUITY/MEDIUM DENSITY			
64		Tsakane Project	R 8,451,099	R 19,719,212	300
65		Parklane Hotel	R 2,599,101	R 13,018,230	177
66		Glazina Court	R 500,000	R 3,757,880	37
67		Rooderport	R 19,663,319	R 60,620,301	432
68		City Deep	R 23,948,109	R 68,492,517	250
		CAPACITY FUND			
69		Madulamoho	R 786,442	R 0	0
70		PRE-DEVELOPMENT	R 125,000	R 375,000	0
71		BRIDGING FACILITY			474
72		RISK PARTICIPATION	R 0	R 0	554
73		INTUTUKO FUND	R 8,000,000	R 19,000,000	
74		ABSA DEVELOPMENT FACILITY	R 20,000,000	R 80,000,000	
		TOTAL	R 360,907,388	R 1,380,909,763	10,879

GEARING PERCENTAGE	26%	67%
GEARING RATIO	1	4
TOTAL COMMITMENTS	R 360,907,388	
TOTAL PENDING	R 120,073,070	* Suspensive conditions to be met
TOTAL CANCELLED	R 27,496,000	
TOTAL FUNDS DISBURSED	R 213,338,318	



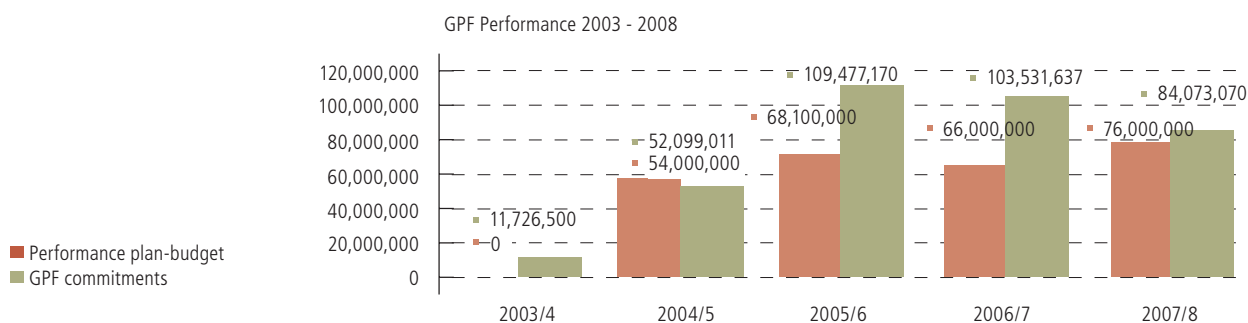
operations report

B Muvevi
[Chief Investment
Officer]



Performance Overview (period 2003-2008)

Over the past 5 years GPF has developed innovative funding mechanisms aimed at leveraging private sector funding for housing projects targeted for households with income less than R7 500 adjusted according to CPIX. Since 2003/4 financial year to date we have exceeded our set annual targets and committed R360 million (from an initial capital of R450 million) leveraging up to R1,381 billion of private bank funding, in financing to social housing projects. This has resulted in delivery of over 10 000 dwelling units during this period. The GPF 2003-2008 commitments are illustrated graphically below.



Sustainability of funded projects

In general, most of the companies funded are opting to utilize the subsidized loan facility with the banks for their projects, in which they contribute a minimum of 10%. This gives a general indication that our goal of at least 70% of funded projects to be sustainable is on track; however the challenge is to get emerging BEE entrepreneurs to access funding on a sustainable basis. It is also worth noting that the development period of brownfields is 1-2 years and green field is 2-3 years, hence post construction performance is still at infancy for most projects.

Participation of all major banks

Over the past 5 years we have initiated discussion with all major banks and financial institutions with the aim to get them to participate in funding social housing projects. The progress to date is as follow:

- ABSA Bank: R175 million contribution to the facility
- Standard Bank: R175 million contribution to the facility
- RMB: R200 million contribution to the facility (cancelled)
- Nedbank: prefers financing on a deal by deal basis (we are yet to conclude a deal)

Objective 1: Development of innovative funding mechanism to gear private sector funding

The key objective for GPF for 2007 to 2008 was to create an enabling environment to attract commercial funding to the social housing sector for households earning less than R8 600 (CPIX linked). This we achieved by taking the first risk through structured funding instruments which have a character of equity in the social housing institutions. The goal is to attract fair priced private sector funding for affordable housing projects in Gauteng. In assessing GPF performance, the level of gearing of private sector funding is the primary measure, in facilitating affordable

housing units. This benchmark is linked to a specific amount to be invested per annum as shown by Table A below:

During the course of the year, GPF undertook an extensive review of its programmes in line with its envisaged new strategy and positioning in the market. This process has resulted in a comprehensive review of existing product offering as follows:



- Rental Housing Fund (former Equity Fund)
- Social Housing Fund (former Medium Density Fund)
- Management of Institutional Subsidies Program (new)
- Risk Participation Facility (former Subsidized Loan Facility)
- Development Finance Facility (former Venture Capital Fund)
- Intuthuko Fund (former Emerging Entrepreneur Fund)

Table A - Performance 2007 - 2008

Key Performance Areas (Programmes)	Goal	Output	Target for 2007/2008	Actual performance for 2007/2008	Reason for variance
1. Rental Housing Fund (focused on for-profit entities)	To enhance the debt / equity ratio for projects such that companies can raise commercial funding.	Gearing of funding	Max of 30% of GPF funding for each project	1:5	Borrowing entities were able to contribute own equity towards the project cost.
		Invested amount	R5m	R 3.1m	The steep property acquisition cost and economic challenges of high interest rates and escalating building costs have reduced the demand for the product.
1. Rental Housing Fund (focused on for-profit entities)	To enhance the debt / equity ratio for projects such that companies can raise commercial funding.	Gearing of funding	Max of 30% of GPF funding for each project	1:5	Borrowing entities were able to contribute own equity towards the project cost.
		Invested amount	R5m	R 3.1m	The steep property acquisition cost and economic challenges of high interest rates and escalating building costs have reduced the demand for the product.
2. Social Housing Fund (focused on non-profit entities)	To reduce cost of capital for projects linked to institutional subsidies.	Gearing of funding.	No gearing	No gearing	Objective achieved. The programme performed well due to the backlog of budget for institutional subsidy projects.
		Invested amount	R15m	R52.1m	

operations report

Key Performance Areas (Programmes)	Goal	Output	Target for 2007/2008	Actual performance for 2007/2008	Reason for variance
3. Management of Institutional Subsidy program	To reduce the capital cost of projects, to allow for lower affordable rentals.	Grant funding Budgeting, Management, evaluation and facilitation	R92m	R116.5m	Objective achieved. Projects approved were greater in value than anticipated.
4. Risk Participation	To facilitate the sustainable entry of Banks through sharing financing risk.	Gearing of loans (to private investors via funding facility) Invested amount Number of loans achieved by the facility set up in 2006/7	Max of 20% of GPF funding for each project R30m 10 projects (R50m)	1:5 - 3 projects (R19.3m)	The steep property acquisition cost, the prevailing economic challenges of high interest rates and escalating building costs have reduced the demand for the product. This impacted on the additional budgeted amount and the anticipated number of loans for the facility.
5. Development Finance Facility	To share financial risk with financial institutions in equity funding for affordable housing projects. Focus on development phase	Gearing of loans (to private investors via facility). Invested amount	Max of 20% of GPF funding for each project R20m	1:5 R20m	No variance Objective achieved.
6. Intuthuko Fund (Emerging Entrepreneur Fund)	To reduce cost of capital on projects, to emerging entrepreneurs providing small scale housing in the inner cities.	Gearing of loans (to private investors via facility) Invested amount Number of Projects	Max of 30% of GPF funding for each project R4m 8	1:3 R8m -	Due to the successful pilot programme our implementation partner TUHF, requested a higher facility amount. Facility agreement yet to be signed.
7. Bridging Facility	To provide short term finance to address quick responses to property financing in the rental sector.	Unblocking projects to enable housing delivery Number of projects funded	 3	 12	Objective achieved. Facility has performed beyond expectations.
8. TUHF Wholesale Facility	To assist TUHF in leveraging commercial funding for on lending to inner city investors contributing to urban regeneration.	Restructuring of TUHF's funding streams.	RNil	RNil	Facility agreement yet to be signed

Key Performance Areas (Programmes)	Goal	Output	Target for 2007/2008	Actual performance for 2007/2008	Reason for variance
9. Capacity Fund (focused on emerging entities)	To boost company management and financial self sustainability.	Grant funding	R2m	R0.8m	Low take-up due to most SHI's not meeting criteria for grant funding.
10. Pre – development Funding	To unblock or kick start projects to enable housing delivery.	Soft loans/ grant funding	No gearing	No gearing	The prevailing economic challenges and lack of bulk infrastructure has reduced the demand for the programmes.
		Number of projects	3	1	

1. The Rental Housing Fund

The Rental Housing Fund is used to enhance the debt / equity ratio for project financiers. The following projects were supported during the 2007/2008 financial year:

Project	GPF's contribution	Other funding	Number of units
Glazina Court	R 500 000	R 3 757 880	37
Parklane Hotel	R2 599 101	R13 018 230	177
Total	R 3 099 101	R 16 776 110	214

2. The Social Housing Fund

The fund reduces the cost of capital for projects, thereby enhancing the cash flows for housing institutions that are not for profit and who are undertaking mixed income projects. The following projects were supported:

Project	GPF's contribution	Other funding	Number of units
Tsakane	R 8 451 091	R 19 719 212	300
Roodepoort	R19 663 319	R 60 620 301	432
City Deep	R23 948 109	R 68 492 517	250
Total	R52 062 519	R148 832 030	982

3. Management of Institutional Subsidy Program

GPF has been tasked by the GDoH with the management, evaluation and facilitation of the program. The full roll-out of the program commenced on the 1st of April 2007 after budget approval. The GPF has submitted 5 proposals for GDoH's Housing Advisory Committee (HAC) for the MEC approval of institutional subsidies. The following projects were approved for 2007/8:

Project	Subsidy amount
Resdoc	R 2 671 552
City Deep	R 27 299 992
Roodepoort	R 18 032 976
BG Alexander	R 17 907 747
Tsakane	R 50 609 388
Total	R116 521 655



4. Risk Participation Facility

The fund facilitates the sustainable entry of banks through sharing financing risk for housing developments. It allows for an interest rate blending resulting in cheaper housing project finance. There has been minimal movement on the facility in comparison to the previous years due to strategy review process for Standard bank facility, while ABSA has been due to economic challenges highlighted earlier.

A total of R50 million was committed for ABSA & Standard Bank facility in 2006/7 and budgeted for projects in the period 2007/8. A total of R19.3 million has been committed on the projects listed below:

PROJECTS	GPF's Cont.	Bank Finance	Number of Units
Midnight Masquerade	R 17 210 968	R 60 238 387	440
Franklyn Building	R 783 512	R 3 565 341	45
Vulcan House	R 1 296 400	R 4 537 400	69
Total	R 19 290 880	R 68 341 128	554

5. Development Finance Facility

To share financial and developmental risk with developers for affordable housing projects. This is short term loans or bridging finance for projects aimed at increasing the supply of new affordable housing stock in the market.

This facility offers development finance for integrated residential developments to residential property developers for the acquisition of land, installation of services and/ or top structures for sale, rental, instalment sale or other tenure options in Gauteng.

We are currently in talks with all major banks; however we have secured a facility with ABSA which has a total commitment of R90 million funding, of which R20 million is from GPF and R68 million from ABSA.

6. Intuthuko Fund

This programme is offered through the Trust for Urban Housing Finance (TUHF). The purpose of the fund is to provide soft funding to emerging entrepreneurs providing small-scale housing in the inner cities. The R2 million pilot programme for the Intuthuko Fund proved to be a success, and this has resulted in approval of a follow up funding of R8 million to enable a full roll out of the programme in 2008/9.

7. Bridging Facility

The bridging facility is aimed at addressing the requirements of the inner cities' private investor need for quick responses to property financing (purchase of property, rates clearance costs and construction loans) for the rental sector. The bridging finance facility is a partnership with TUHF established in 2006. The fund was capitalised 100% by GPF for an amount of R25 million, while TUHF manage the facility. The success of the intervention is demonstrated by the following list of projects below that have been funded by the bridging facility in 2007/8.

PROJECTS	Funding	Number of Units
Parklane Hotel	R 2 772 992	165
City Kidz	R 1 373 531	-
Houghton Plaza	R 669 387	42
102 Twist Street	R 441 344	104
Epping Court	R 854 699	24
College Court	R 188 537	4
Verde Court	R 498 502	27
Selwood	R 1 538 666	34
Liandra Court	R 1 149 676	10
Frailmont	R 194 603	6
Margate Court 1& 2	R 1 010 763	33
Harock Heights	R 367 893	25
Total	R 11 060 593	474



8. TUHF Whole sale Facility

This is a R30 million facility approved by the GPF board in 2006 financial year. The purpose of the facility is to assist TUHF in leveraging commercial funding for on lending to inner-city investors contributing to urban regeneration, entrepreneur development. The transaction entails securitization arrangement through creation of various funding mechanisms and instruments of differing rankings. The complexity of the transaction facility has seen the past year dedicated to drafting of the legal agreements and refining the transaction structure to accommodate various stakeholders. We anticipate finalisation of the structure and legal documents mid 2008.

9. The Capacity Fund

The fund also provides either grant or interest free loans to social housing institutions in order to boost their management capacity that will ultimately lead to financial self-sustainability. The following highlights the



institutions supported and funds committed over 2007/8.

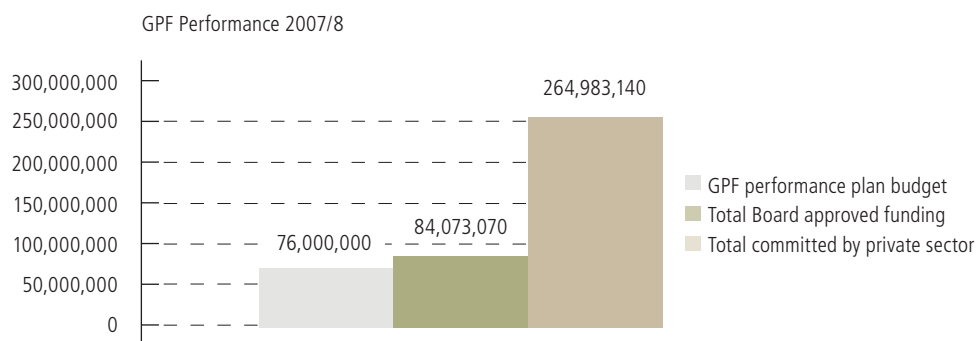
Institution	Committed amount
Madulamoho	R 786 442
Total	R 786 442

10. Pre-development Facility

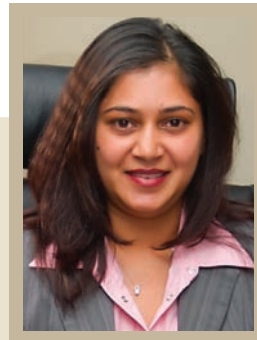
Pre-development funding provides risk capital for projects from inception to determine whether to continue with a project or not. Facilitating this finance gap in the market will enable to kick start housing projects. In partnership with the Groupe Agence Francaise de Development (AFD), Development Bank Southern Africa (DBSA), we have R2 million facility and committed funding of R500 000 to Tsakane project in Ekurhuleni.

Summary of Performance

The GPF has achieved its major strategic objective for 2007/8 financial year, to gear and attract fair priced commercial funding for affordable housing projects in Gauteng for the target market despite various market challenges. GPF has committed a total investment of R84 million vs. a budget of R76 million leveraging a total of R265 million private sector funding for projects. This is further illustrated in Graph A below:



“GPF is focused on instilling a commitment to continuous achievement and work enjoyment through staff wellness and development.”



K Govender
[Chief Financial Officer]

Internal Control, Human Resources & Risk Management overview **General HR overview**

GPF relies on the health, motivation and performance of its employees. The philosophy is to employ the highest calibre individuals, who are characterised by integrity, intellect and innovation.

GPF is focused on instilling a commitment to continuous achievement and work enjoyment through staff wellness and development. Taking care of human capital by developing their work and life skills significantly impacts upon key business objectives.

Review of the year

6 employees received bursaries for furthering their education through degrees or diplomas and 17 staff attended a total of 121 training days as part of the skills development strategy.

There were 6 resignations during the year and subsequently 4 staff were recruited in line with Employment Equity targets. As at 31st March 2007 there were 6 vacant posts.

There was 1 account of staff disciplinary action taken and 0 grievances were raised during the reporting period.

Going forward

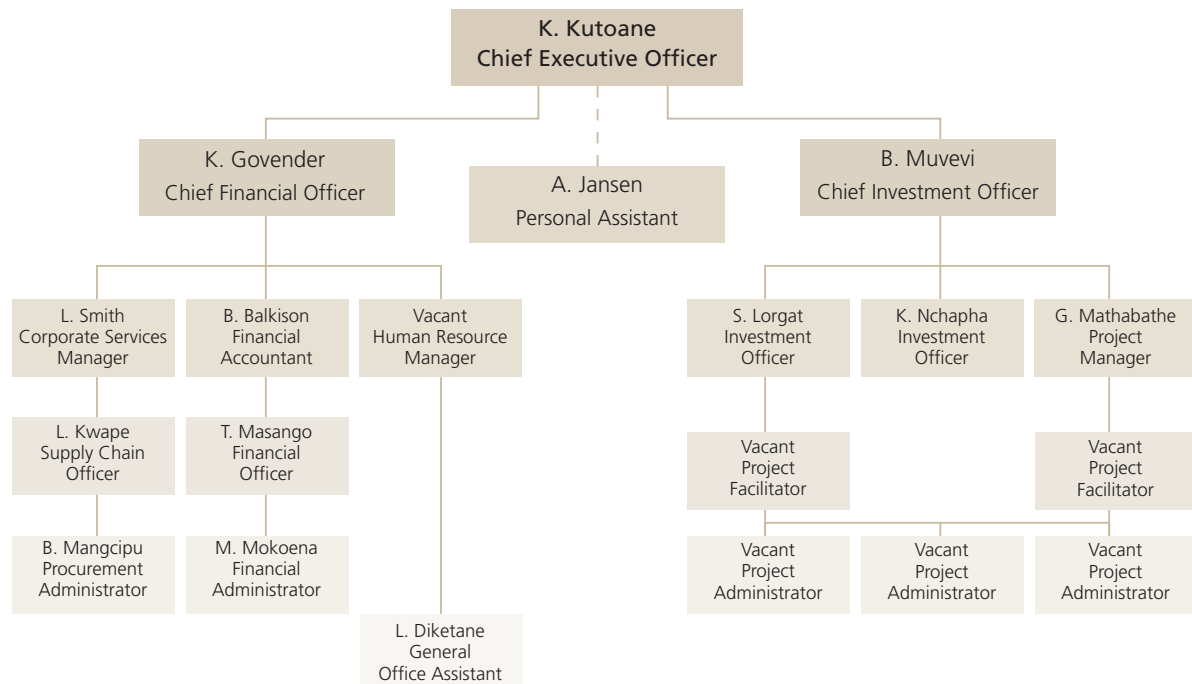
In response to the objectives contained in the 2008-2011 Strategic Plan a comprehensive Human Resources plan has been developed for 2008-2011 aligned to the business strategy.

One of the HR initiatives for 2008/9 is to implement an intensive Employee Wellness Programme to promote the well being of GPF employees. This programme will be aimed at assisting and supporting employees in identifying and addressing health and other personal problems that may have a negative impact on an employee's daily performance.

operations report

No	Name	Job Title	Race	Gender	Commencement Date	Termination Date
1	Lance Smith	Corporate Services Manager	Coloured	Male	01-Oct-03	
2	Beryl Agulhas	Human Resources Manager	Coloured	Female	01-Oct-04	29 February 2008
3	Boni Muvevi	Chief Investment Officer	African	Male	01-Nov-04	
4	Thandokuhle Masango	Financial Officer	African	Female	11-Jan-05	
5	Basil Balkison	Financial Accountant	Coloured	Male	16-Feb-05	
6	Ditshego Mogodi	Admin Clerk	African	Female	18-Apr-05	31 January 2008
7	Godfrey Mathabathe	Project Manager	African	Male	25-Apr-05	
8	Makgotso Bogatsu	Project Facilitator	African	Female	01-Aug-05	31 March 2008
9	Lopang Kwape	Procurement Officer	African	Female	01-Sep-05	
10	Mpho Mokoena	Financial Administrator	African	Male	01-Sep-05	
11	Anthea Jansen (Nee Peterson)	Personal Assistant	Coloured	Female	01-Sep-05	
12	Margaret Marakalala	Financial Officer	African	Female	01-Oct-05	30 April 2007
13	Jabulani Matobela	Project Facilitator	African	Male	17-Oct-05	31 January 2008
14	Shiraaz Lorgat	Investment Officer	Indian	Male	01-Dec-05	
15	Brian Mangcipu	Procurement Administrator	African	Male	03-Apr-06	
16	Lilian Diketane	General office Assistant	African	Female	05-Apr-06	
17	Komathie Govender	Chief Financial Officer	Indian	Female	03-Jan-07	
18	Kutoane Kutoane	Chief Executive Officer	African	Male	07-May-07	
19	Azizzar Nkosi	Personal Assistant	African	Female	01-Jun-07	5 October 2007
20	Katleho Nchapha	Investment Officer	African	Male	03-Jan-08	

GPF organogram



“In line with the Treasury Regulation requirements, the internal auditors have direct access to the CEO, the Audit Committee and the Board of Trustees.”

Risk Management

The focus of risk management in the Gauteng Partnership Fund (GPF) is on identifying, assessing, managing and monitoring all known forms of risk across the GPF. CURA software is utilised by the GPF as a risk management tool. While operational risk cannot be fully eliminated, the GPF endeavours to minimise it by ensuring that appropriate infrastructure, a comprehensive suite of policies, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints. In line with the Treasury Regulation requirements, the internal auditors have direct access to the CEO, the Audit Committee and the Board of Trustees.



Governance

The Gauteng Partnership Fund (GPF) is managed and controlled by a unitary Board of Trustees as appointed in terms of a trust deed. The Board consists almost exclusively of independent, non-executive Trustees, with the exception of the CEO, who is the only executive trustee. The trustees have fiduciary duties and obligations in terms of the trust deed. Apart from the common law duties which are attached to the office of trustee, the trustees are subject to the duties enunciated in the Trust Property Control Act, 1988 (Act No. 57 of 1988). GPF has a comprehensive suite of policies that have been developed around principles of internal control and corporate governance. These contribute to the effectiveness of corporate governance and are in accordance with the PFMA.

Internal Financial Control

The system of controls is designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. Internal financial control focuses on critical risk areas, which are identified by management and reviewed by the Audit Committee. The management team and the governing structures are confident that the standards that have been set and the systems of internal control and accounting control that have been implemented are adequate and ensure the integrity and reliability of the Financial Statements and accountability of GPF's assets. These systems are continuously monitored throughout the year by both management and Internal Audit.

“GPF has a comprehensive suite of policies that have been developed around principles of internal control and corporate governance.”

report of the audit committee

We are pleased to present our report for the financial year ended 31 March 2008.

Audit Committee Members and Attendance

The accompanying table shows persons who served as members of the Audit Committee during the period under review, and their attendance record at formal Audit Committee meetings.

Name of member	Number of meetings attended
M Mogase (Chairperson)	2 of 3
A Green (Represented the founder Gauteng Department of Housing)	1 of 3
K Mdlulwa	2 of 3
E Stroebel	1 of 3

Remuneration rate:

Formal meetings = R2 311 (Chairperson), R1 403 (Audit committee member) per meeting.

Audit Committee Responsibility:

The Audit Committee has adopted appropriate terms of reference as its Audit Committee Charter. The Charter is regularly updated and complies with principles of good governance and with the requirements of the PFMA. The Audit Committee is accountable to the Board of Trustees and has an oversight function with regard to:

- Financial management
- Risk management
- Compliance with laws, regulations and good ethics
- Reporting practices, and
- Internal and external audit functions

The Audit Committee has satisfied its responsibilities for the year in compliance with its terms of reference.

Report on the operations of the Audit Committee

During the period under review, the following key activities were undertaken and demonstrate the commitment of the Audit Committee to achieving its mandate:

- Reviewed the risk analysis, as well as the internal and external audit coverage plans and budget
- Monitored progress with the internal audit coverage plans as well as Management's follow up of matters requiring attention
- Considered internal audit reports and made recommendations as appropriate

- Monitored the effectiveness of the internal control systems and the internal audit function
- Reviewed quarterly management accounts
- Monitored compliance with Gauteng Partnership Fund policies and applicable legislation
- Conducted separate informal meetings with both internal and external audit

The Effectiveness of Internal Control and Risk Management

The Audit Committee is satisfied that:

- The risk management process is in place and that the major risks under the control of Gauteng Partnership Fund are properly managed
- The internal control systems are effective and the internal auditors are operating objectively and independently
- Matters requiring Management attention have been adequately addressed

Evaluation of Financial Statements

The Audit Committee has:

- Reviewed and discussed with the external audit and Management the audited Annual Financial Statements to be included in the Annual Report
- Reviewed the external auditors' management letter and Management's response thereto
- Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the conclusions of the Auditors 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.



M Mogase

Chairman of the Audit Committee

report of the auditor general

Report of the Auditor – General to the Gauteng Provincial Legislature on the financial statements and performance information of the Gauteng Partnership Fund for the year ended 31 March 2008.

Introduction

1. I have audited the accompanying financial statements of the Gauteng Partnership Fund (Fund) which comprise the statement of financial position as at 31 March 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 30 to 60.

Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these Financial Statements in accordance with the basis of accounting determined by National Treasury, as set out in accounting policy note 1 to the financial statements and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). 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
 - Making accounting estimates that are reasonable in the circumstances

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with Section 4 of the Public Audit Act, 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 the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on 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 judgment, 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

6. An audit also includes evaluating the:

- appropriateness of accounting policies used
- reasonableness of accounting estimates made by management
- overall presentation of financial statements

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

8. The Fund's policy is to prepare financial statements in accordance with the basis of accounting determined by National Treasury, as set out in accounting policy note 1 to the financial statements.

Opinion

9. In my opinion the financial statements present fairly, in all material respects, the financial position of the Gauteng Partnership Fund as at 31 March 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 to the financial statements and in the manner required by the PFMA.

Emphasis of matter

Without qualifying my audit opinion, I draw attention to the following matter:

Restatement of corresponding figures

10. As disclosed in Note 27 to the financial statements, the corresponding figures for 2007 were restated as a result of prior period error in the financial statements of Gauteng Partnership Fund.

Other matters

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements.

report of the auditor general

Matters of governance

11. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which we have assessed as follows:

Matter of governance	Yes	No
Audit committee		
The Fund had an audit committee in operation throughout the year	x	
The audit committee operates in accordance with approved, written terms of reference	x	
The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8.	x	
Internal Audit		
The Fund had an internal audit function in operation throughout the year	x	
The internal audit function operates in terms of an approved internal audit plan	x	
The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2	x	
Other matters of governance		
The annual financial statements statement were submitted for audit as per legislated deadlines (Section 55 of the PFMA) .	x	
The financial statements submitted for audit were not subject to any material amendments resulting from the audit .		x
No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	x	
The prior year's external audit recommendations have been substantially implemented.	x	

Unaudited supplementary schedule

12. The supplementary information set out on page 61 does not form part of the financial statements and is represented as additional information. I have not audited these and accordingly I do not express an opinion thereon.

Other reporting responsibilities

Report on performance information

13. I have reviewed the performance information as set out on pages 12 to 18

Responsibility of the accounting authority for the performance information

14. The accounting authority has additional responsibilities as required by section 55 (2) (a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

Responsibility of the Auditor-General

15. I conducted my engagement in accordance with the section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.
16. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgment.
17. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

Appreciation

18. The assistance rendered by the staff of the Gauteng Partnership Fund during the audit is sincerely appreciated.

Auditor-General

Johannesburg
30 July 2008



report of the trustees

*The trustees present their report for the year ended 31 March 2008.
This report forms part of the financial statements.*

1. General review

Main business and operations

The Gauteng Partnership Fund (GPF) is an innovative, proactive market intervention with a vision to facilitate a functioning social housing market that attracts sustainable commercial funding. The mission of the Gauteng Partnership Fund is to channel commercial funding to the social housing sector through innovative financial structures. The GPF gears private sector funding from its own capital base on a project by project basis, this results in an enhanced debt to equity ratio for projects, ensuring growth and a viable return on investment.

The Gauteng Partnership Fund's intention is to leverage additional funding from a decreasing equity/loan base when financing projects, thereby easing the burden on government, by shifting their role from provider of finance to facilitator of development. Private sector involvement not only eases the burden on government facilities but also encourages better risk sharing, accountability, monitoring and efficiency in the longterm management of projects. The Gauteng Partnership Fund thereby ensures that housing financiers enter the lower income housing market on a sustainable basis.

2. Statements of responsibility

The trustees are required to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the trust as at the end of the financial year and the results of its operations and cash flows for

the period then ended. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with the basis of preparation as detailed in note 1 of the accounting policies note to the financial statements and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The trustees acknowledge that they are ultimately responsible for the system of internal financial

“Private sector involvement not only eases the burden on government facilities but also encourages better risk sharing, accountability, monitoring and efficiency in the longterm management of projects.”

control established by the Trust and place considerable importance on maintaining a strong control environment. To enable the trustees to meet these responsibilities, the trustees set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

The trustees are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable, but not absolute, assurance that the financial records may be relied on for the preparation of the financial statements. Nothing has come to the attention of the trustees to to

indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

With regard to disclosure of irregular expenditure as per note 29, the GPF had applied the provisions per Treasury Regulation 16A6.4 for the appointment of the current internal auditors. The expenditure incurred was deemed to be irregular per interpretation. The intention of the Accounting Authority upon incurring this expenditure was not to attract such consequences but rather to act in good faith for the entity to ensure a continuous, effective and efficient internal audit function.

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

3. Post balance sheet events

The trustees are not aware of any matter or circumstance arising since the end of the financial year requiring disclosure or adjustment to the annual financial statements.

4. Equipment and intangibles

During the year the trust purchased equipment and intangibles to the value of R1,101,195 (2007: R179 762). The useful lives on the remaining assets during the year and any change of this has been disclosed as a change in estimate.

5. Trustees

M Phaweni (Chairperson)
Non Executive South African

K Mdlulwa
Non Executive South African

MC Mogase
Non Executive South African

DC Chainee
Non Executive South African

EP Stroebe
Non Executive South African

M Mnyani
Non Executive South African

K Kutoane
(Chief Executive Officer)
Executive South African

6. Secretary

The Trust is not required to have a secretary in terms of the Trust Property Control Act.

7. Right of indemnity

At reporting date, Trust assets were sufficient to meet the Trustee's right of indemnity out of Trust assets for liabilities incurred on behalf of the Trust.

8. Trust liabilities

All liabilities incurred on behalf of the Trust are liabilities of the Trust and have been included in the Trust's statement of financial position.

9. Auditors

Office of the Auditor General will continue in office in accordance with the Public Audit Act, 2004 (Act No. 25 of 2004).

The annual financial statements set out on pages 30 to 61 which have been prepared on the going concern basis, were approved by the board on 30 July 2008 and were signed on its behalf by:



K Kutoane (Chief Executive Officer)



M Phaweni (Chairperson)

statement of financial position

Figures in Rand	Note(s)	2008	2007
Assets			
Non-Current Assets			
Available for sale investments	2	3	3
Intangible assets	3	230,828	16,802
Loans and receivables	4	44,895,448	35,163,566
Equipment	5	1,241,156	794,089
		46,367,435	35,974,460
Current Assets			
Trade and other receivables	6	6,255,630	3,736,138
Current portion - loans and receivables	4	5,316,581	6,122,277
Cash and cash equivalents	7	521,834,502	495,846,397
		533,406,713	505,704,812
Total Assets		579,774,148	541,679,272
Trust Equity and Liabilities			
Reserves			
Accumulated Surplus		231,431,578	147,852,733
		231,431,578	147,852,733
Liabilities			
Non-Current Liabilities			
Finance lease obligation	8	78,514	-
Operating lease liability	10	13,182	56,841
Deferred income	9	193,407,033	305,943,713
		193,498,729	306,000,554
Current Liabilities			
Trade and other payables	11	33,983,922	50,246,270
Current portion - finance lease obligation	8	39,336	24,228
Current portion - operating lease liability	10	32,328	-
Deferred income	9	120,023,666	36,852,025
Provisions	12	764,589	703,462
		154,843,841	87,825,985
Total Liabilities		348,342,570	393,826,539
Total Net Assets and Liabilities		579,774,148	541,679,272

statement of financial performance

Figures in Rand	Note(s)	2008	2007
Revenue	13	94,063,429	95,744,406
Other income		13,647	11,033
Operating expenses		(13,334,265)	(10,042,991)
Operating surplus	15	80,742,811	85,712,448
Fair value adjustments of loans and receivables	24	3,135,458	(6,594,000)
Impairment losses on loans	28	(292,999)	(8,291,033)
Finance costs	25	(6,425)	(5,879)
Surplus for the year		83,578,845	70,821,536

statement of changes in net assets

Figures in Rand	Trust capital	Accumulated Surplus	Total net assets
Opening balance as previously reported	459,864,567	19,745,779	479,610,346
Prior period error (Refer to note 27)	(459,864,567)	57,285,418	(402,579,149)
Balance as restated at 01 April 2006	-	77,031,197	77,031,197
Profit for the year	-	70,821,536	70,821,536
Total changes	-	70,821,536	70,821,536
Balance at 01 April 2007	-	147,852,733	147,852,733
Total income and expenses for the year	-	83,578,845	83,578,845
Total changes	-	83,578,845	83,578,845
Balance at 31 March 2008	-	231,431,578	231,431,578

cash flow statement

Figures in Rand	Note(s)	2008	2007
Cash flows from operating activities			
Cash generated from operations	17	39,335,964	28,213,711
Finance costs	25	(6,425)	(5,879)
Net cash from operating activities		39,329,539	28,207,832
Cash flows from investing activities			
Purchase of equipment - expansion	5	(815,155)	(162,695)
Proceeds of sale of equipment		20,784	9,311
Purchase of intangible assets	3	(286,042)	(17,067)
Loans and receivables		(13,160,339)	(42,078,515)
Current portion - loans and receivables		805,696	-
Net cash from investing activities		13,435,056	(42,248,966)
Cash flows from financing activities			
Finance lease payments	8	93,622	(41,492)
Total cash movement for the year		25,988,105	(14,082,626)
Cash and cash equivalents at the beginning of the year		495,846,397	509,929,023
Total cash at end of the year	7	521,834,502	495,846,397

accounting policies

1. Basis of preparation of Financial Statements

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

Standard of GRAP	Replaced Statement of GAAP
GRAP 1: Presentation of financial statements	IAS1(AC101): Presentation of financial statements
GRAP 2: Cash flow statements	IAS7(AC118): Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	IAS8(AC103): Accounting policies, changes in accounting estimates and errors

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

Terminology differences:

Standard of GRAP	Replaced Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit	Profit/loss
Accumulated surplus/deficit	Retained earnings
Trust Capital	Share capital
Distributions to owners	Dividends

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

Amount and nature of any restriction on cash balances is required. Paragraphs 11 – 15 of GRAP 1 have not been implemented due to the fact that the budget reporting standard has not been developed by the local standard setter and the international standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objective of the financial statements.

These accounting policies are consistent with the previous period, except for the changes set out in notes 22 and 27 First time adoption of International Financial Reporting Standards 7.

1.1 Significant judgments

Loans and Receivables

The company assesses its loans and receivables subsequently measured at amortised cost for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the company makes judgments as to whether there is objective evidence that the asset is impaired. The impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original

interest rate from a financial asset. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised. In determining whether an impairment allowance should be recorded in the balance sheet, the Trust makes judgment as to whether there is objective evidence that the asset might be impaired. The impairment allowance is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective rate from a financial asset.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit or loss.

Equipment and intangible assets

Management assesses whether there are any indicators of impairment for equipment and intangible assets at each reporting date. Management assesses the useful lives of intangible assets and equipment to finite. Intangible assets are amortised on a straight line basis over their useful life. Equipment is depreciated over its expected useful life on a straightline basis.

1.2 Financial instruments

Initial recognition

Financial instruments are recognised when the Trust becomes a party to the contractual provisions of the instrument. Initial measurement is at fair value, which includes directly attributable transactions costs for investments not at fair value through profit and loss. These instruments are subsequently measured as set out below.

Fair value determination

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis.

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment.

The carrying amount of the asset is reduced through the use of an impairment allowance account, and the amount of the impairment loss is recognised in the statement of financial performance within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of financial performance. Gains or losses from the amortisation process are recognised in the surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade and other payables are subsequently measured at amortised cost using the effective interest rate method, less any

accounting policies

impairment allowance. Gains or losses from the amortisation process are recognised in the surplus or deficit.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method, less any impairment allowance.

Interest bearing borrowings

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Interest bearing borrowings and other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. At subsequent reporting dates the Trust revises its estimates of receipts, and adjusts the carrying amount of the loan and receivable to reflect actual and revised estimated cash flows. The Trust recalculates the carrying amount by computing the present value of estimated future cash flows at the loan's original effective interest rate. The adjustment is recognised as income or expense in surplus or deficit. Subsequently, these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. Loans and receivables are derecognised when the rights to receive cash flows from the investment have expired. Criteria used to determine the objective evidence would include financial analysis and non-compliance with loan agreement.

Available-for-sale financial assets

Available-for-sale assets are non-derivatives that did not meet the definition of loans and receivables, held to maturity investments or financial assets at fair value through profit and loss.

Regular way purchases and sales are recognised and derecognised on a trade date basis. These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the asset is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the surpluses or deficit for the period.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity assets classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit – is removed from equity and recognised in the surplus or deficit.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Available-for-sale financial assets are derecognised when the rights to receive cash flows from the investments have expired.

1.3 Intangible assets

Intangible assets acquired separately are initially recognised at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of these intangible assets are assessed to be finite. Intangible assets are amortised on a straight line basis over their useful life and this expense is taken to the statement of financial performance.

The most important amortisation rates are as follows:

Computer software	2 years
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Intangible assets are reviewed for impairment on an annual basis. The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition thereof is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end. Intangible assets with finite lives are amortised over their useful lives and are tested for impairment annually.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

1.4 Equipment

The cost of an item of equipment is recognised as an asset when:

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

Equipment is initially measured at cost. Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset if the recognition criteria are met. Costs include costs incurred initially to acquire or construct an item of equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of equipment, the carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in profit or loss as incurred.

Equipment is carried at cost less accumulated depreciation and any accumulated impairment losses. Equipment is depreciated over its expected useful life on a straight-line basis

Item	Average useful life
Furniture and fixtures	6 years
Motor vehicles	6 years
Office equipment	6 years
Computer equipment	Between 1 and 6 years
Leasehold improvements	1.5 years

The equipment residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each

accounting policies

financial year end. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (ie. impairment losses are recognised).

Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in profit or loss.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of an item of equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in surplus or deficit in the year the asset is derecognised.

Leasehold improvements are capitalised at cost and are written off over the lease term.

1.5 Prior period error

Monies received from the founder (Gauteng Department of Housing) were previously taken directly to Trust Capital. The accounting treatment of these receipts has now been done in accordance with IAS 20 - Accounting for Government Grants. The effect of this change has been disclosed in note 27.

1.6 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Assets leased under a finance lease are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the prime rate at date of inception.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are recognised in the surplus or deficit for the period.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

1.7 Provisions

Provisions are recognised when:

- the Trust has a present obligation as a result of a past event;

- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions are not recognised for future operating losses.

1.8 Revenue

Revenue comprises government grants, interest received from loans and receivables as well as from cash and cash equivalents.

Conditional government grants received are recorded as deferred income in the Statement of Financial Position and are recognised as income as and when the conditions are met.

Interest income from loans and receivables is recognised as interest accrues (using the effective interest rate, that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instruments to the net carrying amount of the financial asset.)

Interest received from cash and cash equivalents is accrued on a time proportion basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity.

1.9 Capacity grants

Grants are only paid upon the fulfillment of conditions for payment as specified in the relevant agreements. Once these conditions are satisfied the amount is expensed in the statement of financial performance. If subsequent to payment conditions are compromised, the grants are converted to loans and any amount previously expensed is reversed in the statement of financial performance.

1.10 Employee benefits

The cost of employee benefits is recognised during the period in which the employee renders the related service. Employee entitlements are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to reporting date. Provisions included in the statement of financial position are provisions for leave (based on the current salary rates) and bonus.

No provision has been made for retirement benefits as the Trust does not provide for retirement benefits for its employees.

1.11 Irregular and fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with:

- The Public Finance Management Act, Act 1 of 1999 (PFMA)

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

All irregular and fruitless and wasteful expenditure is charged against the respective class of expense in the period in which it is incurred.

notes to the annual financial statements

1.12 Government grants

Government grants are recognised as deferred income in the statement of financial position. When an amount has been disbursed in terms of the GPF mandate, the amount of deferred income is reduced by the disbursement and is recognised as income on a systematic basis.

2. Available for sale investments

Figures in Rand	2008	2007
Unlisted shares at fair value		
Greater Germiston Inner City Housing Company Phase II (Proprietary) Limited	1	1
Greater Germiston Inner City Housing Company Pharoe Park (Proprietary) Limited	1	1
Brickfields Housing Company (Proprietary) Limited	1	1
	3	3

Available-for-sale

Available-for-sale financial assets consist of investments in unquoted ordinary shares. The valuation requires management to make estimates about the expected future cash flows of the shares which are discounted at current rates. Management believes that the resulting estimated fair values are reasonable and the most appropriate at the reporting date.

The equity investment in Greater Germiston Inner City Housing Company Phase II (Pty) Ltd and Greater Germiston Inner City Housing Company Pharoe Park (Pty) Ltd consists of R4 000 000 each. This amount is interest free and the repayment thereof has been determined by a put and call option between Gauteng Partnership Fund and the Ekurhuleni Metropolitan Municipality. As is stipulated in the loan agreement entered into by the former two parties. The put option has not been recognised in the annual financial statements as no dividends have been paid to Gauteng Partnership Fund.

The equity investment in Brickfields Housing Company (Pty) Ltd consists of R10 000 000. This amount is interest free and the repayment thereof has been determined by a put and call option between Gauteng Partnership Fund and Johannesburg Housing Company (Pty) Ltd. As is stipulated in the loan agreement entered into by the former two parties. The put option has not been recognised in the annual financial statements as no dividends have been paid to Gauteng Partnership Fund.

The company has reclassified a financial asset from available-for-sale to loans and receivables for the Intuthuko Fund. This amount was previously disclosed as available-for-sale in the prior year at cost of R2 million and a fair value adjustment and interest of R810 519 resulting in a carrying amount of R1 189 481 and has been reclassified to loans and receivables as the Gauteng Partnership Fund intends to recover the initial capital amount. This amount was initially recognised at fair value and is subsequently measured at amortised cost and is now included under loans and receivables at amortised cost.

This amount has been reclassified to loans and receivables as it is management's intention to recover the initial capital amount of the loan.

Credit quality of available-for-sale financial assets

The credit quality of financial assets is managed internally by ensuring that investments are made only after assessing and evaluating the social housing institutions management capacity and project feasibility.

3. Intangible assets

Figures in Rand		2008			2007	
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	321,254	(90,426)	230,828	35,212	(18,410)	16,802
Figures in Rand					2008	2007
Reconciliation of intangible assets - 2008			Opening Balance	Additions	Amortisation	Closing Balance
Computer software			16,802	286,042	(72,016)	230,828
Reconciliation of intangible assets - 2007			Opening Balance	Additions	Amortisation	Closing Balance
Computer software			8,659	17,067	(8,924)	16,802

Intangible assets

Intangible assets comprises mainly the risk management system called Cura. The carrying amount of this system is R166 332 and the remaining amortisation period is 20 months.

4. Loans and receivables

Figures in Rand	2008	2007
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The Gauteng Partnership Fund enters into loan agreements directly with financial or social housing institutions. These financial or social housing institutions then advance these monies to borrowers. The amounts owed under the ABSA, Standard Bank, Trust for Urban Housing Finance Bridging facility and Trust for Urban Housing Finance - Intuthuko (Pty) Ltd are the amounts owed to Gauteng Partnership Fund by borrowers.

ABSA

Loan amount	2,780,544	3,297,760
Advanced and interest capitalised	2,835,650	-
Fair value adjustment	(155,763)	(533,929)
Interest amortised	241,602	16,713
Current portion transferred to current assets	(658,748)	-
	5,043,285	2,780,544

The ABSA subsidised loan facility supports developments of new sub-markets within the social housing sector which allows for blending of interest rates between banks and the Gauteng Partnership Trust resulting in reduced rates to projects. The nominal amount of the loan was R6,081,771(2007:R3,298,446) and bears interest at prime minus 4.25%.

Brickfields Housing Company (Pty) Ltd

Loan amount	4,596,396	4,099,316
Interest amortised	-	497,080
Impairment	(4,596,395)	(4,596,395)
	1	1

notes to the annual financial statements

Figures in Rand	2008	2007
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The nominal amount of the loan to Brickfields Housing Company (Pty) Ltd of R14,300,000 consists of redeemable preference shares with a fixed redemption date in 2017 and is interest free. No interest income was earned on this loan. This amount was impaired in the previous financial year due to poor financial performance.

Greater Germiston Inner City Housing Company Phase II (Pty) Ltd

Loan amount	1,847,320	1,647,540
Interest amortised	-	199,780
Impairment	(1,847,319)	(1,847,319)
	1	1

The nominal amount of the interest free loan to Greater Germiston Inner City Housing Corporation Phase II (Proprietary) Limited is R3,500,000 and is repayable in five equal installments of R700, 000 each (no interest is payable on the capital amount), the first payment is due in January 2010. No interest income was earned on this loan. This amount was impaired in the previous financial year due to poor financial performance.

Greater Germiston Inner City Housing Company Pharoeh Park (Pty) Ltd

Loan amount	1,847,320	1,647,540
Interest amortised	-	199,780
Impairment	(1,847,319)	(1,847,319)
	1	1

The nominal amount of the interest free loan to Greater Germiston Inner City Housing Corporation Pharoeh Park (Proprietary) Limited is worth R3,500,000 and is repayable in five equal installments of R700, 000 each (no interest is payable on the capital amount), the first payment is due in January 2010. No interest income was earned on this loan. This amount was impaired in the previous financial year due to poor financial performance.

Housing Company Tshwane

Loan amount	293,000	293,000
Impairment allowance	(292,999)	-
	1	293,000

The interest free loan to Housing Company Tshwane was for capacity building and would have been converted into a grant if satisfactory progress reports had been received. As at year end the company had not fulfilled their obligations therefore an impairment allowance has been provided for. No interest income was earned on this loan. The repayment terms are immediate if grant obligations are not fulfilled.

Trust for Urban Housing Finance - Intuthuko (Pty) Ltd

Loan amount	1,189,481	2,000,000
Fair value adjustment	-	(1,036,683)
Interest amortised	130,842	226,164
	1,320,323	1,189,481

notes to the annual financial statements

Figures in Rand	2008	2007
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The interest free loan of R2,000,000 was made available from our Emerging Entrepreneur Fund to enable the Trust for Urban Housing Finance to finance low collateral projects. The designated funds will not solely be managed and utilised with the object to make profits, but to facilitate and fund low collateral projects on the basis that the capital amount is preserved. The loan is repayable in one installment in April 2012.

Jozi Housing (Pty) Ltd

Loan amount	2,267,636	2,834,406
Fair value adjustment	108,233	(215,141)
Repayment received	(3,673)	-
Interest amortised	38,111	53,580
Current portion transferred to current assets	(405,209)	(405,209)
	2,004,898	2,267,636

The loan to Jozi Housing Company (Pty) Ltd bears interest at prime less 4.25% per annum and is repayable in eight annual installments of R405,209. The first repayment was received in May 2007. Additional payments amounting to R3 857 were received during the year. The loan is secured by a mortgage bond over Erf 5198 Johannesburg Township.

Johannesburg Social Housing Company (Pty) Ltd

Loan amount	5,938,222	5,322,328
Fair value adjustment	5,001,652	-
Repayment received	(11,250,000)	-
Interest amortised	310,126	615,894
	-	5,938,222

The nominal amount of the interest free loan was R11,250, 000 to Johannesburg Social Housing Company (Pty) Ltd for Phase 1 of the Kliptown project. This amount was repaid in full in October 2007.

Standard Bank

Loan amount	13,671,310	18,176,375
Advance and interest capitalised	2,540,025	-
Fair value adjustment	885,696	(2,186,967)
Repayment received	(2,830,353)	-
Interest amortised	617,009	221,928
Current portion transferred to current assets	(4,052,624)	(5,717,068)
	10,831,063	10,494,268

The Standard Bank Subsidised loan facility supports developments of new sub-markets within the social housing sector which allows for blending of interest rates between banks and the Gauteng Partnership Trust resulting in reduced rates to projects. The nominal loan amount as at 31 March 2008 was R22,164,152 (2007:R18,190,243) and bears interest at 4.25% per annum.

notes to the annual financial statements

Figures in Rand	2008	2007
Trust for Urban Housing Finance Bridging Facility		
Loan amount	12,200,412	15,623,257
Fair value adjustment	(2,286,150)	(3,657,964)
Advance	12,548,010	-
Interest amortised	754,978	235,119
	23,217,250	12,200,412

The nominal amount of the Bridging Facility for Trust for Urban Housing Finance is R28,171,266 (2007:R15,623,256) is aimed at addressing the requirements of the inner-cities business environment and of property market that require quick responses to property financing. Interest is capitalised for the first two years at prime less 4%. The loan is repayable in one installment in September 2013.

Maseleng Investments (Pty) Ltd

Loan amount	3,100,00	-
Fair value adjustment	(457,758)	-
Interest capitalised	30,499	-
Interest amortised	5,884	-
Current portion transferred to current assets	(200,000)	-
	2,478,625	-

The loan of R3,100,000 to Maseleng Investments (Pty) Ltd bears interest at a rate of prime less 4.25% per annum and is repayable in seven annual installments commencing February 2009. The loan is secured by a mortgage bond over Erf 4851 Johannesburg Township.

Total loans and receivables	44,895,448	35,163,566
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Non-current portion	44,895,448	35,163,568
Current portion	5,316,581	6,122,277
Impairment allowance		
Opening Balance	-	-
Current year - Housing Company Tshwane	(292,999)	-
Closing Balance	(292,999)	-

5. Equipment

	2008			2007		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	586,940	(313,286)	273,654	566,249	(220,376)	345,873
Motor vehicle	53,225	(6,052)	47,173	-	-	-
Office equipment	608,649	(269,758)	338,891	328,427	(168,531)	159,896
Computer equipment	700,931	(305,646)	395,285	480,667	(192,347)	288,320
Leasehold improvements	219,969	(33,816)	186,153	-	-	-
Total	2,169,714	(928,558)	1,241,156	1,375,343	(581,254)	794,089

notes to the annual financial statements

	2008		2007		
Reconciliation of equipment - 2008					
	Opening Balance	Additions	Disposals	Depreciation	Carrying value
Furniture and fixtures	345,873	20,691	-	(92,910)	273,654
Motor vehicles	-	53,225	-	(6,052)	47,173
Office equipment	159,896	280,222	-	(101,227)	338,891
Computer equipment	288,320	241,048	(7,137)	(126,946)	395,285
Leasehold improvements	-	219,969	-	(33,816)	186,154
	794,089	815,155	(7,137)	(360,951)	1,241,156

Reconciliation of equipment - 2007

	Opening Balance	Additions	Disposals	Depreciation	Carrying value
Furniture and fixtures	415,876	20,486	-	(90,489)	345,873
Office equipment	186,147	43,679	(284)	(69,646)	159,896
Computer equipment	306,120	98,530	(9,027)	(107,303)	288,320
	908,143	162,695	(9,311)	(267,438)	794,089

Assets subject to finance lease (Net carrying amount)

Office equipment	110,460	18,385
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Figures in Rand	2008	2007
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6. Trade and other receivables

Interest accrued	5,639,198	3,558,008
Jozzi Housing Company (Pty) Ltd	21,950	-
Sundry debtors	58,436	58,711
Capital accrued	536,046	119,419
	6,255,630	3,736,138

Credit quality of trade and other receivables

Trade and other receivables are non interest bearing and are generally on 30 days terms. Capital and interest accrued represent amounts receivable within one month from Standard Bank and ABSA.

Fair value of trade and other receivables

Trade and other receivables are carried at invoice amount and not discounted to the effect of discounting not being material.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash	2,413	2,246
Capital account	488,670,126	435,095,693
Current account	5,326,115	3,992,410
Call account	27,835,848	56,756,048
	521,834,502	495,846,397

Cash at banks earn interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents approximates their carrying value as cash and cash equivalents are readily convertible to cash.

notes to the annual financial statements

Figures in Rand	2008	2007
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8. Current portion - finance lease obligation

Minimum lease payments due

- within one year	52,870	25,011
- in second to fifth year inclusive	88,117	-
	140,987	25,011
less: future finance charges	(23,137)	(783)
Present value of minimum lease payments	117,850	24,228

Present value of minimum lease payments due

- within one year	39,336	24,228
- in second to fifth year inclusive	78,514	-
	117,850	24,228
Non-current liabilities	78,514	-
Current liabilities	39,336	24,228
	117,850	24,228

This lease is linked to the prime lending rate with no escalation and for a period of three years. The entity's obligations under finance leases are secured by the lessor's title over the leased assets. Refer to note 5

9. Deferred income

Non-current liabilities	193,407,033	305,943,713
Current liabilities	120,023,666	36,852,025
	313,430,699	342,795,738

Deferred income represents the amount of government grants not yet disbursed.

Reconciliation of deferred income.

Reconciliation of deferred income

Balance at beginning of year	342,795,738	402,579,150
Less: deferred income taken as revenue	(43,154,390)	(59,783,412)
Add: additional grant	13,789,350	-
	313,430,698	342,795,738

10. Operating lease liability

Non-current operating lease liability	13,182	56,841
Current liabilities	32,328	-
	45,510	56,841

Operating lease rentals represent rentals payable by the Trust to the Gauteng Department of Housing for office premises. The lease is for five years and escalates by 10% annually. The lease expires in June 2009 with an option to renew.

notes to the annual financial statements

Figures in Rand	2008	2007
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11. Trade and other payables

Trade payables	644,075	191,362
Amounts received in advance	2,229,197	-
Deposits held on behalf of the Department of Housing Kliptown Project	31,110,650	54,908
Deposits held on behalf of the Department of Housing Doornkop Mixed Housing Project	-	50,000,000
	33,983,922	50,246,270

Trade payables are non-interest bearing and are normally settled on 30 day terms.

The deposits held on behalf of the Department of Housing Kliptown Project are held in terms of a memorandum of agreement with the Gauteng Department of Housing to assist the department in expediting payments to contractors and consultants for the Kliptown Project.

The deposits held on behalf of the Department of Housing Doornkop Mixed Housing Project were held in terms of an agency agreement with the Gauteng Department of Housing to assist the department in expediting payments to contractors and consultants for the Doornkop Mixed Housing Project. The full amount was disbursed during the 2008 financial year.

For terms and conditions relating to related parties, refer to Note 21.

12. Provisions

Reconciliation of provisions - 2008

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Provision for leave pay	57,344	125,645	-	(57,344)	-	125,645
Provision for bonuses	646,118	678,491	(408,144)	(237,974)	(39,547)	638,944
	703,462	804,136	(408,144)	(295,318)	(39,547)	764,589

13. Revenue

Actual Interest received from loans and receivables	1,956,774	254,359
Interest calculated - Effective interest rate method	5,263,291	3,444,657
Interest received from banks (refer to note 14)	43,688,974	32,261,978
Government grants	43,154,390	59,783,412
	94,063,429	95,744,406

14. Interest from banks comprises of:

Interest received

Current accounts	5,371,541	2,306,315
Capital account	35,674,816	28,030,262

notes to the annual financial statements

Figures in Rand	2008	2007
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14. Interest from banks comprises of: (continued)

Call accounts	2,642,617	1,925,401
	43,688,974	32,261,978

15. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Auditors remuneration

Audit fee	424,806	82,484
Internal audit fees	329,361	84,441
	754,167	166,925
	2008	2007

Operating lease charges

Premises		
Operating lease rentals	278,649	271,375
Motor vehicles		
Operating lease rentals	9,946	23,184
	288,595	294,559

Profit on sale of equipment	13,647	11,033
Profit on sale of non-current assets held for sale and net assets of disposal groups	292,999	8,291,033
Amortisation on intangible assets	72,016	8,925
Depreciation on property, plant and equipment	360,951	267,437
Employee costs	5,639,991	4,728,852
Chief Financial Officer - Basic salary	753,840	557,835
Chief Financial Officer - Performance Bonus	27,720	69,120
Senior Investment Advisor - Basic Salary	719,464	592,198
Senior Investment Advisor - Performance Bonus	73,500	82,320

16. Taxation

No provision has been made for 2008 tax as the company has been granted tax exemption status by the South African Revenue Service in terms of section 30 of the Income Tax Act, and the receipts and accruals are exempt from income tax in terms of Section 10 (1) (cN) of the Income Tax Act.

17. Reconciliation between net surplus and cash (used in) /generated from operations

Surplus for the year	83,578,845	70,821,536
Adjustments for:		
Depreciation and amortisation	432,967	276,362
Loss on sale of non-current assets and disposal groups	292,999	8,291,033

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Figures in Rand	2008	2007
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17. Reconciliation between net surplus and cash (used in) /generated from operations (continued)

Profit on sale of equipment	(13,647)	(11,033)
Finance costs	6,425	5,879
Fair value adjustments	3,135,458	6,594,000
(Decrease)/Increase in operating lease assets and accruals	(11,331)	7,758
Movements in provisions	61,127	(102,423)
Changes in working capital:		
Trade and other receivables	(2,519,492)	(1,200,478)
Trade and other payables	(16,262,348)	3,314,488
Deferred income	(29,365,039)	(59,783,411)
	39,335,964	28,213,711

18. Commitments

Commitments are in terms of our mandate, to facilitate funding, provide capacity funding and to provide debt/equity to specific projects. Commitments for projects usually run longer than a year.

Facilitation funding commitments

ABSA subsidised loan facility	-	30,000,000
Bridging Facility for Trust for Urban Housing Finance	-	10,000,000
Wholesale Facility Trust for Urban Housing Finance	30,000,000	30,000,000
ABSA Development Facility	20,000,000	-
Rand Merchant Bank Subsidised loan facility	-	20,000,000
Emerging Entrepreneur Fund	8,000,000	-
Pre-development facility	125,000	-
	58,125,000	90,000,000

The ABSA subsidised loan facility supports developments of new sub-markets within the social housing sector which allows for blending of interest rates between banks and the Gauteng Partnership Trust resulting in reduced rates to projects. The amount was paid out during the 2008 financial year.

The Bridging facility for the Trust for Urban Housing Finance is aimed at addressing the requirements of the inner-cities business environment and of property market that requires quick responses to property financing. The amount was paid out during the 2008 financial year.

The Wholesale facility Trust for Urban Housing Finance allows for pooling or syndication of investment on a shared participation or other basis within a potential securitisation structure.

The ABSA Development Funding facility facilitates the sustainable entry of banks through sharing financing risk for housing developments. It allows for an interest rate blending resulting in cheaper housing project finance.

The Rand Merchant Bank subsidised loan facility supports developments of new sub-markets within the social housing sector which allows for blending of interest rates between banks and the Gauteng Partnership Trust resulting in reduced rates to projects. This facility was cancelled during the past financial year.

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Figures in Rand	2008	2007
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The Emerging Entrepreneur Fund facilitates and funds low collateral projects with the Trust for Urban Housing Finance Intuthuko (Pty) Ltd.

The Pre-development facility provides risk capital for projects from inception thereby facilitating housing projects.

18. Commitments (continued)

Project funding commitments

Alexandra Social Housing Company	-	756,524
Greater Germiston Housing Inner City Housing Company (Pty) Ltd	6,000,000	6,000,000
Housing Company Tshwane	-	293,000
Ikhaya Labantu Housing Association	8,451,099	-
Johannesburg Social Housing Company (Pty) Ltd - Roodepoort	19,663,319	-
Kliptown Project	-	22,750,000
Madulamoho Housing Association	688,137	643,851
KTN Property Management (Pty) Ltd - Parklane Hotel	2,599,101	-
KTN Property Management (Pty) Ltd - Glazina Court	500,000	-
Yeast City Housing	-	260,030
Maseleng Investments (Pty) Ltd	-	3,100,000
Johannesburg Social Housing Company (Pty) Ltd - City Deep	23,948,109	-
	61,849,765	33,803,405

The Board approved a grant payment of R756 524 to Alexandra Social Housing Company subject to certain conditions being met as per the Capacity Funding Agreement. This amount was cancelled during the year.

The Board approved an investment in Greater Germiston Inner City Housing Company for R6 000 000. The disbursement of this amount is pending the receipt of a turnaround strategy from the company.

The Board approved a grant payment of R293 000 to Housing Company Tshwane subject to certain conditions being met as per the Capacity Funding Agreement. No amount has been committed due to failure to comply to terms and conditions of the Capacity Funding Agreement.

The obligation to Ikhaya Labantu Housing Association and Johannesburg Social Housing Company (Pty) Ltd was approved by the Board.

The amount for the Kliptown Project was disbursed during the 2008 financial year.

The Board approved funding to KTN Property Management (Pty) Ltd for Parklane Hotel and Glazina Court.

The Board approved a grant payment of R368 500 to Yeast City Housing subject to certain conditions being met as per the Capacity Funding Agreement.

The Board approved an investment in Maseleng Investments (Pty) Ltd for R3 100 000. The amount was paid out during the 2008 financial year.

The obligation to Madulamoho Housing Association is subject to certain conditions being met as per the Capacity Funding Agreement.

notes to the annual financial statements

Figures in rand	2008	2007
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18. Commitments (continued)

Operating leases commitments

The future minimum lease payments under non-cancelable operating leases are as follows:

Gauteng Department of Housing

Not later than 1 year	230,973	209,977
2 to 5 years	79,397	310,370

Avis

Not later than 1 year	-	7,549
	310,370	527,896

Gauteng Department of Housing - Operating lease payments represent rentals payable by the entity for a building. The lease was negotiated for 5 years and rentals escalate by 10% annually.

19. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure

Interest paid	-	611
Penalties	-	901
	-	1,512

Interest and penalties payments in the prior year were as a result of late payment to South African Revenue Service (SARS).

20. Trustees remuneration

Executive

EP Stroebel - Salary	-	624,915
EP Stroebel - Bonus	-	225,000
K Kutoane - Salary	880,000	-

Non-executive

M Mogase - Trustees fees	7,923	9,050
M Phaweni - Trustees fees	9,244	13,375
EP Stroebel - Trustees fees	6,662	-
K Mdlulwa - Trustees fees	7,570	10,850
	911,399	883,190

DC Chaine is representative of the municipality and therefore does not receive any trustees remuneration.

M Mnyani is representative of the founder and therefore does not receive any trustees remuneration.

notes to the annual financial statements

Figures in rand	2008	2007
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21. Related party disclosure

Related party transactions include:

The Founder

The Trust has entered into a lease rental agreement with the Gauteng Department of Housing, the founder of the organisation.

Annual lease rental	289,980	349,875
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The Trust holds unsecured deposits on behalf of the Gauteng Department of Housing in terms of a memorandum of agreements to assist the department in expediting payments to contractors and consultants for the Kliptown Project.

Kliptown Project	31,110,650	54,908
Doornkop mixed Housing Development	-	50,000,000
	31,110,650	50,054,908

The Trust was founded by the Gauteng Department of Housing as an independent entity in the form of a non-profit Trust. The Trust was established and registered in terms of the Trust Property Control Act. A service level agreement has been entered into between the Trust and the Founder.

Key Management

Trustees do not receive pension entitlement from the Trust.

Xhasa Accounting and Technical Centre

The Trust shares office space with Xhasa Accounting and Technical Centre (A public entity of Gauteng Department of Housing) on which certain expenses are shared. During the year the following operational transactions occurred with Xhasa Accounting and Technical Centre.

Net payments	137,716	100,797
Balance as at year end (Due from)	724	-

22. Financial Risk management and objectives

The Trust's principal financial instruments comprise available-for-sale investments, loans and receivables, cash and cash equivalents and trade and other receivables, trade and other payables, provisions, finance lease and operating lease obligations. The main purpose of the available-for sale investments, loans and receivables and cash and cash equivalents is to assist Social Housing Institutions to leverage funding from private financial institutions, in line with one of the objectives of the Trust. The trade and other receivables, trade and other payables, provisions, finance lease and operating lease obligations arise directly from the Trust's operations.

The risks arising from the Trust's financial instruments are credit risk, interest rate risk and liquidity risk. The Board of Trustees reviews and agrees policies for managing these risks.

notes to the annual financial statements

The objectives of managing financial instrument risk is to safeguard the Trust assets whilst still enabling fulfillment of the Trust mandate. The Trust's method of measuring the risks mentioned below involves detailed project feasibility, regular project monitoring and management.

Credit Risk

The Trust is exposed to the credit risk in respect of its financial assets comprising available-for-sale assets and loans and receivables. Credit risk is managed internally by ensuring that investments are made only after assessing and evaluating the social housing institutions management capacity and project feasibility. The method for measuring credit risk is the ongoing monitoring of financial assets. The Gauteng Partnership Fund's credit risk exposure arises from default of the counterparty, with a maximum exposure of R50,250,131 equal to the carrying amount of these available-for-sale assets and loans and receivables. With respect to credit risk arising from other financial assets which comprise cash and cash equivalents, trade and other receivables, the Trust's exposure to credit risk arises from default of the counterparty, with a maximum exposure of R528,090,132 equal to the carrying amount of these instruments.

Credit exposure

Class of financial instrument	Credit risk exposure	Collateral	Repayment terms	Credit quality of financial assets that are neither past due nor impaired
Loans and receivables				
Housing Company Tshwane	1	N/A	N/A	N/A
Standard Bank	14,883,687	Suretyship held by Standard Bank for total loan granted to Borrower	Seven years from date of disbursement of loan with final repayment date 15/2/2015	Performing
ABSA	5,702,033	Suretyship held by ABSA for total loan granted to Borrower	Seven years from date of disbursement of loan with final repayment date 31/1/2015	Performing
Brickfields Housing Company (Pty) Ltd	1	Equity investment in company	N/A	N/A
Greater Germiston Inner City Housing Phase II (Pty) Ltd	1	Equity investment in company	N/A	N/A
Greater Germiston Inner City Housing Company Pharoe Park (Pty) Ltd	1	Equity investment in company	N/A	N/A
Trust for Urban Housing Finance - Intuthuko (Pty) Ltd	1,320,323	Mortgage bond held by Intuthuko for the total loan granted to Borrower	One repayment in June 2015	Performing
Jozi Housing (Pty) Ltd	2,410,107	Mortgage bond held by Gauteng Partnership Fund for total loan granted to Borrower	Seven years with final repayment date 30/4/2013	Performing
Maseleng Investments (Pty) Ltd	2,678,625	Mortgage bond held by Gauteng Partnership Fund for the total loan granted to Borrower	Seven years with final repayment date 28/2/2015	Performing
Trust for Urban Housing Bridging Facility	23,217,250	No collateral held due to short duration of the facility to borrower ie. 3 months	Seven years with final repayment date 30/9/2013	Performing
	50,212,029			

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Liquidity Risk

The Trust manages liquidity risk through proper management of working capital, capital expenditure and actual vs forecasted cash flows and its cash management policy. Liquidity risk is the risk arising from default of the counterparty. The objectives of managing liquidity risk is to safeguard the Trust assets whilst still enabling fulfillment of the Trust mandate. The method for measuring liquidity risk is the ongoing monitoring of financial assets. The forecasted cash flows considers the maturity of its financial assets and project cash flows from operations. Adequate reserves and liquid resources are also maintained. The following table sets forth details of the remaining contractual maturities of financial assets and liabilities as at 31 March 2008.

Financial assets 2008	Due or due not later than one month	Due later than one month but not later than three months	Due later than three months but not later than one year	Due later than one year but not later than five years	Due after five years	Total
Shares	-	-	-	-	8,000,000	8,000,000
Loans and receivables	477,438	1,189,170	3,977,221	26,980,129	62,277,175	94,901,133
Cash and cash equivalents	521,834,502	-	-	-	-	521,834,502
Trade and other receivables	6,255,630	-	-	-	-	6,255,630
	528,567,570	1,189,170	3,977,221	26,980,129	70,277,175	630,991,265

Financial liabilities

Trade and other payables	(33,983,923)	-	-	-	-	(33,983,923)
Finance lease	(5,732)	(11,359)	(49,314)	(97,720)	-	(164,125)
Operating lease	(25,629)	(51,258)	(251,163)	(112,768)	-	(440,818)
	(34,015,284)	(62,617)	(300,477)	(210,488)	-	(34,588,866)
	494,552,286	1,126,553	3,676,744	26,769,641	70,277,175	596,402,399

Financial assets 2007	Due or due not later than one month	Due later than one month but not later than three months	Due later than three months but not later than one year	Due later than one year but not later than five years	Due after five years	Total
Shares	-	-	-	-	8,000,000	8,000,000
Loans and receivables	234,839	555,714	5,799,658	20,352,271	53,462,721	80,405,203
Cash and cash equivalents	495,846,397	-	-	-	-	495,846,397
Trade and other receivables	3,736,138	-	-	-	-	3,736,138
	499,817,374	555,714	5,799,658	20,352,271	61,462,721	587,987,738

Financial liabilities

Trade and other payables	(50,212,029)	-	-	-	-	(50,212,029)
Finance lease	(4,168)	(12,506)	(8,337)	-	-	(25,011)
Operating lease	(22,655)	(67,965)	(224,285)	(428,632)	-	(743,537)
	(50,238,852)	(80,471)	(232,622)	(428,632)	-	(50,980,577)
	449,578,522	475,243	5,567,036	19,923,639	61,462,721	537,007,161

Interest rate risk

The Trust's exposure to the risk of changes in market interest rates relates primarily to the Trust's loans and receivables with floating interest rates. The objectives of managing interest rate risk is to safeguard the Trust assets whilst still enabling fulfillment of the Trust mandate. The method for measuring interest rate risk is the sensitivity analysis for fluctuations in the interest rate. Interest rate risk is managed internally by ensuring that an allowance for increased interest rates are provided for in the project assessment. The Trust's exposure to interest rate risk arises from increases in the interest rate that could give rise to default of the counterparty.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant of the Trust's surplus (through the impact of floating rate loans). The effect on the surplus has been determined by calculating an increase or decrease of 150 basis points on the current interest rates of loans and receivables. Management considers a range of 150 basis points increase or decrease to be reasonable for the analysis. There is no impact on the Trust's equity.

Year	Increase/ decrease in basis points	Effects on surplus
2008	-	R'000
Effect of an increase in basis points on surplus	150	77
Effect of a decrease in basis points on surplus	(150)	(77)
2007	-	-
Effect of an increase in basis points on surplus	200	29
Effect of a decrease in basis points on surplus	(200)	(29)

Concentration risk

The Gauteng Partnership Fund's risks are concentrated in the social housing sector (for households earning less than R8 600 CPIX linked) through structured funding instruments to Social Housing Institutions and Financial Institutions with the goal to attract fair priced private sector funding. Concentration risk is quantified at an amount of R90 992 916 (2007: R92 840 307). The following is a brief description of the funding instruments:

Equity Fund

The Equity Fund has been established for the enhancement of debt/equity for lenders. It provides indirect additional cover for lenders to projects. The maximum term covered is seven years whereby the debt/equity ratio is decreased over time. The risk management is primarily the responsibility of the operating partner. The Equity Fund is mainly focused on "for profit" Social Housing Institutions and property management companies. The expected return/hurdle rate is a minimum of 10% nominal per annum. The rate is determined in line with the project yields.

Medium Density Fund

The Medium Density Fund is focused on the sustainability of non profit Social Housing Institutions. The Fund is flexible and if the Social Housing Institution is doing well it will look to realise return through an appropriate exit mechanism. If, however, the Social Housing Institution is faltering the Fund does not demand realisation. The Fund would look to have an exit strategy in place within 10 years, if at all. The expected return/hurdle rate is zero, only capital is repaid. The risk management is the responsibility of the operating partner but the Trust requires representation in a monitoring capacity on the board of the Social Housing Institution.

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Capacity Fund

The Capacity Fund has been established to provide support to Social Housing Associations. This support takes form in long term interest free loans as well as grants. Should the Social Housing Institutions use the grant funding for anything other than the purposes approved by the Board, the grant funding will become a loan with punitive interest rates. Regular reporting by the Social Housing Institutions to the Trust's Board on progress is a requirement.

Intuthuko Equity Fund

It is a venture capital fund for small, emerging entrepreneurs (landlords) with small-scale housing projects in the innercities. This fund has been set up in partnership with Trust for Urban Housing Finance. This product allows Gauteng Partnership Trust to assist small landlords who do not have equity to buy or refurbish buildings. This is managed by Trust for Urban Housing Finance.

Bridging Finance Facility

This facility allows Gauteng Partnership Trust to assist medium sized landlords who do not have substantial balance sheets. The bridging finance facility would be primarily aimed at addressing the requirements of the inner-cities business environment and of a property market that requires quick responses to property financing.

Subsidised Loan Facility

A subsidised loan facility to banks, supporting development of new sub-markets within the social housing sector by allowing for blending of interest rates between banks and Gauteng Partnership Trust. This results in a reduced interest rate to projects and indirectly provides access to housing units for lower income tenants due to reduced project costs. The scheme is managed by the respective banks after Gauteng Partnership Trust has assessed their internal credit procedures.

Wholesale Facility

The facility allows for pooling or syndication of investment on a shared participation basis within a potential securitisation structure. A Special Purpose Vehicle would be formed with Trust for Urban Housing Finance and other participating institutions. The Gauteng Partnership Trust provide a catalytic role in leveraging a substantial amount of private sector financing through a relative small investment.

23. Contingencies

The company is involved in a CCMA dispute with one of its ex-employees for unfair dismissal. No settlement was reached at the conciliation hearing. Therefore the matter will go for arbitration. The ex-employee has ninety days from the date of conciliation ie. 14th March 2008 to request arbitration. As at year end the date for arbitration had not been set. This liability has not been disclosed as a provision due to the fact that as at year end the matter was not lodged at the court and the amount of the possible obligation cannot be measured with sufficient reliability. Management estimates that the potential liability would be R298 692 in the event of GPF losing the case.

notes to the annual financial statements

Figures in rand	2008	2007
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24. Fair value adjustments

Other financial assets Fair value through profit or loss	3,135,458	(6,594,000)
Refer to note 4 for detail.		

25. Finance costs

South African Revenue Services	-	611
Finance lease	6,425	5,268
	6,425	5,879

Finance cost comprises of interest amortised for the finance lease.

26. Financial instruments

2008	Loans and receivables	Available for-sale assets	Other assets	Other liabilities	Financial liabilities at amortised cost	Total
Financial Assets						
Shares	-	3	-	-	-	3
Intangible assets	-	-	230,828	-	-	230,828
Loans and receivables	50,212,029	-	-	-	-	50,212,029
Equipment	-	-	1,241,156	-	-	1,241,156
Trade and other receivables	6,255,630	-	-	-	-	6,255,630
Cash and cash equivalents	521,834,502	-	-	-	-	521,834,502
Financial liabilities						
Finance lease	-	-	-	-	(117,850)	(117,850)
Operating lease	-	-	-	(45,510)	-	(45,510)
Trade and other payables	-	-	-	(33,983,923)	-	(33,983,923)
Provisions	-	-	-	(764,589)	-	(764,589)
Deferred income	-	-	-	(313,430,699)	-	(313,430,699)
	578,302,161	3	1,471,984	(348,224,721)	(117,850)	231,431,577

notes to the annual financial statements

Figures in rand

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26. Financial instruments (continued)

2007	Loans and receivables	Available for-sale assets	Other assets	Other liabilities	Financial liabilities at amortised cost	Total
Financial Assets						
Shares	-	3	-	-	-	3
Intangible assets	-	-	16,802	-	-	16,802
Loans and receivables	41,285,843	-	-	-	-	41,285,843
Equipment	-	-	794,089	-	-	794,089
Trade and other receivables	3,736,138	-	-	-	-	3,736,138
Cash and cash equivalents	495,846,397	-	-	-	-	495,846,397
Financial liabilities						
Finance lease	-	-	-	-	(24,228)	(24,228)
Operating lease	-	-	-	(56,841)	-	(56,841)
Trade and other payables	-	-	-	(50,246,271)	-	(50,246,271)
Provisions	-	-	-	(703,462)	-	(703,462)
Deferred income	-	-	-	(342,795,738)	-	(342,795,738)
	540,868,378	3	810,891	(393,802,312)	(24,228)	147,852,732

Set out below is a comparison by class of carrying amounts and fair values of all of the Gauteng Partnership Fund's financial instruments, that are carried in the financial statements:

	Carrying amount		Fair value	
	2008	2007	2008	2007
Financial Assets				
Shares	3	3	3	3
Intangible assets	230,828	16,802	230,828	16,802
Loans and receivables	50,212,029	41,285,843	50,212,029	41,285,843
Equipment	1,241,156	794,089	1,241,156	794,089
Trade and other receivables	6,255,630	3,736,138	6,185,439	3,694,217
Cash and cash equivalents	521,834,502	495,846,397	521,834,502	495,846,397
	579,774,148	541,679,272	579,703,957	541,637,351
Financial Liabilities				
Finance lease	117,850	24,228	117,850	24,228
Operating lease	45,510	56,841	45,510	56,841
Trade and other payables	33,983,923	50,246,271	33,602,614	49,682,492
Provisions	764,589	703,462	725,041	699,827
Deferred income	313,430,699	342,795,738	313,430,699	342,795,738
	348,342,571	393,826,540	347,921,714	393,259,126

notes to the annual financial statements

Figures in rand	2008	2007
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26. Financial instruments (continued)

Fair value of financial instruments

Financial Assets	2008			2007		
	Valuation technique market observable inputs	Valuation technique non-market observable inputs	Total	Valuation technique market observable inputs	Valuation technique non-market observable inputs	Total
Shares	-	3	3	-	3	3
Loans and receivables	50,212,029	-	50,212,029	41,285,843	-	41,285,843
	50,212,029	3	50,212,032	41,285,843	3	41,285,846
Financial Liabilities						
Finance lease	117,850	-	117,850	24,228	-	24,228

The fair value of shares which are not listed are estimated using the discounted cash flow valuation model based on assumptions that are supported by observable market inputs. The valuation is based on projected sustainable cash flows taking into account views of future performance as at 31 March 2008. The discount rates used to present value these cash flows takes both systematic and unsystematic risks into account. Systematic risk is market risk or the risk that cannot be diversified away. Unsystematic risk is asset specific risk.

The fair value of loans and receivables has been determined by discounting future cash flows over the period of the loan at the prime rate at date of inception thereof.

Finance leases are capitalised at the lower of present value of minimum lease payments or fair value. The discount rate used in calculating the present value of minimum lease payments is 14.5% (which is the prime rate at date of inception).

27. Prior period error

Transfer of Trust Capital to deferred income.

The effect of the prior period error:

Statement of Changes in Net Assets

Trust capital	-	-
As previously stated	-	459,864,567
Less: Transfer to deferred income	-	(459,864,567)
Statement of Financial Performance	-	19,745,779
Accumulated surplus as previously stated	-	57,285,418
Deferred income transfer	-	77,031,197

In prior years conditional grants received were taken directly to Trust Capital and accounted for as part of Trust Funds. These conditional government grants have now been correctly accounted for in accordance with International Accounting Standard 20 (IAS20) Accounting for Government Grants and Disclosure of Government Assistance.

notes to the annual financial statements

Figures in rand	2008	2007
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28. Impairment losses on loans and receivables

Impairment losses on loans and receivables	292,999	8,291,033
The current year amount relates to Housing Company Tshwane.	-	-
The entire amount was an initial grant that was subject to terms and conditions.		
As at year end, these terms and conditions were not complied with therefore the amount was converted to a loan and an impairment allowance was provided.		
	292,999	8,291,033

The 2008 amounts relates to Housing Company Tshwane for non compliance with loan agreement. Please refer to note 4.

29. Irregular expenditure

Irregular expenditure	203,939	-
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This expenditure arose due to termination of the previous internal auditors and the necessary appointment of the current internal auditors to ensure continuity of the internal audit function. This decision was taken by the Accounting Authority and approved as such.

detailed income statement

Figures in Rand	Note(s)	2008	2007
Revenue			
Interest received (trading)	13	94,063,429	95,744,406
Other income			
Profit on disposal of equipment		13,647	11,033
Fair value adjustments	24	3,135,458	-
Gross income		97,212,534	95,755,439
Expenses (Refer to page 61)		(13,334,265)	(10,042,991)
Operating profit	15	83,878,269	85,712,448
Finance costs	25	(6,425)	(5,879)
Fair value adjustments	24	-	(6,594,000)
Loss on non-current assets held for sale or disposal groups		(292,999)	(8,291,033)
		(299,424)	(14,890,912)
Surplus for the year		83,578,845	70,821,536

Figures in Rand	Note(s)	2008	2007
Operating expenses			
Auditors remuneration		(754,166)	(166,925)
Bank charges		(11,281)	(22,840)
Capacity Grant - Madulamoho Housing Company		(742,156)	(680,300)
Capacity Grant - Yeast City Housing		(259,869)	(108,470)
Computer expenses		(34,597)	(21,877)
Consulting fees		(2,090,772)	(1,009,926)
Depreciation, amortisation and impairments		(432,967)	(276,362)
Entertainment		(46,267)	(54,172)
Fines and penalties		-	(901)
Insurance		(172,325)	(54,556)
Lease rentals on operating lease		(288,595)	(294,559)
Magazines, books and periodicals		(39,316)	(19,528)
Marketing		(559,617)	(397,877)
Office cleaning		(9,603)	(642)
Offsite Storage		(5,502)	(1,899)
Petrol and oil		(4,821)	(3,107)
Postage		(2,064)	(83)
Printing and stationery		(169,782)	(239,012)
Repairs and maintenance		(391,836)	(372,702)
Salaries		(5,639,991)	(4,728,852)
Telephone and fax		(345,949)	(273,037)
Secretarial fees		(22,610)	-
Training		(366,008)	(270,439)
Travel - local		(31,864)	(160,685)
Trustees remuneration		(912,307)	(884,240)
		(13,334,265)	(10,042,991)

The supplementary information presented does not form part of the annual financial statements and is unaudited

