



Gauteng Partnership Fund Annual Report 2012





Vision

To be the pre-eminent partner in the mobilisation and optimisation of alternative funding; and a leading catalyst in the development of affordable housing in Gauteng.

Mission

As a development finance institution, we pro-actively leverage affordable housing, by:

- Facilitating dynamic collaboration with the eco-system of public and private sector partners,
- Securing new and innovative funding streams,
- Gearing private sector finance to ensure better bankability of projects,
- Ensuring accountability, monitoring and efficiency in the long-term management of projects, thereby ensuring that housing financiers enter the affordable housing market on a sustainable basis – in support of sustainable human settlements and quality household life.





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Board of Trustees



Mr. Pakie Mphahlele
Chairperson



Mr. Kutoane Kutoane
Chief Executive Officer



Mr. Rakesh Garach
Non-Executive Trustee



Mr. Lefadi Makibinyane
Non-Executive Trustee



Ms. Dineo Maphatiane
Non-Executive Trustee



Mr. Zola Fihlani
Non-Executive Trustee

Report of the Chairperson



Mr. Pakie Mphahlele

On behalf of the Board of Trustees it is with great pleasure that I present this 2011/12 annual report of the Gauteng Partnership Fund (GPF).

This is a very special year for us as we are celebrating our 10th anniversary of delivering quality rental accommodation in Gauteng. We have continued to build successful funding partnerships with the private sector funders such as banks and development finance institutions. Our proud history has seen us commit over R350 million of public funds into affordable housing projects, thereby attracting over R2.2 billion of private capital to deliver approximately 18 000 dwelling units into this very critical sector. This is really a tribute to the commitment of the Gauteng Provincial Government through our founder, the Gauteng Department of Local Government and Housing (GDLGH) who provided the initial R350 million of GPF's capital. Under the very able stewardship of our successive board of trustees we are able to celebrate this commendable achievement with a clean audit record over the years.

While the global financial woes have unabatedly continued to pound on the confidence of the banks to increase their quantum of funding in the low end of the housing market and continued to frustrate our programmes, we have shown great resilience and innovative design capabilities in our funding models. The launch of our R100 million Entrepreneurial Empowerment Property Fund (EPPF) scheme in late 2010 has produced laudable results in this financial year. We have been able to commit funds amounting to R41 million to 8 projects to deliver 326 rental units. These projects are delivered by small emerging black property entrepreneurs who have heeded our call for sustainable partnerships. I am also proud to announce that GPF has facilitated 2395 dwelling units this year, far surpassing our funding target of R80 million with a substantial R161 million of actual funds committed.

In line with the provincial government objective of delivering 20 000 rental accommodation units by the year 2014, GPF has committed in our current strategy to the objective of facilitating funding for 6000 of those units. This calls for over R1.4 billion in funding resources of which the government will need to contribute about R450 million. We believe that with the benefit of experience behind us, and accumulated expertise of our professional staff this is achievable. We continue our clarion call to all our partners, old and new, that by working together we can achieve this objective. As we have said before provision of affordable accommodation makes economic sense and is therefore a good investment. Government cannot be expected to foot the bill alone and it is a duty of corporate citizenry to actualize this important South African dream to adequately house its population.

Report of the Chairperson

I wish to take this opportunity to pay special tribute to all our past trustees and management team of our executive authority (GDLGH) who have helped shape the character of GPF over the years. Their contribution is evident in our successes to date. I would like to more especially extend a vote of appreciation and thanks to my predecessor, our immediate past Chairperson, Ms Magapa Phaweni (2004-2011) whose contribution in guiding the previous boards through a maze of governance and strategic issues was phenomenal. I equally thank Ms. Thembeke Mdlulwa, Mr Devraj Chaine and Mr. Mongezi Mnyani who also retired from the board this financial year. We highly appreciate their contributions. I heartily welcome our new trustees who joined in the course of the year and whose capabilities in strategic leadership and governance are already becoming evident. These are Ms Dineo Maphatiane, Mr Zola Fihlani and Mr Lefadi Makibinyane. We are looking forward to working with them in propelling GPF forward.

The management and staff of GPF, under the able leadership of Mr Kutoane Kutoane, deserve accolades for their commitment and dedication which have ensured the commendable results we are presenting today. We are also proud of our association with our clients who have shown commitment to the delivery mandate of the GPF, and our funding partners who did not shy away from funding in these challenging times. The support of our executive authority, the MEC for Local Government and Housing has ensured continued alignment of our activities to the overall Gauteng government housing strategy.



Mr. Pakie Mphahlele

Chairperson

Report of the Chief Executive Officer



Mr. Kutoane Kutoane

The mandate of the GPF is to promote and facilitate the inflow of private capital into the affordable housing sector in Gauteng. We achieve this through the provision of public first-layer risk capital to a developer or a housing development institution, enabling the private funder to better mitigate credit risk for the development in their funding structures. The GPF employs a variety of innovative mechanisms, including subordinated debt instruments, preference shares with convertibility options, and in some cases, common equity. The bottom line is that our contribution to a project's funding requirements, while smaller than that of our private funding partners, is steeply discounted. This enables cash flow sustainability of the projects, the returns on which are often quite marginal. The rationale for the discount in price relative to the high risk we take is that we measure our returns more broadly, in line with social cost-benefit valuation methodologies.

The initial focus of our mandate was to entice private sector (bank) funding into the social housing sector; working as it were through accredited Social Housing Institution (SHI) at a time when banks were reluctant to provide development loans into this somewhat high risk, low return sector with its heavy dependence on government fiscal support. We were able to structure some innovative funding products which galvanized the sector and allowed for very successful risk participation and development financing partnership with the major banks, mainly ABSA and Standard Bank, and the National Housing Finance Corporation. GPF project funding has always been limited to 30% with the bulk being advanced by the private sector and other public subsidy sources. Our involvement ensured success stories such as the revamp of the inner cities, and provision of low-cost rental accommodation to the most vulnerable in our society. We have worked closely with the SHIs we have funded over the past 10 years of our existence, such as Madulamoho Housing Association, Johannesburg Social Housing Company (JOSHCO), Johannesburg Housing Company (JHC), Housing Company Tshwane (HCT), Ekurhuleni Development Company (EDC), Yeast City Housing association and many others to deliver quality accommodation across Gauteng's urban areas.

Our mandate has evolved over the years, in line with the provincial government developing and fine-tuning its housing objectives. We have now extended our funding facilitation reach to cover the wider affordable rental housing market. It is estimated that 25% of the households in South Africa have no access to housing due to affordability challenges. These are households that earn above the government housing subsidy threshold, while at the same time not qualifying for bank mortgages due to their perceived high risk and low credit rating. We believe that the percentage of such households could be as high as 40% in Gauteng. National government has recently announced a raft of fiscal and practical support measures to assist this gap market, which the GPF defines as households earning between R3500 and R15000 per month. The GPF has increased its funding facilitation footprint in this market sector, and we have seen exceptional performance of our Rental Housing Fund facility. Over R50 million was committed this financial year against our initial target of R15 million. When completed, these projects will deliver 866 dwelling units. With the government focus on the


Report of the Chief Executive Officer

affordable housing sector, the GPF will be expected to play an ever-increasing role in galvanizing the private sector to partner with the public sector in addressing the funding needs of this sector.

With our recently launched flag-ship Entrepreneurial Empowerment Property Fund facility (EPPF) of R100 million we have ensured that the benefits of developing affordable rental accommodation for our target market are broadly distributed. We designed this programme having observed that lack of equity amongst emerging housing developers hindered rapid delivery of housing, especially in the inner cities. This programme aims to assist the small, mostly first-time developers to access funding and thus become the future landlords. In the first round of funding the facility exceeded expectations, committed R41 million to deliver 321 quality rental accommodation units against an initial target of R15 million.

While banks are still reeling in the aftershock of the recent global financial meltdown and the continuing global financial instability we have begun to see an increased funding activity from the country's major development finance institutions. This is going a long way in resolving the credit availability challenge for developments. There is also increasing pressure on the provision of affordable rental housing as the credit squeeze on mortgage financing takes its toll. This makes long term DFI financing for rental accommodation more welcome.

Our strategy going forward is to continue building relationships and partnership with a wide network of prospective funders. We will endeavour to rope in our development finance institutions to design optimal funding structures, the success of which will largely hinge on our accumulated experience over the years in dealing with funding challenges in the low-end housing sector. We repeat our call to all participants, old and new to visit us and discuss how we should tackle the housing challenge in Gauteng together and help build better communities.



Kutoane Kutoane

Chief Executive Officer



Fleurhof View - Roodepoort



Hlanganani - Cosmo City

Performance Report

1. Overview

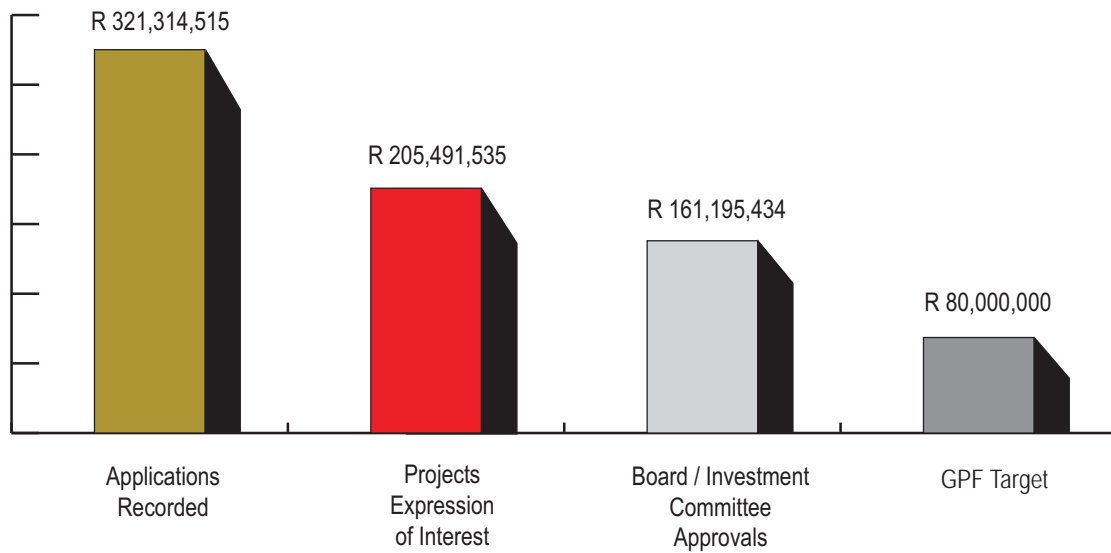
In 2011/12 the property sector has continued to under perform since the effects of the financial crisis in 2009. Residential property, in particular affordable housing, has been the only area experiencing growth. In this economic environment, raising funding for housing projects has been very difficult. GPF has invested considerable time seeking co-funding opportunities from development finance institutions. Of these efforts, negotiations with National Housing Finance Corporation (NHFC) are advanced while others with National Empowerment Fund (NEF), Development Bank of Southern Africa (DBSA), Public Investment Corporation (PIC) are at an early stage.

The major strategic objective for 2011/12 financial year was the facilitation and funding for affordable housing developments for the low income people (households earning less than R15 000 per month) within sustainable human settlements framework in Gauteng. In meeting the strategic objective, we received and evaluated project funding applications to the value of R321 million. Of these, there was expression of interest on approximately R206 million worth of projects, with Board's in-principle and final approval of R151 million worth against a total GPF budget of R80 million. In addition, GPF has approved an additional R10 million facility with Trust for Urban Housing Foundation (TUHF) for the Intuthuko Fund, of which R1.9 million has been disbursed. This positive performance was attributed to the quality of projects received as well as an improvement in our internal approval process and frequency of Investment Committee meetings.

The GPF investment strategy is based on the principle that government can undertake more housing projects with funding partnerships from private sector investors, Banks and Development Finance Institutions. This makes leveraging private sector a key measure for GPF and aims to achieve a target gearing ratio of 70:30 (External funding: GPF loan). Since inception GPF has leveraged approximately R2, 2 billion of funding towards housing projects. In the 2011/12 financial year GPF has leveraged R368 million of private commercial funding from a GPF commitment of R161 million. This has resulted in an overall gearing ratio of 70:30. We have summarised the GPF 2011/12 funding performance below in Graph A and B.

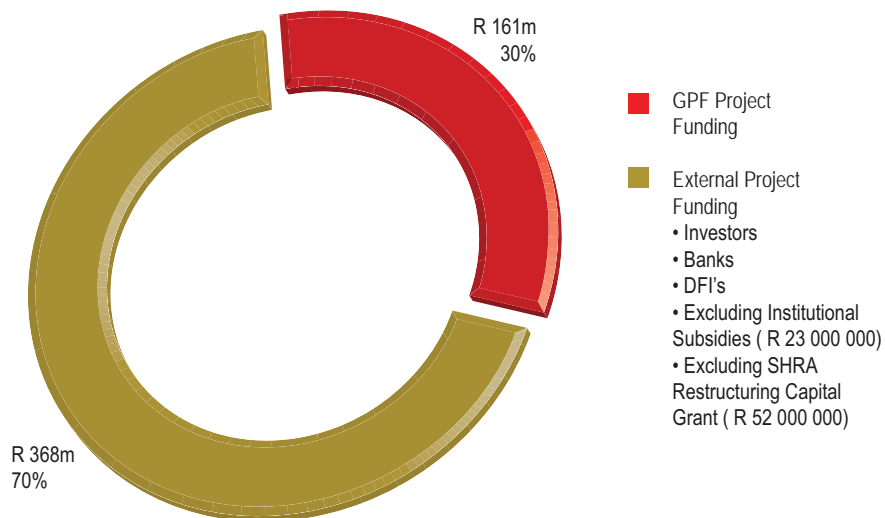
Operations Report

Graph .A – Summary of Performance



Reference: Project list 2011/2012; Investment Committee and Board Minutes; 2011- 2014 Strategy Plan

Graph .B – GPF Committed Funds vs. Leveraged Funds



2. Product Performance Review

The GPF market interventions or financial products have performed exceedingly well over the 2011/12 financial year. Over the period, Social Housing Fund has the highest committed value (36%) of the total commitments, followed by Rental Housing Fund (32%) and Emerging Empowerment Property Fund (EPPF) (26%). The GPF strategy to create an EPPF programme focusing on HDI property entrepreneurs has been a success, with 8 out of 11 (2011) selected participants on the programme having secured projects. The GPF financial product performance is further illustrated below in Table A.

Table A. - Commitment Value

Product	Budget	Percentage	Actual	Percentage
Rental Housing Fund	R 15,000,000	19%	R 51,027,824	32%
Social Housing Fund	R 30,000,000	38%	R 58,833,447	36%
Entrepreneur Empowerment Fund	R 15,000,000	19%	R 41,334,163	26%
Special Projects	R 20,000,000	25%	R 10,000,000	6%
Total	R 80,000,000	100%	R 161,195,434	100%

In assessing GPF performance as illustrated in Graph A,B above, the leveraging of private sector funding is the primary measure, in facilitating affordable housing units. This benchmark is linked to a specific amount to be invested, projected and completed housing units per annum as shown in Table B below:



Jabulani View - Soweto

Operations Report

Table B. – Product Performance 2011 - 2012

Key Performance Areas (Programmes)	Goal	Output	Target for 2011/2012	Actual performance for 2011/2012	Reason for variance
2.1 Rental Housing Fund (focused on for-profit entities)	To enhance the debt / equity ratio for projects such that companies can raise commercial funding.	Committed Value	R15m	R 51m	Exceeded set target
		Facilitated units	280	866	Exceeded set target
		Completed units	250	0	See note 1. below
		Debt to Equity (External funding to GPF Loan) ratio of 70:30	70:30	70:30	Target met
2.2 Social Housing Fund (focused on non-profit entities)	To reduce the cost of capital for projects linked to institutional subsidies.	Committed Value.	R30m	R58m	Exceeded set target
		Facilitated units	750	746	Slightly below target as the cost of units was higher than the budget projections
		Completed units	500	286	See note 2. below
2.3 Management of Institutional Subsidy program	To reduce the capital cost of projects and, to allow for lower affordable rentals.	Reduced cost of rentals from going market to subsidized – 15%	Reduced cost of rentals from going market to subsidised -15%	Actual subsidised percentage - 50%	Exceeded set target
		Committed Value (Available funds R77m)	R120m	R34.5m	See note 3. below
		Facilitated units	2455	328	
		Completed units	1000	328	

Key Performance Areas (Programmes)	Goal	Output	Target for 2011/2012	Actual performance for 2011/2012	Reason for variance
2.4 Special Partnership Projects	To partner with financial institutions in order to leverage resources or share financing risk for housing developments.				See note 4. below
Sub programmes:					
2.4.1 Risk Participation Facility	To facilitate the sustainable entry of Banks through sharing of financing risk. To promote sustainable entry of banks through sharing risks for short term developments finance	Committed Value	R20m	R0	See Note 4. below
		Facilitated units	250	0	
		Completed units	100	0	
2.4.2 Development Finance Facility		Committed Value	R10m	R0	See Note 4. below
		Facilitated units	250	0	
		Completed units	100	0	
2.4.3 Intuthuko Fund		Committed Value - TUHF	R0	R10m (R1.9m committed to projects)	The GPF board approved a R10million facility, funding partnership with TUHF for Intuthuko fund. From this amount R1.9m has been committed to projects and yielded 84 units in the financial year.
		Facilitated units	0	84	
		Completed units	0	84	
2.4.4 Bridging Finance Facility		Committed Value – Revolving Fund	R0	R1.5m	See Note 5. below
		Potential units	0	45	
2.5 Emerging Entrepreneur Property Fund	To assist the HDI companies enter the affordable rental market.	Committed Value	R15m	R41m	Exceeded set target
		Facilitated Units	50	326	Exceeded set target
		Completed Units	25	0	See note 6. below
2.6 Facilitation of Integrated Housing	To play a catalytic role in mobilising provincial institutions and shaping the sector resulting in appropriate deal flow to meet affordable housing targets.	Investigation and development of role and opportunities in the sector.	Final blue print and “integrated housing development plan” approved.	Research on the role and opportunities for GPF in integrated housing developments concluded.	Role of GPF in integrated housing yet to be approved.

Operations Report

Note 1. In 2010/11 projects yielding a potential 700 units were approved for funding, however unforeseen project delays have resulted in our target for 250 completed units not being met. The approved projects are at various stages as shown below:

Company and project	Status
Tenitor Project (Pty) Ltd – The Ridge Hotel - 234 units	60% complete, two of the three blocks are complete and the balance is due for completion in September 2012.
BM Molefi Properties 241 (Pty) Ltd –Kgorong Estate - 282 units	The project construction will only start in September 2012 after unforeseen delays.
Shamzang Property Investment Holding – Italic mansions - 64 units	The client is yet to secure senior debt funding from NHFC.
Rivavect Investments (Pty) Ltd – Central House -120 units	The client is yet to secure senior debt funding from NHFC.

The projects approved in the financial year 2011/12 are yet to start construction; the envisaged project cycle is 18 to 24 months.

Note 2. Madulamoho Housing Association project approved in 2010/11 was completed and yielded 286 units as projected. This project received both GPF funding and GDLGH institutional subsidies, therefore the completed units have been accounted for under Social Housing Fund item 2.2 and Institutional subsidies item 2.3.

Note 3. The GPF anticipated R120 million budget to be made available for Institutional subsidies from GDLGH at the beginning of the financial year 2010/11. The budget was made available towards the end of the year, this included funding for a backlog of projects, only R77 million was available for new projects of which R34.5m was committed to projects. The program also under performed due to SHI's waiting for confirmation of Social Housing Regulator (SHRA) Restructuring Grants (RG) prior to submitting a request for institutional subsidy funding. This is because the RG of approximately R150 000 per project makes projects more viable.

Note 4. The finance sector continues to be more cautious, given the financial crisis in 2009 and subsequent Greek and Euro crisis. The GPF budgeted R20 million towards partnership facilities with the banks and financial institutions in anticipation of an improvement in the appetite for lending in 2011/12. The current facilities with the banks have been stagnant, no new projects were funded and we have had to withdraw funding. Despite continuous engagement with banks and other financial institutions to seek funding partnership for projects we were only able to secure partnership with TUHF of which GPF contributed R10 million.

Note 5. In 2011/12 GPF had not budgeted any funding commitment and units under the current partnership with TUHF – bridging facility for projects. The facility however committed R1.5m funding and yielded 45 potential units in the financial year.

Note 6. The EEPF projects approved in 2011/12 with a potential of yielding 326 units are yet to start construction, due to unforeseen delays in securing senior funding therefore no units were completed as anticipated.

2.1 The Rental Housing Fund

The Rental Housing Fund aims to enhance the debt / equity ratio to projects. The following projects were supported during the 2011/12 financial year as shown below in Table C.

Table C. - Rental Housing Fund Commitments

Company & Project	GPF's Committed Value	Other Funding	Total Units	Completed Units
Toproot Trade & Investments 11 (Pty) Ltd - 28 Betty Street	R 6,172,000	R 14,401,400	87	None – construction yet to start
Crimson Clover (Pty) Ltd -Ascot Fashion House	R 4,564,500	R 11,106,950	50	None – construction yet to start
Highlands Urban Livings (Pty) Ltd - Highlands Lofts	R 7,015,594	R 28,062,379	135	None – construction yet to start
Netcentric CC - Silbo House	R 3,992,000	R 9,313,000	48	None – construction yet to start
Lashka 201 (Pty) Ltd - Buxton Development	R 3,720,295	R 14,881,182	75	None - Construction yet to start
Erf 273 Parktown Estate CC - Parktown Place Estate Development	R 5,314,025	R 21,256,100	72	None – construction yet to start
Urban Quarter Investments (Pty) Ltd - Urban quarter Affordable Rental Estate	R 15,140,823	R 45,422,470	258	None – construction yet to start
Zevoli 269 (Pty) Ltd- Madison Lofts	R 2,814,237	R 14,094,872	80	None – construction yet to start
Sunset Properties 11 (Pty) Ltd - 11 Maclaren Street	R 2,294,350	R 23,141,450	61	None – construction yet to start
Total	R 51,027,824	R 181,679,803	866	

2.2 The Social Housing Fund

The Social Housing fund reduces the cost of capital for projects, thereby enhancing the cash flows for housing institutions that are not for profit and who undertake mixed income projects. The Fluerhof Views project approved in 2010/11 has yielded 286 housing units. These units have also been accounted for under 2.3 subsidy program. The following projects were supported as shown in Table D.

Table D. - Social Housing Fund Commitments

Company & Project	GPF's Committed Value	Other Funding	Total Units	Completed Units
Madulamoho Housing Association - Jabulani Views *	R 24,578,202	R 60,004,400	300	None – under construction
Yeast City Housing – Salvokop *	R 7,221,660	R 16,850,540	88	None – construction yet to start
Johannesburg Housing Company - Crest Hotel	R 15,534,573	R 36,247,336	225	None – construction yet to start
Johannesburg Housing Company - 117 Pritchard	R 11,499,012	R 26,831,027	133	None – Construction yet to start
Total	R 58,833,447	R 139,933,303	746	

* Jubulani Views and Salvokop units have also been accounted for under the 2.3 Institutional Housing Fund

2.3 Management of the Institutional Subsidy Program

Since 1st of April 2007 GPF was tasked by the GDLGH with the management, evaluation and facilitation of the institutional subsidy program. The motivations or proposals are submitted to GDLGH for the MEC approval of institutional subsidies.

Institutional Housing is defined as a housing option for low income persons (from R2 500 to R7 000) at a level of scale and built form which requires institutionalized management and which is provided by accredited (SHI). Institutional housing projects are mainly undertaken by schedule-1 non-profit companies. The tenure offered in an Institutional housing project is rental, co-operative ownership, instalment sale and rent-to-own. Institutional housing projects are funded through a mixture of government grants and private sector funding. The government grants consist of the institutional subsidy.

The aim of institutional subsidy is to reduce the cost of capital for projects linked to institutional subsidies. A budget was made available by GDLGH but SHI's waited for confirmation of restructuring grant for projects prior to submission for institutional subsidy funding. The following projects listed below in Table E have been supported under the program over 2011/2012 financial year.

Table E. – GDLGH Institutional Subsidies Commitments

Company & Project	Institutional Subsidy	Total Units	Completed Units
Madulamoho Housing Association - Fleurhof Views	R 18,089,500	286	286
Madulamoho Housing Association -Jabulani Views *	R 18,975,500	300	None- under construction
Yeast City Housing - Gillead House	R 825,000	15	15
Yeast City Housing - Leyd Street	R 1,485,000	27	27
Yeast City Housing - Salvokop *	R 4,840,000	88	None – construction yet to start
Total	R 44,215,000	716	328

* Jubulani Views and Salvokop units have also been accounted for under 2.2 SHF

In the future the SHF & institutional subsidy program reporting will be combined under Social Housing Fund. This is due to the fact that at most times the social projects funded are the same for GDLGH and GPF Loan funding.

2.4 Special Partnerships Projects

These are partnerships with financial institutions in order to leverage resources or share financing risk for affordable housing developments. The following Funds - sub programmes of the Special Projects performed as follows:

2.4.1 Risk Participation Facility

The aim of the facility is to enable sustainable entry of banks through sharing financing risk for housing developments. It allows for an interest rate blending resulting in a reduced interest rate for housing project finance.

GPF did not budget any funding commitment over the 2011/12 due to uncertainty of the financial markets. FNB did not take up the facility approved in 2010/11 period, which was structured as R20 million GPF funding against R70 million by FNB funding commitment. This was attributed by the uncertain economic environment.

2.4.2 Development Finance Facility

The aim of the Facility is 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, installment sale or other tenure options in Gauteng.

GPF did not budget any funding commitment over the 2011/12 due to uncertainty of the financial markets. FNB did not take up the facility approved in 2010/11 period, which was structured as R20 million GPF funding against R70 million by FNB funding commitment. This was attributed by the uncertain economic environment.

2.4.3 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 black entrepreneurs providing small-scale housing in the inner cities. A total of R20 million has been committed to roll out the programme, of this amount approximately R10 million was fully disbursed by 2010 and of the remaining R10 million approved by Board in 2011/12, an amount of R1.9 million has been committed as shown below Table F.

Operations Report

Table F. - Intuthuko Fund Commitments

Project Name	GPF Funding	Other Funding	Total Units	Completed Units
38 Hendon Street	R 80,000	R 389,005	6	6
Santa Monica	R 489,162	R 2,615,739	17	17
64 Ascot Road	R 69,586	R 266,578	7	7
Masada Court	R 222,147	R 643,390	7	7
Shangrila Court	R 510,165	R 4,029,200	30	30
197 7th Avenue	R 150,000	R 422,669	4	4
Gerda Court	R 256,883	R 1,029,815	8	8
93 & 93A Bezuidenout	R 100,808	R 582,931	5	5
Total	R 1,878,751	R 9,979,327	84	84

2.4.4 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 fully capitalised by GPF for an amount of R25 million and structured as a revolving fund managed by TUHF. The uncertain economic environment as well as TUHF constraints affected the facility severely. The following project has been funded by the bridging facility in 2011/12:

Table G. - Bridging Facility Commitments

Project Name	Committed Funding	Total Units
Ascot Fashion House	R 1,500,000	45
Total	R 1,500,000	45

2.4.5 TUHF Securitisation

The purpose of the facility is to assist TUHF in leveraging commercial funding for on-lending to inner-city investors contributing to urban regeneration and entrepreneurship development. This R30 million facility was approved by the GPF board in the 2006 financial year. The structure and legal documents took longer than expected due to the complexity, and the transaction seemed to have weathered the subprime crisis. The funding application was re-submitted to GPF for approval, unfortunately it was not successful, because the risk was too high for GPF.

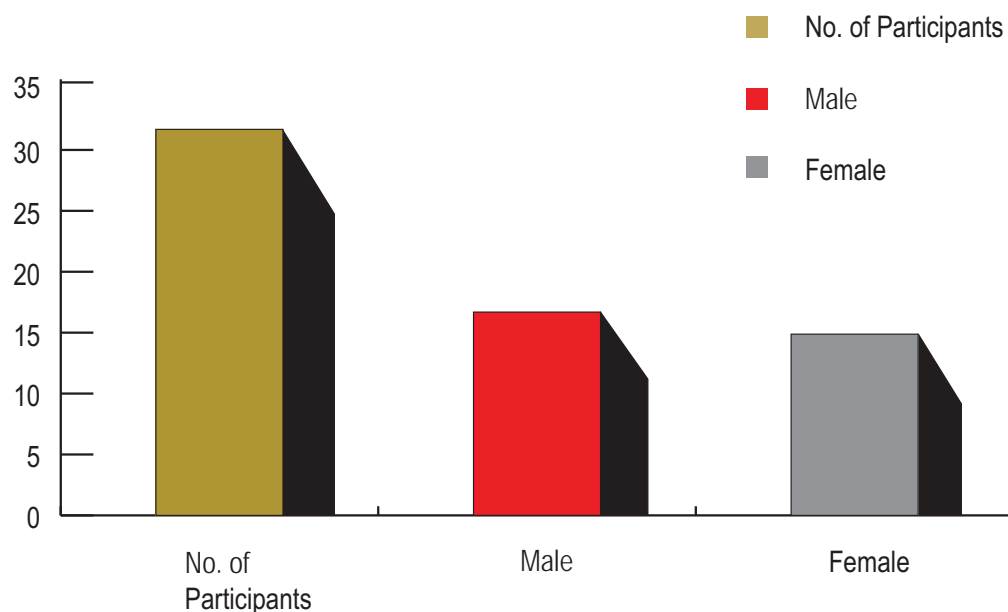
2.5 Entrepreneur Empowerment Property Fund

The EEPF is an incubator programme designed to promote participation of Historically Disadvantaged Individuals owned companies in the rental market. The programme is limited to prospective participants invited on a public tender annually.

The aim of the fund is to assist emerging black owned companies to enter the affordable housing rental market. The GPF has set aside initially R100 million funding for the programme. The programme is on track, eight (8) out of eleven (11) participants have secured projects and twenty (20) more participants were selected after a public proposal call in 2011; induction program was completed and project evaluation for the new group is continuing.

We are in the process of appointing Mentors to support participants on the programme. Mentor support as well as GPF proactive approach and response to the EEPF challenges would be essential in order to realise the objectives. We are also negotiating a co-funding agreement with NHFC for senior funding on the projects. Overall the EEPF programme participant has a balance of gender. We have shown below a gender analysis of the programme participants in Graph C.

Graph C. - EEPF Participants Gender Analysis



EEPF 2011	
No. of Participant	31
Male	16
Female	15

Operations Report

The following EEPF projects have been approved by the Board and Investment Committee as shown in Table H:

Table H. - EEPF Commitments

Company & Project	GPF's Committed Value	Other Funding	Total Units	Completed Units
Take off Real Estate (Pty) Ltd - Jeppestown	R 3,805,954	R 5,683,941	32	None – preparing to start construction
Clidet No 1024 (Pty) Ltd - 44 Wanderers Street	R 6,000,000	R 9,489,900	60	None – construction yet to start
Aquarella Investments 360 (Pty) Ltd - 85 & 87 Quartz Street	R 5,126,800	R 8,629,200	50	None – construction yet to start
Shukumani Trading Enterprises (Pty) Ltd -66 & 68 Derby Street	R 4,225,050	R 6,175,700	31	None – construction yet to start
Co-Mu Property Developers - 3103 Glen Marais	R 6,207,024	R 8,776,733	42	None – construction yet to start
The Real Business Trust - 685 Troyeville	R 4,672,800	R 6,319,200	36	None – construction yet to start
Kingdom Property Enterprises -Erf 278 Primrose Hill	R 5,210,845	R 7,480,155	30	None – Construction yet to start
Ludwe consulting CC - 10 & 11 Hunter Street, Highlands	R 6,085,690	R 8,269,195	45	None – Construction yet to start
Total	R 41,334,163	R 60,824,024	326	

2.6 Facilitation of Integrated Housing

The aim is for GPF to play a catalytic role in mobilising provincial institutions and shaping the sector resulting in appropriate deal flow to meet affordable housing targets. Our intention is by 2014 to facilitate 5 projects, resulting in 15 000 units.

In the 2011/12 financial year we planned to investigate opportunities and possible GPF intervention in the sector. The aim was to have a final blue print and an “integrated housing development plan” approved by financial year end.

The research on the role and opportunities for the GPF in integrated housing developments was concluded. The role that the GPF undertakes will be informed by the research outcomes.

Corporate Governance Report

The Gauteng Partnership Fund (GPF) is a Schedule 3C public entity registered under section 1 of the Public Finance Management Act (PFMA) No. 1 of 1999. Members are governed by the Trust Deed and terms of reference, which have been enhanced to ensure that the entity operates efficiently and effectively.

Board of Trustees

The GPF is managed and controlled by a unitary Board of Trustees appointed in terms of a Trust Deed. The organisation's sole shareholder is the Government of the Republic of South Africa, represented by the Gauteng Department of Local Government and Housing (GDLGH).

The board of trustees considers sound corporate governance practices to be pivotal to deliver sustainable growth for the benefit of all its stakeholders. The board of trustees endorse the objective of conducting the affairs of the company in accordance with the highest standards of corporate governance and accept responsibility for achieving these standards. The board endorses the principles of fairness, responsibility, transparency and accountability advocated. Corporate governance practices are reviewed periodically and improvements effected where necessary to account for changes in governance requirements.

Delegation of authority

The Board of trustees has the authority to lead, control and manage the business of the GPF. The Board has developed a governance structure of board committees and has delegated through a comprehensive delegation-of-authority framework some of its authority to the Chief Executive Officer to manage the day-to-day business affairs of the GPF. This delegation of authority assists decision-making and delivery of strategic objectives without exonerating the Board of its accountability and responsibility for the GPF.

The board of trustees is responsible for the strategic direction and control of the company.

Induction of new Board members

A comprehensive induction programme has been developed to ensure that new Board members are adequately briefed and have the required knowledge of the GPF's structure, operations, policies and industry related issues to enable them to fulfil their duties and responsibilities. New members are provided with details of all applicable legislation, minutes of the Board and Audit Committee for the previous 12 months, most recent management accounts and relevant sub-committee mandates.

Materiality framework

The board approved a framework of acceptable levels of materiality and significance in accordance with the Public Finance Management Act, 1999 as amended (PFMA).

Board meetings

During the year 6 scheduled board meetings were held. The Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Investment Officer (CIO) attend Board meetings on an ex-officio basis. The Board exercise oversight over the GPF's operations through a governance structure comprising Audit, Investment and Remuneration committees. These committees are responsible for ensuring that the GPF complies with, relevant legislation, codes of good governance and practices. Each committee has its own terms of reference, which are reviewed annually in line with best practice.

The audit committee assists the Board in its duties relating to the safeguarding of assets, the operation of adequate financial systems and control processes, and the preparation of financial statements and related financial reporting in compliance with all applicable legal requirements and accounting standards.

The remuneration committee oversees the formulation of a remuneration philosophy and human resources strategy to ensure that the Trust employs and retains the best human capital possible relevant to its business needs.

The investment committee assists the Board in its duties by making detailed reviews of the investment proposals and approving or making recommendations to the Board of Trustees in line with the overall organisational strategy and investment policies.

Audit committee members: R Garach (Chairperson), D Maphatiane, Z Fihlani.

Remuneration committee members: P Mphahlele (Chairperson), D Maphatiane, L Makibinyane.

Investment committee members: Z Fihlani (Chairperson), L Makibinyane, R Garach.

The Board is satisfied that the board committees have effectively discharged their responsibilities as contained in their respective terms of reference during the year under review.

Internal control

The Board acknowledges its overall responsibility for GPF's system of internal control and for reviewing its effectiveness, whilst Executive Management is accountable to the Board for monitoring the system of internal control and for providing assurance to the Board that it has done so. Executive Management has implemented an internal control system designed to facilitate effective and efficient operation of the GPF. Internal control focusses on critical risk areas, which are identified by management and reviewed by the Audit Committee.

The controls are designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. Organisational policies, procedures, structure and approval frameworks provide direction, accountability and segregation of responsibilities and contain self-monitoring mechanisms. The system of internal control

also assists to ensure the quality of internal and external reporting, compliance with applicable laws and regulations, and internal policies with respect to the conduct of business.

Executive Management is responsible for the identification, evaluation and management of the significant risks applicable to their areas of business. These risks are assessed on a regular basis and may be associated with a variety of internal and external sources.

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 been implemented are adequate and ensure the integrity and reliability of the Financial Statements and accountability of GPF's assets. Documented and tested processes are in place that will allow the GPF to continue its critical operational processes in the event of a disastrous incident impacting negatively on its activities. In this regard, management views the role of internal audit as the primary assurance provider that controls are working as intended.

Systems are monitored continuously throughout the year by both Management and Internal Audit. During the period under review, adequate accounting records were maintained.

Risk Management

GPF is exposed to a number of risks which may have a material or adverse impact on its reputation or performance and financial position. The board of trustees considers risk management to be a key discipline to protect the GPF against risks and uncertainties that could threaten the GPF to achieve its objectives. The Board of Trustees recognises the importance of an effective risk management system and has adopted an enterprise-wide approach to risk management. The board's risk management strategy has been adopted through a rigorous debate with the GPF management. Whilst it is not possible to identify or anticipate every risk due to the changing business environment, the Trust has an established risk management process to manage and mitigate those key risks which it believes could have an impact on its business. GPF's process for identifying and managing risk is set by the board. The board of trustees has delegated the management of risk to the audit committee. The day-to-day responsibility for risk management, including maintaining an appropriate loss prevention and internal control framework remains with the management of GPF. Risks are continually being identified and mitigated in terms of a process that involves allocating responsibility, developing action plans, and monitoring compliance with these action plans. Risks are monitored and reported upon at quarterly management meetings, and in the audit committee meetings. The audit committee has reviewed the risk management plan, the design, implementation and monitoring of which on a day-to-day basis is the responsibility of management.

The internal audit plan incorporates the outcomes of the risk management process. Internal audit facilitates the risk identification and mitigation. GPF has developed a culture of identifying and managing risk.



Jabulani View - Soweto

Human Resources Report

During the 2011/12 financial year, the GPF Human Resources unit focused on the HR objective of attracting and retaining skilled performing individuals to ensure the achievement of GPF strategic objectives. This objective was achieved through the following:

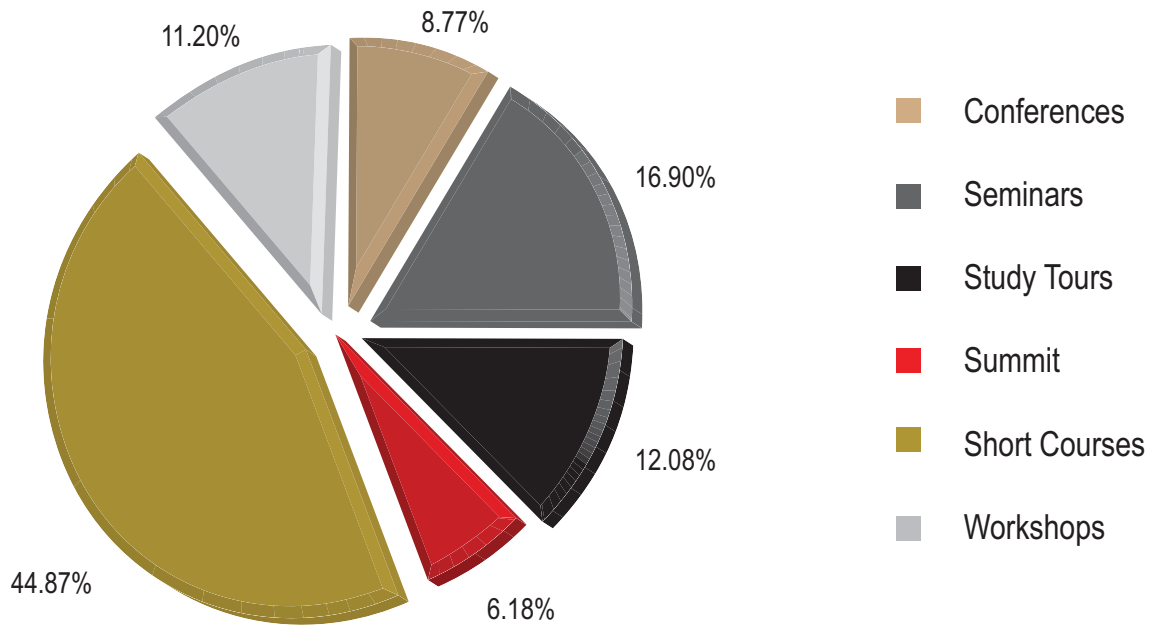
Ensuring the alignment of GPF Human Resources to the GPF strategy

- The timely recruitment of competent, performing individuals to ensure the GPF was fully staffed
- The participation of all newly appointed employees on an enhanced, effective induction programme
- Ensuring the individual performance contracts of all GPF employees were aligned to the strategic objectives
- Ensuring strict compliance of HR policies to relevant legislation and employee compliance to approved HR policies resulting in clean external and internal audits
- The successful development and implementation of an internal marketing strategy
- The continuous monitoring and reporting of human resources initiatives and targets to ensure alignment to strategic objectives

Ensuring the availability of required skills and knowledge

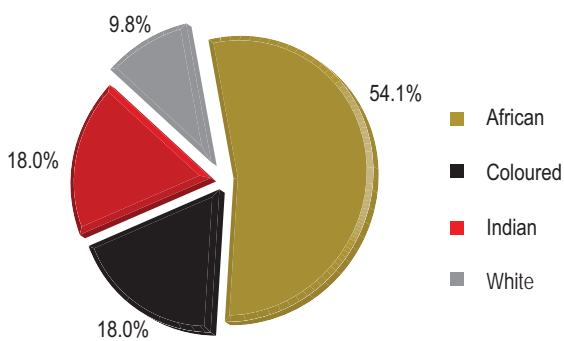
- The implementation of Individual Development Plans (IDP's) for each employee to ensure the availability of required skills and knowledge
- The development of an internship programme to support the national job creation drive
- The development and implementation of a comprehensive retention and succession plan
- The continuous availability of a healthy workforce through the implementation of the comprehensive and effective GPF Employee Wellness Programme
- The attendance by key individuals to National and International study tours
- GPF as a learning organization with a skills development expenditure for 2011/12 of 4.36% of annual payroll provided employees with attendance at the following training initiatives:

Operations Report

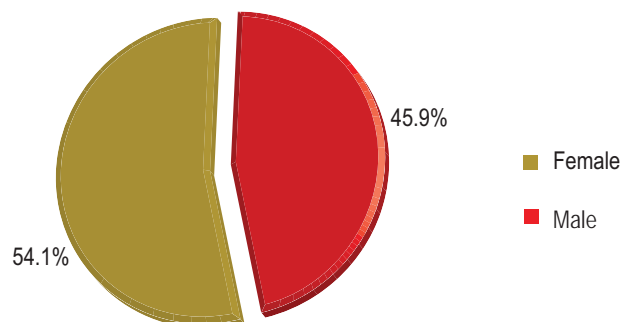


Graph D: Training initiatives attended

The graphs below depict the attendance at training initiatives of GPF employees by race and gender:



Graph E: Training attendance by race

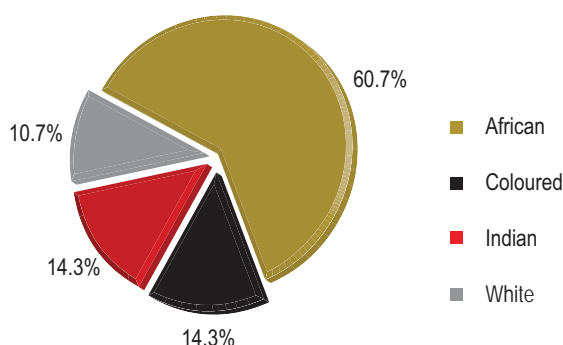


Graph F: Training attendance by gender

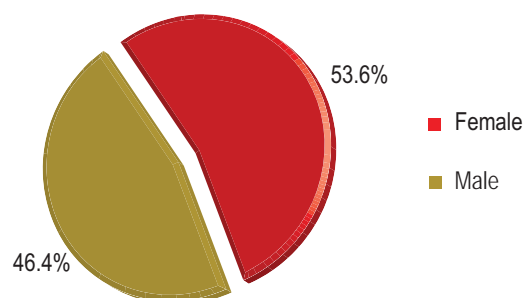
Ensuring the organizational culture encompasses the GPF values

- Ensuring continuous communication within all internal communication channels
- Ensuring awareness and full understanding of the GPF values amongst employees
- Regular effective social activities which enhanced the GPF culture
- The annual employee participative review of HR policies
- The Employment Equity Committee's promotion of a culture at GPF which values diversity and ensures all employees have fair and equal access to employment opportunities.

The tables below depict GPF employees by race and gender as at the 31st March 2012



Graph G: GPF Employees by race



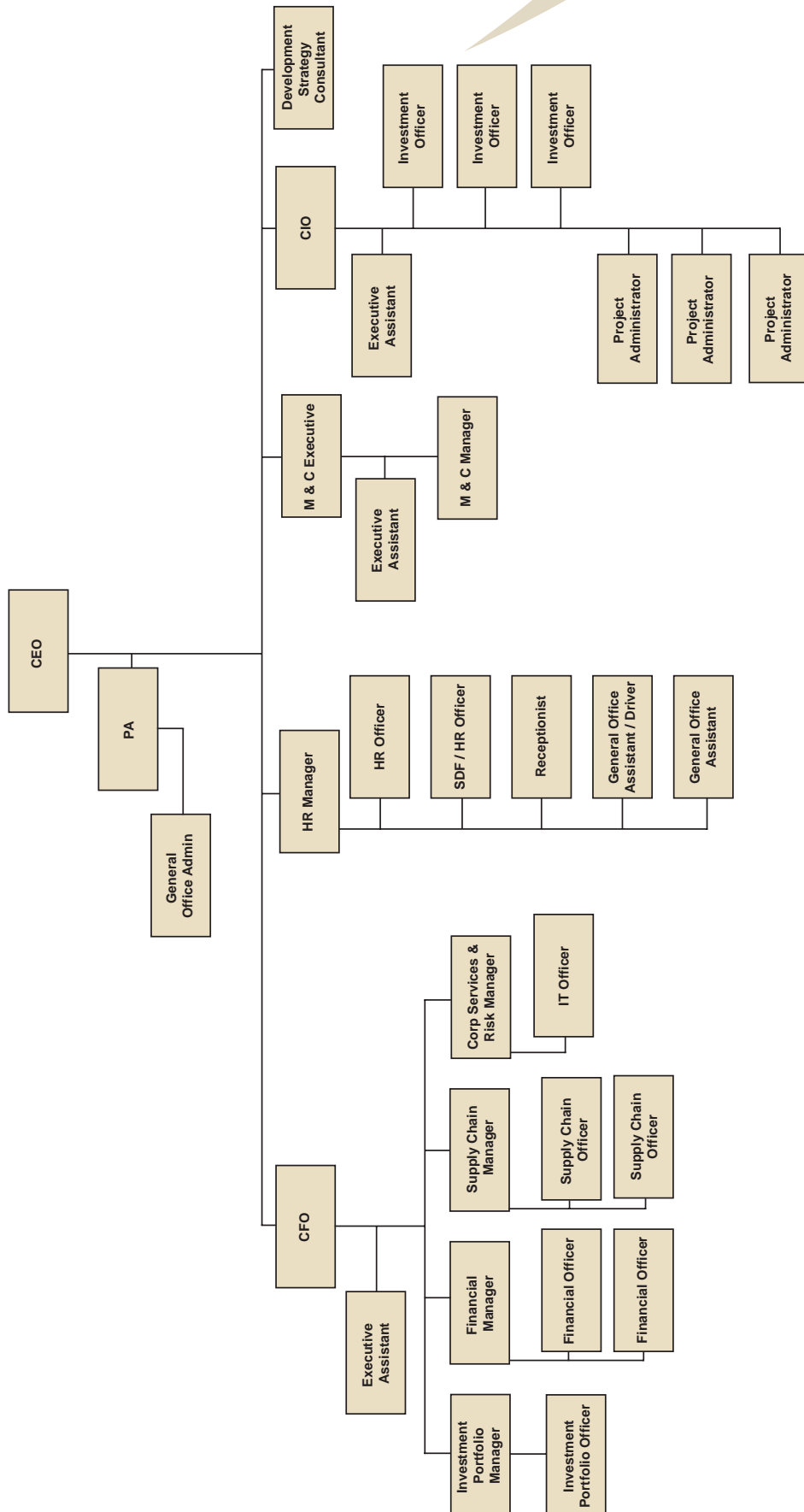
Graph H: GPF Employees by gender

General

The Remuneration Committee has fulfilled its mandate for the reporting period. GPF is very proud to report that, during the reporting period, there were no formal grievances raised and only one resignation. GPF has welcomed the appointment of nine new team members during 2011/12



GPF Staff Photo



Operations Report

No	Name	Job Title	Race	Gender	Commencement Date	Termination Date
1	Lance Smith	Corporate Services Manager	Coloured	Male	1-Oct-04	
2	Boni Muvevi	Chief Investment Officer	African	Male	1-Nov-04	
3	Thando Masango	Financial Officer	African	Female	11-Jan-05	
4	Basil Balkison	Financial Accountant	Coloured	Male	16-Feb-05	
5	Godfrey Mathabathe	Investment Portfolio Manager	African	Male	25-Apr-05	
6	Mpho Mokoena	Human Resources Officer	African	Male	1-Sep-05	
7	Anthea Jansen	Personal Assistant	Coloured	Female	1-Sep-05	
8	Shiraaz Lorgat	Investment Officer	Indian	Male	1-Dec-05	
9	Brian Mangcipu	Supply Chain Officer	African	Male	3-Apr-06	
10	Lilian Diketane	General Office Administrator	African	Female	5-Apr-06	
11	Komathie Govendor	Chief Financial Officer	Indian	Female	3-Jan-07	
12	Kutoane Kutoane	Chief Executive Officer	African	Male	7-May-07	
13	Katleho Nchapha	Investment Officer	African	Male	3-Jan-08	
14	Mapule Kuzwayo	Receptionist	African	Female	1-Apr-08	
15	Marjorie Harrington	Human Resources Manager	White	Female	2-Apr-08	
16	Maki (Immaculate) Shembe	Projects Administrator	African	Female	14-Apr-08	
17	Renata Lement	Projects Administrator	Coloured	Female	1-Nov-08	
18	Faizel Rayman	Supply Chain Manager	Indian	Male	15-Dec-08	
19	Ronald Tapera	IT Officer	African	Male	25-May-09	
20	Patricia Jafta	General Office Assistant	African	Female	12-Nov-09	
21	Ismail Carr	Marketing & Communications Executive	Indian	Male	18-Jul-11	
22	Vinolia Mashiane	Investment Officer	African	Female	1-Feb-11	
23	Emmanuel Siavhe	Financial Officer	African	Male	18-Jul-11	14-Dec-11
24	Ntombenhle Gwina	Marketing & Communications Manager	African	Female	15-Aug-11	
25	Tanja Berry	Personal Assistant	White	Female	15-Aug-11	
26	Thabane Rampalane	SDF / HR Officer	African	Male	1-Jul-11	
27	Phetsile Khoza	Projects Administrator	African	Female	18-Jul-11	
28	Lydia Diketane	General Office Assistant	African	Female	1-Jul-11	
29	Sandra Ruiter	Investment Officer	White	Female	3-Jan-12	



The Ridge - Johannesburg



Kliptown Project - Johannesburg

Report of the Audit Committee

We are pleased to present our Report for the financial year ended 31 March 2012.

Audit Committee Members and Attendance

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

Member	Profession/ Position	20/05/2011	20/07/2011	24/11/2011	16/02/2012	13/03/2012
Rakesh Garach (Chairperson)	CA(SA)	✓	✓	✓	✓	✓
Pakie Mphahlele (Appointed as Chairman of the Board from 1 September 2011)	Masters in Finance	✓	✓	-	-	-
Zola Fihlani (Appointed: 30 August 2011)	CA(SA)	-	-	✓	✓	✓
Dineo Maphatiane (Appointed: 30 August 2011)	BA Human Resource Management with Major in Industrial Psychology	-	-	Apology	Apology	Apology

Remuneration rate:

Formal meetings = R3 055.00 (Chair), R1 855.00 (Audit Committee Member) per meeting.

Audit Committee responsibility

The Audit Committee has adopted appropriate terms of reference as its Audit Committee Charter in line with the requirements of Section 51 (1)(a) of the PFMA and Treasury Regulation 27.1. The Charter is annually reviewed and updated as needed 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 and internal audit,
- Compliance with laws, regulations and good ethics, and
- Reporting practices.

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

Report of the Audit Committee

Report on the operations of the Audit Committee

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

- Reviewed management accounts;
- Reviewed and approved the Internal Audit Charter;
- Updated the Audit Committee Charter;
- Reviewed the risk analysis, as well as the internal audit coverage plans and budget;
- Considered internal audit reports and made recommendations as appropriate;
- Monitored progress with the internal audit coverage plans as well as Management's follow-up of matters requiring attention throughout;
- Monitored compliance with GPF policies and applicable legislation;
- Conducted separate informal meetings with both internal and external audit;
- Conducted a self-assessment during the year. Results concluded that the Audit committee is effective. Minor areas of improvement were identified.

The Effectiveness of Internal Control

The Audit Committee is satisfied that:

- The risk management process is in place and the major risks under the control of GPF are properly managed;
- The internal control systems are effective;
- The Internal Auditors are operating objectively and independently; and
- Matters requiring Management attention have been adequately addressed.

Evaluation of Annual Financial Statements

The Audit Committee has:

- Reviewed and discussed with the Auditor and Management the audited Annual Financial Statements to be included in the Annual Report;
- Reviewed the Auditors' management report and Management's response thereto;
- Reviewed the entity's compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit.

Report of the Audit Committee

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 of South Africa.

Risk Management

As part of the Audit Committee's responsibility it monitors and oversees the assessment and mitigation of risk on a prioritised basis throughout the Trust. The Internal Auditors used this risk control framework to prepare their audit coverage plans and to undertake audit work in the higher prioritised risk areas identified.



R Garach

(Chairperson of the Audit Committee)

Report of the Auditor General

REPORT OF THE AUDITOR-GENERAL TO GAUTENG PROVINCIAL LEGISLATURE ON THE GAUTENG PARTNERSHIP TRUST TRADING AS THE GAUTENG PARTNERSHIP FUND

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Gauteng Partnership Trust trading as the Gauteng Partnership Fund set out on pages 47 to 89, which comprise the statement of financial position as at 31 March 2012, the statement of comprehensive income, statement of changes in equity and the statement of cash flow for the year then ended, the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No.25 of 2004)(PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Gauteng Partnership Trust trading as the Gauteng Partnership Fund as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of PFMA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

7. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 9 to 20 of the annual report.
9. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.
The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
10. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Compliance with laws and regulations

11. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters.
12. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* in terms of the PAA.

Report of the Auditor General

Internal control

13. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations.
14. I did not identify any deficiencies in internal control which we considered sufficiently significant for inclusion in this report.



Johannesburg

31 July 2012





Tau Village - Pretoria



Jabulani View - Soweto



Gauteng Partnership Trust

Trading as Gauteng Partnership Fund

Annual Financial Statements

for the year ended 31 March 2012

Gauteng Partnership Trust

(Registration number IT2422/02)

Trading as Gauteng Partnership Fund

Annual Financial Statements for the year ended 31 March 2012

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Social housing
Registered office	82 Grayston Drive Sandton Johannesburg 2196
Bankers	Absa Bank Limited
Auditors	Auditor General of South Africa Registered Auditors
Trust registration number	IT2422/02
NPO number	030-671-NPO
Attorneys	Mojela Hlazo Practice Des Naidoo Attorneys Cliffe Dekker Hofmeyer Bhika Incorporated Mapulana Moponya Attorneys Wilsenach Van Wyk

Gauteng Partnership Trust

(Registration number IT2422/02)

Trading as Gauteng Partnership Fund

Annual Financial Statements for the year ended 31 March 2012

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Index	Page
Report of the Trustees	44 - 46
Statement of Financial Position	47
Statement of Financial Performance	48
Statement of Changes in Net Assets	49
Cashflow Statement	50
Accounting Policies	51 - 62
Notes to the Annual Financial Statements	63 - 89

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

Detailed Income statement	90
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Gauteng Partnership Trust

(Registration number IT2422/02)

Trading as Gauteng Partnership Fund

Annual Financial Statements for the year ended 31 March 2012

Report of the Trustees

The Trustees submit their report for the year ended 31 March 2012.

1. Review of activities

Main business and operations

The Gauteng Partnership Fund (GPF) was founded by the Gauteng Department of Local Government and Housing (GDLGH) in 2002 as a mechanism for mitigating risk faced by the private sector funding institutions in financing affordable housing developments in the province.

Since inception as a public entity under the auspices of the GDLGH, GPF has focused its programmes on mobilisation of private sector funding to address the funding constraints that are experienced by social housing providers and affordable rental housing developers for good quality and well located housing developments.

The GPF funding model introduces a public risk capital strategy that assumes a first loss position. The GPF funding instrument therefore has a character of equity but in a form of a subordination debt. The funding model is also attractive in that it provides a cushion for the senior lender and the weighted average cost of capital is lower due to GPF's discounted lending interest rate.

The GPF's focus over the next three years is to continue to proactively source viable housing projects, as well as package its affordable housing funding products more attractively for third party funding partners.

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 year 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 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 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 acceptance level of risk.

The Trustees are of the opinion, based on 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 indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

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. Equipment and intangibles

During the year, the Trust purchased equipment and intangibles to the value of R7,441,504 (2011: R878,622). The useful lives of the remaining assets were assessed during the year and any change has been disclosed as a change in estimate.

4. Secretary

The Trust is not required to have a secretary in terms of the Trust Property Control Act, 1998 (Act No. 57 of 1988)

Gauteng Partnership Trust

(Registration number IT2422/02)

Trading as Gauteng Partnership Fund

Annual Financial Statements for the year ended 31 March 2012

Report of the Trustees

5. Trustees

The Trustees of the entity during the year and to the date of this report are as follows:

Name	Nationality	Date of appointment/resignation
M Phaweni (Chairperson)	Non Executive South African	Resigned 30 August 2011
D C Chainee	Non Executive South African	Resigned 1 April 2011
M Mnyani	Non Executive South African	Resigned 1 April 2011
K Kutoane (Chief Executive Officer)	Executive South African	
K Mdlulwa	Non Executive South African	Resigned 30 August 2011
R Garach	Non Executive South African	
P Mphahlele (Chairperson)	Non Executive South African	Appointed 1 June 2012
L Makibinyane	Non Executive South African	Appointed 30 August 2011
D Maphatiane	Non Executive South African	Appointed 30 August 2011
Z Fihlani	Non Executive South African	Appointed 30 August 2011

The following are further sub-committees of the Board of Trustees:

Audit committee

R Garach (Chairperson)
D Maphatiane
Z Fihlani

Investment committee

Z Fihlani (Chairperson)
R Garach
L Makibinyane

Remuneration committee

P Mphahlele (Chairperson) Appointed 1 June 2012
D Maphatiane
L Makibinyane

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

6. Auditors

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

Gauteng Partnership Trust

(Registration number IT2422/02)

Trading as Gauteng Partnership Fund

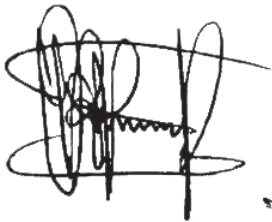
Annual Financial Statements for the year ended 31 March 2012

Report of the Trustees

7. 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.

The financial statements set out on pages 47 to 90 which have been prepared on the going concern basis, were approved by the Board of Trustees on 29 May 2012 and were signed on its behalf by:



K Kutoane
Chief Executive Officer



P Mphahlele
Chairperson

Gauteng Partnership Trust

(Registration number IT2422/02)

Trading as Gauteng Partnership Fund

Annual Financial Statements for the year ended 31 March 2012

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Cash and cash equivalents	2	1,098,738,000	902,682,003
Current portion - loans and receivables from exchange transactions	7	9,760,302	8,901,916
Receivables from exchange transactions	3	32,219,891	2,180,319
		1,140,718,193	913,764,238
Non-Current Assets			
Equipment	5	5,598,808	1,155,889
Intangible Assets	6	1,016,245	149,210
Available for sale investments	4	11,647,556	9,644,155
Loans and receivables from exchange transactions	7	111,607,751	90,577,439
		129,870,360	101,526,693
Total Assets		1,270,588,553	1,015,290,931
Liabilities			
Current Liabilities			
Finance lease obligation	8	239,661	59,529
Operating lease liability	9	78,856	-
Payables from exchange transactions	10	624,090,078	379,226,147
Deferred income	11	162,129,737	217,714,424
Provisions	12	3,025,382	1,965,495
		789,563,714	598,965,595
Non-Current Liabilities			
Finance lease obligation	8	377,913	111,881
Total Liabilities		789,941,627	599,077,476
Net Assets			
Reserves			
Other components of net assets	13	1,231,149	(772,252)
Accumulated surplus		479,415,777	416,985,707
Total Net Assets		480,646,926	416,213,455
Total Net Assets and Liabilities		1,270,588,553	1,015,290,931

Gauteng Partnership Trust

(Registration number IT2422/02)

Trading as Gauteng Partnership Fund

Annual Financial Statements for the year ended 31 March 2012

Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue	14	96,964,305	65,599,961
Other income	16	1,475,534	6,241
Operating expenses		(33,015,851)	(21,026,361)
Operating surplus	17	65,423,988	44,579,841
Fair value adjustments	20	(3,720,960)	(3,770,108)
Impairment reversal	21	755,370	1,400,000
Finance costs	22	(28,328)	(7,213)
Surplus for the year		62,430,070	42,202,520

Gauteng Partnership Trust

(Registration number IT2422/02)

Trading as Gauteng Partnership Fund

Annual Financial Statements for the year ended 31 March 2012

Statement of Changes in Net Assets

Figures in Rand	Available-for-sale asset reserve	Accumulated surplus	Total net assets
Balance at 01 April 2010	(7,999,997)	374,783,187	366,783,190
Changes in net assets			
Surplus for the year	-	42,202,520	42,202,520
Fair value adjustments	7,227,745	-	7,227,745
Total changes	7,227,745	42,202,520	49,430,265
Balance at 01 April 2011	(772,252)	416,985,707	416,213,455
Changes in net assets			
Surplus for the year	-	62,430,070	62,430,070
Fair value adjustment (Refer to note 13)	2,003,401	-	2,003,401
Total changes	2,003,401	62,430,070	64,433,471
Balance at 31 March 2012	1,231,149	479,415,777	480,646,926
Note(s)	13		

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Cashflow Statement

Figures in Rand	Note(s)	2012	2011
Cashflows from operating activities			
Receipts			
Cash receipts - from borrowers		13,498,714	32,725,883
Cash receipts - interest from banks		30,159,908	32,912,879
Gauteng Department of Local Government and Housing		244,498,413	343,353,676
		288,157,035	408,992,438
Payments			
Employee costs	29	(17,665,618)	(13,521,534)
Suppliers	29	(11,860,784)	(6,106,520)
Finance costs	22	(28,328)	(7,213)
Guarantees paid	3	(29,863,952)	-
Cash paid to borrowers	7	(25,720,735)	(19,211,550)
		(85,139,417)	(38,846,817)
Net cashflows from operating activities	24	203,017,618	370,145,621
Cashflows from investing activities			
Purchase of equipment	5	(5,817,482)	(560,167)
Proceeds from sale of equipment	5	181,880	112,917
Purchase of other intangible assets	6	(1,185,736)	(318,455)
Net cash flows from investing activities		(6,821,338)	(765,705)
Cashflows from financing activities			
Finance lease payments		(140,283)	(58,001)
Net increase in cash and cash equivalents		196,055,997	369,321,915
Cash and cash equivalents at the beginning of the year		902,682,003	533,360,088
Cash and cash equivalents at the end of the year	2	1,098,738,000	902,682,003

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Accounting Policies

1. Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The following GRAP Standards have been applied in the annual financial statements:

Reference	Topic
GRAP 1	Presentation of Financial Statements (as revised in 2010)
GRAP 2	Cash Flow Statements (as revised in 2010)
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)
GRAP 4	The Effects of Changes in Foreign Exchange Rates (as revised in 2010)
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions (as revised in 2010)
GRAP 10	Financial Reporting in Hyperinflationary Economies (as revised in 2010)
GRAP 11	Construction Contracts (as revised in 2010)
GRAP 12	Inventories (as revised in 2010)
GRAP 13	Leases (as revised in 2010)
GRAP 14	Events After the Reporting Date (as revised in 2010)
GRAP 16	Investment Property (as revised in 2010)
GRAP 17	Property, Plant and Equipment (as revised in 2010)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations (as revised in 2010)
GRAP 101	Agriculture
GRAP 102	Intangible Assets

2) Directives issued and applied:

Reference	Topic
Directive 1	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 2	Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions
Directive 5	Determining the GRAP Reporting Framework
Directive 6	Transitional Provisions for Revenue Collected by the South African Revenue Service (SARS)
Directive 7	The Application of Deemed Cost on the Adoption of Standards of GRAP

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Accounting Policies

3) Interpretations of the Standards of GRAP approved that are applied:

Reference	Topic
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services

4) Approved guideline of Standards of GRAP that are applied:

Reference	Topic
Guide 1	Guideline on Accounting for Public Private Partnerships

5) Effective accrual based IPSAS are applied:

Reference	Topic
IPSAS 20	Related Party Disclosures

6) Effective IFRSs and IFRICs that entities are applied:

Reference	Topic
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
SIC – 29 (AC 429)	Service Concession Arrangements – Disclosures
IFRIC 12 (AC 445)	Service Concession Arrangements

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7) These accounting standards have been considered (where applicable) in the formulation of the accounting policies:

Reference	Topic
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of Cash-generating Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

8) Standards of GRAP approved, but for which the Minister of Finance has not yet determined an effective date:

These accounting standards have been considered (where applicable) in the formulation of the accounting policies:

Reference	Topic
GRAP 25	Employee Benefits
GRAP 105	Transfers of Functions Between Entities Under Common Control
GRAP 106	Transfers of Functions Between Entities Not Under Common Control
GRAP 107	Mergers

9) Approved Standards of GRAP that entities are not required to apply:

Reference	Topic
GRAP 18	Segment Reporting

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Accounting Policies

1.1 Significant accounting judgements, estimates and assumptions judgements

In the process of applying the Trust's accounting policies, management has made the following judgment, which has the most significant effect on the amount recognised in the financial statements:

Operating Lease Commitments

The Trust has entered into an operating lease for the photocopier machine and telephone system. The Trust has determined based on evaluation of the terms and conditions of arrangements that it retains the significant risks and rewards of ownership of the machine, and so account for the contract as a finance lease.

Estimates and Assumptions

Fair Value of Financial Instruments

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements. Significant judgments include:

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position sheet cannot be derived from active markets (publicly traded debt and equity), they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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 to estimated future cash flows at the loan's original effective interest rate. The adjustment is recognised as income or expense in surplus or deficit.

1.2 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 amount 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 surplus or deficit 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.

The useful lives of items of equipment have been assessed as follows:

Item	Average useful life
• Furniture and Fixtures	1 to 10 years
• Motor Vehicles	6 years
• Office Equipment	1 to 7 years
• Computer Equipment	Between 1 to 6 years
• Leasehold Improvements	15 to 20 months

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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Accounting Policies

1.2 Equipment (continued)

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of 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 surplus or deficit unless it is included in the carrying amount of another asset.

Items of equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the income statement.

1.3 Intangible Assets

An intangible asset is recognised when:

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

The most important amortisation rates are as follows:

Computer Software 1-5 years

Intangible Assets are acquired computer software that is initially recognised at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any 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 expected useful life and this expense is taken to the statement of financial performance.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Intangible assets are included in surplus and deficit when the item is derecognised.

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.

1.4 Financial instruments

Classification

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

- Loans and receivables
- Available-for-sale financial assets

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

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Accounting Policies

1.4 Financial instruments (continued)

Initial Recognition

Financial instruments are recognised initially when the Trust becomes a party to the contractual provisions of the instruments. Initial measurement is at fair value, which includes directly attributable transactions costs for investments. Loans and receivables are concessionary loans. Concessionary loans are loans granted by the GPF on terms that are not market related. The day one gain or loss on these loans represent a social benefit. The social benefit relates to a difference between the fair value on initial recognition and the consideration paid. This difference is taken to fair value adjustments in the statement of financial performance. These instruments are subsequently measured as set out below:

Fair Value Determination

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgement includes considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. A decline in fair value is determined by objective evidence. The discount rates used for present value, these cash flows are adjusted for systematic and unsystematic risk.

Receivables from exchange transactions

Receivables from exchange transactions are subsequently measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

The Trust assess its loans and receivables from exchange transactions at each statement of financial position date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A loan or receivable is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss events has an impact on the estimated future cash flows of the loan. Evidence of impairment may include indications that the debtor or group of debtors is experiencing significant financial difficulty, default or delinquency interest or principle payments, the probability that they will enter bankruptcy and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrear or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the 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 financial asset. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of collateral type and past due status. 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 has the impairment not been recognised. In determining whether an impairment allowance should be recorded in the statement of financial position, the Trust makes judgments as to whether there is objective evidence that the asset might be impaired. The impaired allowance is measured as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the original effective rate from a financial asset. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of financial performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Criteria used to determine the objective evidence would include financial analysis and non-compliance with the loan agreement. Objective evidence would include a significant or prolonged decline in the fair value of the loan below its cost.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increase or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to the statement of financial performance.

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Accounting Policies

1.4 Financial instruments (continued)

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 income in the statement of financial performance. Gains or losses from the amortisation process are recognised in the surplus or deficit. Receivables from exchange transaction are classified as loans and receivables from exchange transactions. Gains and losses are recognised in the statement of financial performance when the receivables from exchange transaction are derecognised or impaired, as well as through the amortisation process.

Payables from exchange transactions

Trade and other payables are subsequently measured at amortised cost using the effective interest rate method. Gains and losses from the amortisation process are recognised in the statement of financial performance when the trade and other payables are derecognised.

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. Cash and cash equivalents is classified as loans and receivables from exchange transactions.

Loans and receivables from exchange transactions

Loans and receivables from exchange transactions are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Subsequently, these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

Available-for-sale investments

Available-for-sale assets are non-derivative financial assets that are designated as available-for-sale, which are neither classified in loans and receivables from exchange transactions, held to maturity investments or financial assets at fair value through surplus and deficit. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in net assets until the investment is derecognised or impaired, at which time the cumulative gain or loss recorded in net assets is recognised in the statement of financial performance and removed from the net assets.

These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised directly in net assets 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 surplus or deficit for the period.

The GPF classifies all equity investments and related loans as available-for-sale assets. For available-for-sale assets, the Trust assesses at each statement of financial position date, whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, the objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of financial performance. Impairment losses on equity investment are not reversed through the statement of financial performance; increases in their fair value after impairment are recognised directly in net assets.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Assets past due or impaired that have been renegotiated

The GPF bases this renegotiation on the results of project monitoring including financial analysis, non compliance with the loan agreement and representations from the borrower.

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1.4 Financial instruments (continued)

Loans to (from) economic entities

These include loans to and from controlling entities, fellow controlled entities, controlled entities, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

Derecognition

Financial assets

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or when the Trust has transferred its rights to receive cash flows from the asset.

When the GPF has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the GPF's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of financial performance.

Reclassification

Loans and receivables from exchange transactions

Reclassification to loans and receivables from exchange transactions is permitted when the financial asset meets the definition of loans and receivables from exchange transactions and has the intent and ability to hold these assets for foreseeable future or maturity. The reclassification to be held to maturity is permitted only when the GPF has the intention and ability to hold the asset for the foreseeable future or until maturity.

Available for sale assets

An available for sale asset may be reclassified out of available for sale loans and receivables from exchange transactions, if the GPF has the intention and ability to hold the financial asset for the foreseeable future or until maturity. For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in net assets is amortised to surplus or deficit over the remaining life of the investment using the effective interest rate (EIR). Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in net assets is reclassified to the statement of financial performance.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually or as appropriate; when circumstances indicate that the carrying value may be impaired.

1.5 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

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1.5 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property 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 the 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 on the remaining balance of the liability.

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 asset or liability. The asset or liability is not discounted.

1.6 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

1.7 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.8 Employee benefits

Short-term employee benefits

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Accounting Policies

1.8 Employee benefits (continued)

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 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.

1.9 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

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Accounting Policies

1.9 Provisions and contingencies (continued)

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

1.10 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Trust and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Revenue comprises government grants, interest received from loans and receivables from exchange transactions, available-for-sale assets and cash and cash equivalents.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that is intended to compensate. Where the grant related to an asset, it is recognised as deferred income and released to the statement of financial performance 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 in income on a systematic basis.

Interest income from loans and receivables from exchange transactions, available-for-sale assets and cash and cash equivalents is recognised as interest accrues using the effective interest rate that is the rate that exactly discounts estimated future cash receipts through expected life of the financial instruments to the net carrying amount of the financial asset.

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

Revenue from non exchange transactions for services-in-kind is not recognised but disclosed in the financial statements.

1.11 Deferred Income

Refer to the government grant and revenue accounting policy for the accounting of deferred income.

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 reimbursement and is recognised as income on a systematic basis.

1.13 Irregular and fruitless and wasteful expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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Accounting Policies

1.13 Irregular and fruitless and wasteful expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.14 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.15 Capacity grants

Capacity grants represent amounts disbursed to Social Housing Institutions for operating expenditure. 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 grant is converted to a loan and any amount previously expensed is reversed in the statement of financial performance.

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2. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Call account	-	30,045,123
Capital account	473,575,430	475,430,752
Deposits held on behalf of Gauteng Department of Local Housing and Government	623,333,442	377,841,365
Current account	1,826,197	19,364,059
Petty cash	2,931	704
	1,098,738,000	902,682,003

Cash at banks earn interest at floating rates based on daily bank deposits rates. The fair value of cash equivalents approximates their carrying value as equivalents are readily convertible to cash. The Trust holds its capital account with the Corporation of Public Deposits at the South African Reserve Bank. R164,356,395 (2011:R233,804,025) of the cash and cash equivalents has been committed(Refer to note 25). R623,333,442 (2011:R377,841,701) of cash and cash equivalents represents amount held on behalf of the Gauteng Department of Local Government and Housing that are not available for use by the GPF(Refer to note 25 for detail).

3. Receivables from exchange transactions

Receivables from exchange transactions - guarantees with attorneys	29,863,952	-
Receivables from exchange transactions - interest accrued	739,399	1,451,763
Receivables from exchange transactions - capital accrued	105,567	109,116
Sundry Debtors	1,510,973	619,440
	32,219,891	2,180,319

Receivables from exchange transactions

Guarantees with Attorneys comprise of money held in Trust by attorneys until such time that bonds are registered and transfer has taken place. These guarantees are interest bearing and are generally between 30 and 180 day terms. Refer to note 25.

Receivables from exchange transactions - interest accrued comprise of interest owed on the GPF's bank accounts by Absa Bank, Standard Bank on our Risk Participation Facility and guarantee interest accrued . These interest amounts are non-interest bearing and are generally on 30 day terms.

Receivables from exchange transactions - Capital accrued comprise of capital owed to the GPF by Standard Bank on our Risk Participation Facility. These capital amounts are non interest bearing and are generally on 30 day terms.

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired is good . The credit quality is assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Fair value of receivables from exchange transactions

Receivables from exchange transactions are carried at invoice amount and not discounted due to the effect of discounting not being material. Receivables from exchange transaction fair value approximate its carrying value.

Sundry debtors

Sundry debtors consist of prepayments, credit notes and tenant installation allowance owed by the Gauteng Project Office.

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4. Available-for-sale investments

Unlisted shares at fair value

Greater Germiston Inner City Housing Company Phase II (Pty) Ltd - nominal amount	4,000,000	4,000,000
Impairment	(3,999,999)	(3,999,999)
Fair value	1	1
Greater Germiston Inner City Housing Company Pharoe Park (Pty) Ltd - nominal amount	4,000,000	4,000,000
Impairment	(3,999,999)	(3,999,999)
Fair value	1	1
Brickfields Housing Company (Pty) Ltd - nominal amount	10,000,000	10,000,000
Impairment	(9,999,999)	(9,999,999)
Fair value adjustment 2009	10,035,000	10,035,000
Fair value adjustments 2010	(7,618,593)	(7,618,593)
Fair value adjustments 2011	7,227,745	7,227,745
Fair value Adjustment 2012	2,003,401	-
	11,647,554	9,644,153
Non Currents Assets - Available-for-sale	11,647,556	9,644,155

Available-for-sale

Available-for-sale financial investments consist of investments in unquoted ordinary shares and loans. 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. Management has determined that the potential effect of using reasonably possible alternatives as inputs to the valuation model would reduce the fair value by R3,715,190 using less favourable assumptions by increasing the systematic risk by 5% and increase the fair value by R9,117,357 using more favourable assumptions by reducing the systematic risk by 5%. Systematic risk is also known as market risk. It is the risk that cannot be diversified away.

The 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. The repayments of the investments have 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 it has a fair value of nil.

The equity investment in Brickfields Housing Company (Pty) Ltd has been valued at R11,647,554(2011:R9,644,159) using the discounted cash flow technique. The cost of this investment is R10 000 000. This investment consists of 300 ordinary shares of R1 each and a loan of R9 999 700. This loan investment is unsecured, bears interest from time to time at a rate not exceeding 25%. The repayment thereof has been determined by a put and call option between Gauteng Partnership Fund and Johannesburg Housing Company (Pty) Ltd. The put option period commences on 1 July 2013 and terminates on 30 June 2015. The exercise of the put option is subject to the condition that all loan facility amounts and creditors are repaid in full. The Gauteng Partnership Trust has granted a call option to Johannesburg Housing Company (Pty) Ltd. The call option commenced 1 July 2003 and terminates 30 June 2013 as is stipulated in the loan agreement entered into by the former two parties. The put option has a nil value and has not been recognised in the annual financial statements as no dividends have been paid to Gauteng Partnership Fund and loan facilities have not been fully repaid. Interest of R2 499 992 (2010: R2 499 992) was received during the 2012 year.

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4. Available-for-sale investments (continued)

Derivatives

A derivative is a financial instrument or other contract within the scope of financial instruments with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instruments price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, of other variable, provided in the case of a non-financial variable that the variable is not specified to a party in the contract;
- It requires no initial net investment or an initial net investment that is smaller than what would be required for other types of contracts that would be expected to have similar response to changes in market factors;
- It is settled at a future date.

The put option is considered a derivative financial instrument due to the following:

- The put option's value changes in response to the financial instrument's price being the change in the fair value of equity investment year on year;
- The put option required no initial net investment in terms of shareholders agreement; and
- The put option is going to be settled at a future date once the company has repaid the interest free loan to GPF and has paid the dividend to compensate GPF for capital invested. Derivatives are classified as financial assets at fair value through surplus or deficit.

Credit quality of debt in available-for-sale financial investments

The credit quality of financial investments is managed internally by ensuring that investments are made only after assessing and evaluating the social housing institutions management capacity and project feasibility. Management considers the credit risk relating to the loan in Brickfields Housing Company (Pty) Ltd as being minimal as the companies cash flows have improved and they are able to make repayments on the loan. Management considers the credit risk relating to the loan in Greater Germiston Inner City Housing Corporation Phase II and Greater Germiston Inner City Housing Corporation Pharos Park as being high as the companies models are not sustainable and therefore have impaired the loans.

5. Equipment

	2012			2011		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Furniture and fixtures	1,170,872	(206,871)	964,001	308,158	(105,230)	202,928
Motor vehicles	161,076	(98,813)	62,263	161,076	(71,141)	89,935
Office equipment	1,875,731	(701,454)	1,174,277	753,648	(414,023)	339,625
Computer equipment	2,077,007	(803,805)	1,273,202	1,224,752	(701,351)	523,401
Leasehold improvements	2,835,677	(710,612)	2,125,065	219,969	(219,969)	-
Total	8,120,363	(2,521,555)	5,598,808	2,667,603	(1,511,714)	1,155,889

Reconciliation of equipment - 2012

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Furniture and fixtures	202,928	973,851	(81,432)	(131,346)	-	964,001
Motor vehicles	89,935	-	-	(27,672)	-	62,263
Office equipment	339,625	1,292,522	(117,139)	(340,731)	-	1,174,277
Computer equipment	523,401	1,114,682	(12,218)	(325,853)	(26,810)	1,273,202
Leasehold improvements	-	2,835,677	-	(710,612)	-	2,125,065
	1,155,889	6,216,732	(210,789)	(1,536,214)	(26,810)	5,598,808

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5. Equipment (continued)

Reconciliation of equipment - 2011

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	216,310	140,248	(81,740)	(71,890)	202,928
Motor vehicles	117,607	-	-	(27,672)	89,935
Office equipment	137,011	360,236	(23,304)	(134,318)	339,625
Computer equipment	531,750	241,491	(1,632)	(248,208)	523,401
Leasehold improvements	2	-	-	(2)	-
	1,002,680	741,975	(106,676)	(482,090)	1,155,889

Assets subject to finance lease (Net carrying amount)(Refer to note 8)

Office equipment	457,176	156,556
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Other information

Equipment fully depreciated and still in use (Gross carrying amount)

Furniture and fittings	19	20
Office equipment	65	54
Computer equipment	132	138
	216	212

6. Intangible Assets

	2012			2011		
	Cost	Accumulated amortisation and impairment	Carrying value	Cost	Accumulated amortisation and impairment	Carrying value
Computer software	1,565,653	(549,408)	1,016,245	914,415	(765,205)	149,210

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Impairment loss	Total
Computer software	149,210	1,224,772	(357,693)	(44)	1,016,245

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software	159,011	318,455	(328,256)	149,210

Other information

Fully amortised intangible assets still in use	NIL	37
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7. Loans and receivables from exchange transactions		
ABSA - Subsidised Loan Facility		
Loan amount	7,410,814	8,167,469
Prior years current term portion reversed	756,565	15,268,671
Interest earned	448,027	1,330,193
Short term payments received	(1,662,599)	(20,504,986)
Interest amortised	258,836	3,906,032
Current portion transferred to current assets	(770,243)	(756,565)
	6,441,400	7,410,814

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 GPF resulting in reduced rates to projects. The nominal value of the loan was R8,240,736 (2011: R9,455,514) and bears interest at prime minus 4.25% and prime less 3.75%. The repayment terms are 10 years from date of disbursement.

ABSA - Development Finance Facility		
Loan amount	-	4,913,033
Prior period current term portion reversed	5,003,193	1,629,336
Interest earned	356,864	438,538
Impairment	(35,405)	-
Short term payments received	(328,107)	(2,104,883)
Interest amortised	57,740	127,169
Current portion transferred to current assets	(5,054,285)	(5,003,193)
	-	-

The ABSA development finance facility was developed to share financial risk with banks in the funding of developments for affordable housing projects. This facility is made available in partnership with ABSA Bank to developers. This bridging facility aims to facilitate delivery of new stock of affordable housing. The nominal value of the loan was R5,109,671 (2011: R5,080,909) and bears interest at prime minus 2%. The repayment terms are two to three years from date of disbursement. The loan was impaired during the year as ABSA increased the repayment term by one year due to the development not being completed (Refer to note 21).

Bixowise CC t/a Kingdom Properties CC - Erf 278 Primrose Hill		
Advance	33,218	-
Social benefit adjustment	(13,786)	-
Interest amortised	146	-
	19,578	-

The loan of R1,403,545 to Bixowise CC t/a Kingdom Properties CC is interest free and is repayable in five equal instalments commencing in March 2016. The nominal value of the loan is R33,218. The loan is secured by a mortgage bond over Erf 278 Primrose Hill.

Brickfields Housing Company (Pty) Ltd		
Loan amount	7,231,367	6,479,413
Interest amortised	914,697	751,954
	8,146,064	7,231,367

The nominal value of the loan to Brickfield's Housing Company (Pty) Ltd of R14,300,000 consists of redeemable preference shares with a fixed redemption date in 2017 and is interest free.

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7. Loans and receivables from exchange transactions (continued)

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

Loan amount	1	1
Impairment reversal	700,000	700,000
Loan payment	(700,000)	(700,000)
	1	1

The nominal value of the interest free loan to Greater Germiston Inner City Housing Corporation Phase II (Pty) Ltd is R2,100,000 and is repayable in five equal instalments of R700,000 each (no interest is payable on the capital amount), the first two payments have been received. No interest income was earned on this loan.(Refer to note 21).

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

Loan amount	1	1
Impairment reversal	700,000	700,000
Loan repayment	(700,000)	(700,000)
	1	1

The nominal value of the interest free loan to Greater Germiston Inner City Housing Corporation Pharoe Park (Pty) Ltd is R2,100,000 and is repayable in five equal instalments of R700,000 each (no interest is payable on the capital amount), the first two payments have been received. No interest income was earned on this loan.(Refer to note 21).

Housing Company Tshwane

Loan amount	1	293,000
Impairment allowance	-	(292,999)
Loan recoverable	292,999	-
Current term portion transferred to current assets	(293,000)	-
	-	1

The interest free loan of R293,000 to Housing Company Tshwane was for capacity building and would have been converted into a grant if satisfactory progress reports had been received. During the year this loan was written off as a bad debt. At year end the company notified the GPF of their intention to settle the debt. The loan was fully repaid in April 2012.

Johannesburg Housing Company (Pty) Ltd - Hlanganani

Loan Amount	13,391,557	13,032,142
Prior years short term portion reversed	708,147	-
Interest earned	409,494	520,225
Interest amortised	746,010	731,576
Short term payments received	(1,080,621)	(184,239)
Current term portion transferred to current assets	(684,562)	(708,147)
	13,490,025	13,391,557

The loan of R20,000,000 to Johannesburg Housing Company (Pty) Ltd - Hlanganani bears interest at prime less 7% and is repayable in fourteen annual instalments of R1,472,835. The first repayment was received in September 2011. The nominal value of the loan is R19,948,611 (2011: R20,619,737). The loan is secured by a mortgage bond over Erg 15604, Cosmo City Extension 6.

Jozi Housing (Pty) Ltd - Manners Mansions

Prior period current term portion reversed	-	1,498,612
Interest earned	-	16,531
Interest amortised	-	99,281
Short term payments received	-	(1,614,424)
	-	-

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7. Loans and receivables from exchange transactions (continued)

The loan of R2,836,466 to Jozi Housing Company (Pty) Ltd bears interest at prime less 4.25% per annum and was repayable in eight annual instalment of R405,209. The loan was fully repaid during 2011.

KTN Properties (Pty) Ltd - Parklane

Loan amount	1,406,650	1,587,212
Prior period current term portion reversed	180,562	329,388
Interest earned	79,908	114,814
Short term payments received	(456,059)	(496,000)
Interest amortised	43,834	51,798
Current portion transferred to current assets	(153,817)	(180,562)
	1,101,078	1,406,650

The loan of R1,944,000 to KTN Property Management (Pty) Ltd bears interest at a rate of prime less 3.75% per annum and is repayable monthly. The loan is secured by a mortgage bond over Erf 4604 Johannesburg Township. The nominal value of the loan is R1,403,359 (2011: R1,779,510).

KTN Properties (Pty) Ltd - Glazina

Prior years current term portion reversed	-	443,618
Interest earned	-	11,151
Short term payments received	-	(531,550)
Interest amortised	-	76,781
	-	-

The loan of R500,000 to KTN Property Management (Pty) Ltd bears interest at a rate of prime less 3.75% per annum. The loan is secured by a mortgage bond over Erf 231 Berea Township. The nominal value of the loan is Nil (2011: R520,939). During 2011, KTN Property Management (Pty) Ltd disposed of the property and repaid their loan in full.

Lionshare New Prop CC - Lubraco House

Loan amount	2,543,152	2,491,018
Prior period current term portion reversed	135,253	-
Interest earned	74,785	97,296
Interest amortised	142,670	136,772
Short term payments received	(319,788)	(46,681)
Current term portion transferred to current assets	(143,733)	(135,253)
	2,432,339	2,543,152

The loan of 3,700,000 to Lubraco New Prop CC - Lubraco House bears interest at a rate of prime less 7% per annum and is repayable in fourteen equal instalments of R277,125 commencing in July 2011. The loan is secured by a mortgage bond over Erf 532 and 533 Johannesburg Township. The nominal value of the loan is R3,602,619 (2011: R3,847,622).

Madulamoho Housing Association - Allenby House

Loan amount	2,670,965	2,649,637
Prior period current term portion reversed	174,919	-
Interest earned	170,308	190,424
Interest amortised	76,093	64,532
Short term payments received	(419,669)	(58,709)
Current portion transferred to current assets	(178,070)	(174,919)
	2,494,546	2,670,965

The loan of R3,270,000 to Madulamoho Housing Association - Allenby bears interest at a rate of prime less 4% per annum and is repayable in fourteen equal instalments of R249,351 commencing in October 2011. The loan is secured by a mortgage bond over Erf 4880 Hillbrow, Johannesburg Township. The nominal value of the loan is R 3,241,560 (2011: R3,490,921).

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7. Loans and receivables from exchange transactions (continued)

Madulamoho Housing Association - Fleurhof Views

Advance	23,345,378	-
Interest earned	133,060	-
Social benefit adjustment	(3,192,972)	-
Interest amortised	167,903	-
	20,453,369	-

The loan of R23,345,378 to Madulamoho Housing Association - Fleurhof bears interest at a rate of prime less 6.5% per annum and is repayable in fifteen annual instalments of R1,644,131 which commence in January 2013. The nominal value of the loan is R23,478,437. The loan is secured by a mortgage bond over Erf 4851 Johannesburg Township.

Maseleng Investments (Pty) Ltd - Montrose Mansions

Loan amount	2,491,498	2,884,049
Prior years current portion reversed	505,759	-
Interest earned	197,089	159,082
Short term payments received	(723,673)	(162,819)
Interest amortised	27,253	116,945
Current portion transferred to current assets	(536,666)	(505,759)
	1,961,260	2,491,498

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 instalments which commenced in March 2010. The nominal value of the loan is R2,489,865 (2011: R3,016,449). The loan is secured by a mortgage bond over Erf 691 to 698 Fleurhof Extension two.

Standard Bank

Loan amount	3,823,857	4,955,410
Prior years current portion reversed	1,131,553	933,813
Interest earned	198,406	360,531
Short term payments received	(2,541,828)	(1,604,063)
Interest amortised	334,376	309,719
Current portion transferred to current assets	(993,014)	(1,131,553)
	1,953,350	3,823,857

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 reduced rates to projects. The nominal value of the loan is R3,226,638 (2011: R5,570,060) and bears interest at prime less 3.75% per annum. The repayment of this amount is 10 years from date of disbursement.

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7. Loans and receivables from exchange transactions (continued)

Take off Real Estate (Pty) Ltd - Jeppestown Project

Advance	610,248	-
Social benefit adjustment	(246,871)	-
Interest amortised	6,731	-
	370,108	-

The loan of R1,000,000 is interest free and is repayable in five equal instalments commencing in November 2015. The nominal value of the loan is R610,248. The loan is secured over Erf 1813, 1814, 1817 Jeppestown.

Shukumani Trading Enterprises (Pty) Ltd - 68 Derby Street

Advance	69,891	-
Social benefit adjustment	(29,007)	-
Interest amortised	308	-
	41,192	-

The loan of R1,149,750 is interest free and is repayable in eight equal instalments commencing in May 2016. The nominal value of the loan is R69,892.

Trust for Urban Housing Finance - Intuthuko (Pty) Ltd

Loan amount	6,977,638	4,137,536
Advance	1,512,000	2,707,479
Social benefit adjustment	(181,038)	(391,961)
Interest amortised	420,128	307,431
Interest earned	348,259	217,153
Impairment	(455,633)	-
	8,621,354	6,977,638

The loan of R10,000,000 was made available from our Emerging Entrepreneur Fund to enable the Trust for Urban Housing Finance to finance low collateral projects. The first tranche of R2,000,000 is interest free. The loan facility has been reviewed and the facility has been extended to ten years resulting in an impairment of the loan (Refer to note 21). The designated funds will not be utilised to make a surplus, but to facilitate and fund low collateral projects on the basis that the capital amount is preserved. The second tranche of R7,773,670 (2011:R5,586,479) bears interest at prime less 4.16% and is repayable within 5 years from disbursement to lenders.

Trust for Urban Housing Finance - Bridging Facility (Pty) Ltd

Loan amount	27,130,162	26,300,751
Interest earned	1,486,185	1,643,153
Additional short term payments received	(1,486,158)	(1,678,346)
Interest amortised	941,955	864,604
	28,072,144	27,130,162

The nominal value of the loan for the Bridging Facility for Trust for Urban Housing Finance is R29,652,570 (2011:R29,652,542) is aimed at addressing the requirements of the inner-cities business environment and of the 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 instalment in September 2013.

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7. Loans and receivables from exchange transactions (continued)		
Yeast City Housing (Pty) Ltd - Tau Village		
Loan amount	5,805,359	2,553,822
Prior years current term portion reversed	305,965	-
Advance	-	4,892,421
Impairment of loan	(129,632)	-
Interest earned	184,754	217,336
Short-term payments received	(184,980)	-
Social benefit adjustments	-	(1,847,844)
Interest amortised	357,293	295,589
Current term portion transferred to current assets	(952,912)	(305,965)
	5,385,847	5,805,359

The loan of R9,000,000 to Yeast City Housing (Pty) Ltd bears interest at a rate of prime less 7% per annum and is repayable in 14 annual instalments of R658,900 commencing in February 2012. The nominal value of the loan is R9,224,602 (2011: R9,224,827). The loan is secured by a mortgage bond over Erf 112 Pretoria. Yeast City - Tau Village was past due as the client defaulted (Refer to note 21). The loan has been impaired. Yeast City - Tau Village has undertaken to pay the outstanding capital payment by June 2012.

Tenitor Properties (Pty) Ltd - The Ridge Hotel

Loan amount	9,694,417	-
Advance	150,000	11,217,900
Interest earned	666,415	32,268
Interest amortised	157,537	39,896
Social benefit adjustment	(20,314)	(1,595,647)
Impairment	(23,960)	-
	10,624,095	9,694,417

The loan of R11,217,900 to Tenitor Properties (Pty) Ltd bears interest at 7% per annum and is repayable in 12 annual instalments of R646,262 commencing in April 2013. The nominal value of the loan is R12,066,586 (2011: R11,250,171). The loan is secured by a mortgage bond over Erf 185,187,189,191 and 1411 Berea, Johannesburg. The impairment of loan relates to postponement of interest repayment by three months as a result of delay in completion of the project (Refer to Note 21).

Total loan and receivables from exchange transactions	111,607,751	90,577,439
Total loans and receivables		
Non - Current portion	111,607,751	90,577,439
Current portion	9,760,302	8,901,916

Assets past due or impaired that have been renegotiated

The GPF bases this renegotiation on the results of project monitoring including financial analysis, non compliance with the loan agreement and representations from the borrower. Yeast City - Tau Village was past due as the client did not meet the capital payment obligation date therefore the loan has been impaired. Yeast City - Tau Village has undertaken to pay the outstanding capital payment by June 2012.

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8. Finance lease obligation		
Minimum lease payments due		
- within one year	285,517	72,540
- in second to fifth year inclusive	406,570	120,900
	692,087	193,440
less: future finance charges	(74,513)	(22,030)
Present value of minimum lease payments	617,574	171,410
Present value of minimum lease payments due		
- within one year	239,661	59,529
- in second to fifth year inclusive	377,913	-
	617,574	59,529
Non-current liabilities	377,913	111,881
Current liabilities	239,661	59,529
	617,574	171,410

These leases are linked to 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 2.

The photocopiers and telephone systems under the finance leases are currently depreciated over the lease term of three years.

9. Operating lease liability

Non - current liability		
Current liabilities	78,856	-
	78,856	-

Operating lease rentals represents rentals payable by the Trust to the Gauteng Project Office for office premises. The lease is for two years and escalates by 10% annually. The lease expires in March 2013.

10. Payables from exchange transactions

Payables from exchange transactions	739,475	186,692
Sundry creditors	17,161	10,854
Gauteng Department of Local Government and Housing	623,333,442	379,028,601
	624,090,078	379,226,147

Payables from exchange transactions are non-interest bearing and are normally settled on 30 day terms. Payables from exchange transactions comprise of accruals.

The Gauteng Department of Local Government and Housing represents deposits held and interest accrued. Deposits are held in terms of a memorandum of agreement to assist the department in expediting payments to subsidised projects. For terms and conditions relating to related parties, refer to Note 26.

Sundry creditors comprise staff creditors and credit card balances. These are non-interest bearing and are normally settled on 30 day terms.

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11. Deferred income		
Reconciliation of deferred income		
Balance at the beginning of the year	217,714,424	236,925,974
Less: Deferred income transferred to revenue	(55,584,687)	(19,211,550)
	162,129,737	217,714,424
Non - current liabilities	-	-
Current liabilities	162,129,737	217,714,424
	162,129,737	217,714,424

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

12. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Total
Provision for leave pay	359,604	366,653	(359,604)	366,653
Provision for bonuses	1,605,891	2,658,729	(1,605,891)	2,658,729
	1,965,495	3,025,382	(1,965,495)	3,025,382

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Total
Provision for leave pay	307,258	359,604	(307,258)	359,604
Provisions for bonuses	1,455,572	1,605,891	(1,455,572)	1,605,891
	1,762,830	1,965,495	(1,762,830)	1,965,495

Provision for leave is based on current salary rates and included in the statement of financial position. A provision is made for the estimated liability as a result of services rendered by employees up to reporting date. Provision for bonus is based on management's best estimate of expenditure required to settle the present obligation at the end of the reporting period. The expected settlement of this provision is 30 September 2012.

13. Available-for-sale asset reserve

The available-for-sale asset reserve is non-distributable and comprises all fair value adjustments on available-for-sale financial investments. When an asset or liability is derecognised, the fair value adjustments relating to that asset or liability is transferred to surplus or deficit.

Available-for-sale investments	(772,252)	(7,999,997)
Fair value adjustment	2,003,401	7,227,745
	1,231,149	(772,252)

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Figures in Rand	2012	2011
14. Revenue		
Deferred income transferred to revenue - Government grants	55,584,687	19,211,550
Revenue from exchange transaction - Interest received from banks	29,472,565	30,659,966
Revenue from exchange transactions - Actual interest received from loans and receivables	7,253,543	7,848,366
Revenue from exchange transactions - Interest calculated using effective interest rate method	4,653,510	7,880,079
	96,964,305	65,599,961

15. Interest received from banks comprises of:

Current accounts	2,934,134	3,537,187
Capital account	26,022,208	25,311,921
Call accounts	505,381	1,810,858
	29,461,723	30,659,966

16. Other income

Tenant installation allowance	1,032,534	-
Contract recovery costs	150,000	-
Profit on sale of assets	-	6,241
Bad debt recoverable	293,000	-
	1,475,534	6,241

Tenant installation allowance costs comprise amounts owed to the GPF for renovations to the first floor of 82 Grayston Drive.

Contract recovery costs are cost charged to lenders for the recovery of the GPF's operational expenditure.

Bad debts recoverable relates to Housing Company Tshwane (Refer to note 7).

17. Operating surplus

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

Auditors remuneration

Audit fee	633,861	882,084
Internal audit fee	455,664	422,263
	1,089,525	1,304,347

Operating lease charges

Premises		
• Contractual amounts	1,539,160	54,824
• Utilities	218,208	-
	1,757,368	54,824

(Loss) gain on sale of equipment	(25,143)	6,241
Impairment on property, plant and equipment	26,810	-
Amortisation on intangible assets	357,693	328,257
Depreciation on property, plant and equipment	1,536,214	482,089
Employee costs	19,266,474	14,026,781

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Figures in Rand	2012	2011
18. General expenses		
Auditors remuneration	1,089,525	1,304,347
Bank charges	32,737	30,730
Computer expenses	529	190
Consulting and professional fees	4,252,374	1,492,541
Entertainment	125,154	111,338
Fuel and oil	3,215	1,570
Insurance	231,169	269,970
Lease rentals on operating lease	1,768,885	53,399
Magazines, books and periodicals	118,244	55,990
Marketing	2,223,444	606,120
Office cleaning	5,569	8,212
Offsite storage	12,873	10,199
Postage and courier	4,180	13,019
Printing and stationery	180,509	309,577
Renovations	-	354,073
Secretarial fees	101,796	72,635
Security	1,867	-
Scrapping of assets	3,809	-
Subscriptions and membership fees	10,189	9,395
Telephone and fax	432,271	375,720
Training	840,418	444,475
Travel - local	2,961	16,086
	11,441,718	5,539,586

19. Employee related costs

Basic	17,868,832	13,268,856
Medical aid - company contributions	526,811	163,560
Life cover	94,005	104,374
Retirement annuity	776,826	489,991
	19,266,474	14,026,781

20. Fair value adjustments

Provisions for bonuses	121,909	73,633
Day one loss on finance lease	(158,881)	(8,289)
Social benefit on loans and receivables	(3,683,988)	(3,835,452)
	(3,720,960)	(3,770,108)

Refer to Note 7 for detail of fair value adjustments of loans and receivables and day one losses.

The fair value adjustment for provisions is as a result of timing differences.

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21. Impairment reversal on loans and receivables from exchange transactions		
Impairment loss - Absa subsidised Loan Facility	(35,405)	-
Absa bank extended the payment on the loan by one year resulting in the impairment of the loan.		
Impairment loss reversal - Greater Germiston Inner City Housing Corporation Phase 11 (Pty) Ltd and	700,000	700,000
The loans have been written up to the extent of repayments of R700,000 that were received in March 2012.		
Impairment loss reversal - Greater Germiston Inner City Housing Corporation Pharoeh Park (Pty) Ltd	700,000	700,000
The loans have been written up to the extent of repayments of R700,000 that were received in March 2012.		
Impairment loss - Tenitor Properties (Pty) Ltd	(23,960)	-
The impairment of the loan relates to the postponement of interest repayments by three months as a result of delay in completion of the project.		
Yeast City - Tau Village	(129,632)	-
Yeast City - Tau Village defaulted on their annual capital payment when it was due resulting in the loan being impaired.		
Trust for Urban Housing Finance - Intuthuko (Pty) Ltd	(455,633)	-
The loan facility was reviewed and the facility has been extended to ten years resulting in the impairment.		
	755,370	1,400,000

22. Finance costs

Finance lease	28,328	7,213
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Finance cost comprises of interest amortised for the finance lease.

23. Taxation

No provision has been made for 2012 tax as the Trust has been granted tax exemption status by the South African Revenue Service in terms of Section 30 of the Income Tax Act, and receipts and accruals are exempt from income tax in terms of Section 10 (1) (CN) of the Income Tax Act. The status quo was applicable for the 2012 year.

24. Net cash outflow from operating activities

Surplus	62,430,070	42,202,520
Adjustments for:		
Depreciation and amortisation	1,893,907	810,346
Gain (loss) on sale of assets and liabilities	25,143	(6,241)
Impairment reversal loss	(755,370)	(1,400,000)
Fair value adjustments	3,720,960	3,770,108
Impairment of equipment	26,810	-
Increase in operating movements in operating lease assets and accruals	78,856	-
Movements in provisions	1,059,887	202,665
Other income	(1,475,534)	-
Changes in working capital:		
Receivables from exchange transactions	(30,039,572)	1,140,466
Payables from exchange transactions	244,863,932	344,217,761
Deferred income	(55,584,687)	(19,211,550)
Loans and receivables from exchange transactions	(21,888,698)	(775,578)
Difference in interest calculated and interest capitalised	(1,338,086)	(804,876)
	203,017,618	370,145,621

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25. 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

Wholesale Facility Trust for Urban Housing Finance	-	30,000,000
FNB Development Facility	-	20,000,000
Sustainable Housing Equity Fund	-	50,000,000
FNB Risk Participation Facility	-	20,000,000
	-	120,000,000

The commitment to the Wholesale Facility Trust for Urban Housing Finance was withdrawn by the Trustees during the year.

The commitment to the First National Bank Development Funding Facility did not materialise due to the uncertain economic environment.

The commitment to the Sustainable Housing Equity Fund was withdrawn by the Trustees during the year.

The commitment to the First National Bank Risk Participation Facility did not materialise due to the uncertain economic environment.

Project Funding Commitments

Aquarella Investments 360 (Pty) Ltd - 85-87 Quartz Street	4,546,800	-
Bixowize CC t/a Kingdom Property Enterprises - Erf 278 Primrose Hill	4,277,627	-
BM Molefi Properties 241 (Pty) Ltd - Kgorong Estate	22,305,600	22,305,600
Clidet no 1024 (Pty) Ltd - 44 Wanderers	5,503,000	-
CoMu Property Developers CC -3103 Glen Marais	6,207,024	-
Crimson Clover (Pty) Ltd - Ascot Fashion House	1,255,750	-
Erf 273 Parktown Estate CC - Parktown Place Estate Development	5,314,025	-
Highlands Urban Living (Pty) Ltd - Highland Lofts	7,015,594	-
Intuthuko Fund	10,000,000	-
Johannesburg Housing Company (Pty) Ltd - 117 Pritchard Street	11,499,012	-
Johannesburg Social Housing Company (Pty) Ltd - City Deep	-	23,948,109
Johannesburg Housing Company (Pty) Ltd - Crest Hotel	15,534,573	-
Johannesburg Social Housing Company (Pty) Ltd - Orlando Ekhaya	-	12,888,948
Johannesburg Social Housing Company (Pty) Ltd - Roodepoort	-	19,663,319
KTN Property Management (Pty) Ltd - Parklane Hotel	655,101	655,101
Ludwe Consulting CC	6,085,690	-
Lashka 201 (Pty) Ltd - Buxton Development	3,720,295	-
Madulamoho Housing Association - Fleurhof Views	-	23,345,378
Netcentric CC- Silbo House	3,922,000	-
Rivavect Investment (Pty) Ltd	5,000,000	5,000,000
Shamzang Investments Holdings (Pty) Ltd - Italic Mansions	5,847,570	5,847,570
Shukumani Trading Enterprises (Pty) Ltd - 68 Derby Street	4,155,158	-
Sunset Properties II (Pty) Ltd - 11 Maclaren Street	2,294,350	-
Take off Real Estate (Pty) Ltd - Jeppestown Project	3,195,706	-
The Real Business Trust - 685 Troyeville	4,672,800	-
Toproot Trade & Investments II (Pty) Ltd - 28 Betty Street	6,172,000	-
Urban Quarter Investments (Pty) Ltd - Urban Quarter Affordable Rental Estate	15,140,823	-
Yeast City - Salvokop	7,221,660	-
Zevoli 269 (Pty) Ltd - Madison Lofts	2,814,237	-
Tenitor Properties (Pty) Ltd - The Ridge Hotel	-	150,000
	164,356,395	113,804,025

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25. Commitments (continued)

The obligation to Aquarella Investment 360 (Pty) Ltd - 85 -87 Quartz Street was approved by the Trustees. R580,000 has been paid out to the transferring attorneys. Refer to note 3.

The obligation to Bixowize CC t/a Kingdom Property Enterprises - Erf 278 Primrose Hill was approved by the Trustees. R900,00 has been paid out to the transferring attorneys. Refer to note 3.

The obligation to BM Molefi Properties 241 (Pty) Ltd- Kgorong Estate was approved by the Trustees.

The obligation to Clidet no 1024 (Pty) - 44 Wanderers was approved by the Trustees. R497,000 has been paid out to the transferring attorneys. Refer to note 3.

The obligation to CoMu Property Developers CC -3103 Glen Marais was approved by the Trustees.

The obligation to Crimson Clover (Pty) Ltd - Ascot Fashion House was approved by the Trustees. R3,308,750 has been paid out to the transferring attorneys. Refer to note 3.

The obligation to Erf 273 Parktown Estate CC - Parktown Place Estate Development was approved by the Trustees.

The obligation to Highlands Urban Living (Pty) Ltd - Highlands Lofts was approved by the Trustees.

The obligation to Intuthuko Fund (Pty) Ltd was approved by the Board.

The obligation to Johannesburg Housing Company (Pty) Ltd - 117 Pritchard Street was approved by the Trustees.

The obligation to Johannesburg Social Housing Company (Pty) Ltd - City Deep was cancelled during the year.

The obligation to Johannesburg Housing Company (Pty) Ltd - Crest Hotel was approved by the Trustees.

The obligation to Johannesburg Social Housing Company (Pty) Ltd - Orlando Ekhaya was cancelled during the year.

The obligation to Johannesburg Social Housing Company (Pty) Ltd - Roodepoort was cancelled during the year.

The obligation to KTN Property Management (Pty) Ltd - Parklane Hotel was approved by the Trustees.

The obligation to Ludwe Consulting CC was approved by the Trustees.

The obligation to Lashka 201 (Pty) Ltd - Buxton Development was approved by the Trustees.

The obligation to Madulamoho Housing Association - Fleurhof Views was paid out during the year.

The obligation to Madulamoho Housing Association - Jabulani Views was approved by the Trustees. R24,578,202 has been paid out to the transferring attorneys. Refer to note 3.

The obligation to Netcentric CC - Siblo House was approved by the Trustees.

The obligation to Rivavect Investment (Pty) Ltd - Central House was approved by the Trustees.

The obligation to Shamzang Investment Holdings (Pty) Ltd - Italic Mansions was approved by the Trustees.

The obligation to Shukumani Trading Enterprises (Pty) Ltd - 68 Derby Street was approved by the Trustees.

The obligation to Sunset Properties II (Pty) Ltd - 11 Maclaren Street was approved by the Trustees.

The obligation to Take Off Real Estate (Pty) Ltd - Jeppestown Project was approved by the Trustees.

The obligation to The Real Business Trust - 685 Troyville was approved by the Trustees.

The obligation to Toproot Trade & Investments 11 (Pty) Ltd - 28 Betty Street was approved by the Trustees.

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25. Commitments (continued)

The obligation to Urban Quarter Investments (Pty) Ltd - Urban Quarter Affordable Rental Estate was approved by the Trustees.

The obligation to Tenitor Properties (Pty) Ltd - The Ridge Hotel was paid out during the year.

The obligation to Yeast City - Salvokop was approved by the Trustees.

The obligation to Zevoli 269 (Pty) Ltd - Madison Lofts was approved by the Trustees.

26. Related Party Disclosure

Related party transaction includes:

The Trust was founded by the Gauteng Department of Local Government and 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.

Deposits held

Kliptown Project	252,998	118,754,286
Hostels and other programmes	504,326,158	334,064,992
Subsidies Program	118,754,286	44,257,825
	623,333,442	379,028,601

The Trust holds unsecured deposits on behalf of the Gauteng Department of Local Government and Housing in terms of memoranda of agreements to assist the department in expediting payments to contractors, subsidised projects and consultants. The difference between the payables from exchange transactions and cash and cash equivalents is due to interest accrued to Gauteng Department of Local Government and Housing.

Key Management

Non executive Trustees

Z Fihlani	23,293	-
R Garach	40,642	26,372
L Makibinyane	13,827	-
D Maphatiane	15,625	-
K Mdlulwa	5,377	16,599
P Mphahlele - Chairperson fees	45,242	36,028
M Phaweni - Chairperson fees	7,406	24,483

Chief Executive Officer remuneration

Chief Executive Officer - Basic	1,710,843	1,392,703
Chief Executive Officer - Performance bonus	377,856	324,394
Chief Executive Officer - Retirement annuity contribution, medical aid and life insurance	110,948	91,139

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26. Related Party Disclosure (continued)

Executive Management

Chief Investment Officer - Basic	1,319,284	1,069,596
Chief Investment Officer - Performance bonus	242,672	197,100
Chief Investment Officer - Retirement annuity contribution, medical aid and life insurance	85,968	92,084
Chief Financial Officer - Basic	1,260,842	1,077,120
Chief Financial Officer - Performance bonus	253,759	236,016
Chief Financial Officer - Retirement annuity contribution, medical aid and life insurance	79,061	72,295
	<u>5,558,286</u>	<u>4,655,929</u>

Management considers the Trustees and Executive Management to be key management. Trustees do not receive pension entitlement from the Trust.

Office rental in kind

Gauteng Project Office

In May 2010 the Trust relocated its premises to the Gauteng Project Office in anticipation of the reorganisation process. The GPF had an agreement with the Gauteng Project Office that no rental will be charged.

Office rental

Gauteng Project Office	2,414,334	-
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The Trust entered into a lease agreement with the Gauteng Project Office, a trading entity. The lease is for the first floor of 82 Grayston Drive Sandton. The lease commenced in April 2011 and expires in March 2013.(Refer to note 9)

27. Financial risk management and objectives

Objective

The Trust's principal financial instruments comprise of available-for-sale investments, loans and receivables from exchange transactions, cash and cash equivalents, and receivables from exchange transactions. The non-financial liabilities are finance lease and provisions. The main purpose of the available-for-sale investments, loans and receivables from exchange transactions 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 receivables from exchange transactions, payables from exchange transactions, finance lease and 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.

The objective 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.

Liquidity risk

The Trust manages liquidity risk by granting of loans to borrowers for affordable housing 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 objective of managing liquidity risk is to safeguard the Trust assets whilst still enabling fulfillment of the Trust mandate. The Trust manages liquidity risk through regular 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 2012. Liquidity risk is currently 48%(2011: 36%). Liquidity risk is calculated by dividing the financial and non financial liabilities by the financial assets as per the table shown below:

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27. Financial risk management and objectives (continued)

Financial Assets 2012	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 later than five years	Total
Available-for-sale investments	-	-	-	18,000,000	-	18,000,000
Loans and receivables from exchange transactions	2,602,204	721,471	12,549,115	102,524,120	51,518,021	169,914,931
Cash and cash equivalents	1,098,738,000	-	-	-	-	1,098,738,000
Receivables from exchange transactions	2,355,939	29,863,952	-	-	-	32,219,891
	1,103,696,143	30,585,423	12,549,115	120,524,120	51,518,021	1,318,872,822

Financial and Non-financial Liabilities 2012	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 later than five years	Total
Payables from exchange transactions	(756,636)	-	-	-	-	(756,636)
Non-financial liabilities						
Finance lease	(23,793)	(47,586)	(214,138)	(406,570)	-	(692,087)
Deposits held on behalf of Gauteng Department of Housing	(623,333,442)	-	-	-	-	(623,333,442)
Provisions	(366,653)	(2,780,637)	-	-	-	(3,147,290)
	(624,480,524)	(2,828,223)	(214,138)	(406,570)	-	(627,929,455)
	479,215,619	27,757,200	12,334,977	120,117,550	51,518,021	690,943,367

Financial Assets 2011	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 later than five years	Total
Available-for-sale investments	-	-	-	18,000,000	-	18,000,000
Loans and receivables from exchange transactions	491,689	396,608	11,720,694	65,679,059	52,818,422	131,106,472
Cash and cash equivalents	902,682,003	-	-	-	-	902,682,003
Receivables from exchange transactions	1,963,646	216,673	-	-	-	2,180,319
	905,137,338	613,281	11,720,694	83,679,059	52,818,422	1,053,968,794

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27. Financial risk management and objectives (continued)

Financial and Non-financial Liabilities 2011	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 later than five years	Total
Payables from exchange transactions	(193,046)	-	(4,500)	-	-	(197,546)
Non-financial liabilities						
Finance lease	(6,045)	(12,090)	(54,450)	(98,825)	-	(171,410)
Deposits held on behalf of Gauteng Department of Housing	(379,028,601)	-	-	-	-	(379,028,601)
Provisions	(359,604)	-	(1,679,525)	-	-	(1,981,584)
	(379,587,296)	(12,090)	(1,738,475)	(98,825)	-	(381,379,141)
	525,550,042	601,191	9,982,219	83,580,234	52,818,422	672,589,653

Interest rate risk

The Trust's exposure to the risk of changes in the market interest rate relates primarily to the Trust's loans and receivables from exchange transactions with floating interest rates. The objective of managing interest rate risk management is to safeguard the Trust assets whilst still enabling fulfillment of the Trust mandate. The objective of interest rate risk management is to consider the effect of fluctuations in interest rates that might affect the fair value or future cash flows of a financial instrument. 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 allowances for increased interest rates are provided for in the project assessment. The Trust's exposure to interest rate risk arises from increases in the 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 surplus has been determined by calculating an increase or decrease of 100 basis points on the current interest rates of the receivables from exchange transaction. Management considers a range of 100 basis points increase or decrease to be reasonable for the analysis. There is no impact on the Trust's net assets.

Year	Increase/decrease in basis points	Effect on surplus
2012	-	-
Effect of an increase in basis points on surplus	100	72,535
Effect of a decrease in basis points on surplus	(100)	(72,535)
2011	-	-
Effect of an increase in basis points on surplus	100	78,484
Effect of a decrease in basis points on surplus	(100)	(78,484)
	-	-

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27. Financial risk management and objectives (continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument. The objective of credit risk is to ensure that the counterparty will meet its obligation under a financial instrument. The Trust is exposed to credit risk in respect of its available-for-sale debt instruments, receivables from exchange transaction, cash and cash equivalents and loans and receivables from exchange transactions. 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 R1,252,325,944 (2011: R1,004,341,677) equal to the carrying amount of loans and receivables from exchange transactions, cash and cash equivalents and receivables from exchange transaction.

Financial assets exposed to credit risk at year end were as follows:

Credit Exposure

Class of financial instrument	Credit risk exposure	Collateral	Repayment terms	Credit quality of financial assets that are neither past due or impaired
ABSA - Development Finance Facility	5,054,285	Suretyship held by ABSA for the total loan granted to the borrower	2 years from date disbursement of loan with final repayment date 28/02/2013	Performing
ABSA - Subsidised Loan Facility	7,211,643	Suretyship held by ABSA for total loan granted	Seven years from date of disbursement of loan with final repayment date 31/1/2015	Impaired
Bixowise CC t/a Kingdom Properties CC - Erf 278 Primrose Hill	19,578	Mortgage bond held by Gauteng Partnership Fund for the total loan granted to the Borrower	Four years from disbursement date with a final repayment in 29/02/2020	Performing
Brickfields Housing Company (Pty) Ltd	8,146,064	Redeemable preference shares	Redemption date 1/4/2016	Performing
Greater Germiston Inner City Housing Corporation Phase II (Pty) Ltd	1	Loan to company	Twelve years from date of disbursement of loan with a final repayment date	Impaired
Greater Germiston Inner City housing Corporation Pharo Park (Pty) Ltd	1	Loan to company	Twelve years from date of disbursement of loan with a repayment date	Impaired
Housing Company Tshwane	293,000	Capacity grant converted to loan. No security held	Immediate	Recovered
Johannesburg Housing Company (PTY)Ltd - Hlanganani	14,174,587	Mortgage bond held by Gauteng Partnership Fund for the total loan granted to the Borrower	Fifteen years with final repayment date 30/09/2024	Performing
KTN Properties (PTY) Ltd - Parklane	1,254,895	Mortgage bond and suretyship held by Gauteng Partnership Fund for the total loan granted to the Borrower	Seven years with final repayment date 31/7/2018	Performing

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27. Financial risk management and objectives (continued)				
Lionshare New Properties CC - Lubraco House	2,576,072	Mortgage bond and suretyship held by Gauteng Partnership Fund for the total loan granted to the Borrower	Fifteen years with final repayment date 31/7/2024	Performing
Madulamoho Housing Association- Allenby House	2,672,616	Mortgage bond and suretyship held by Gauteng Partnership Fund for the total loan granted to the Borrower	Fifteen years with final repayment date 31/10/2024	Performing
Madulamoho Housing Association- Fleurhof	20,453,369	Mortgage bond and suretyship held by Gauteng Partnership Fund for the total loan granted to the Borrower	Fifteen years with final repayment date 31/01/2027	Performing
Maseleng Investments (PTY) Ltd	2,497,926	Mortgage bond and suretyship held by Gauteng Partnership Fund for the total loan granted to the Borrower	Fifteen years with a final repayment date 30/09/2024	Performing
Standard Bank	2,946,364	Suretyship held by Standard Bank for total loan granted to the Borrower	Seven years from date of disbursement of loan with final repayment date 15/2/2015	Performing
Take off Real Estate (Pty) Ltd - Jeppestown Project	370,108	Mortgage bond and suretyship held by Gauteng Partnership Fund for the total loan granted to the Borrower	Four years from disbursement date with a final repayment on 30/11/2019	Performing
Shukumani Trading Enterprises (Pty) Ltd - 68 Derby Street	41,192	Mortgage bond and suretyship held by Gauteng Partnership Fund for the total loan granted to the Borrower	Four years from disbursement date with a final repayment on 29/02/2020	Performing
Trust for Urban Housing Finance- Intuthuko (PTY) Ltd	8,621,354	Mortgage bond and suretyship held by Gauteng Partnership Fund for the total loan granted to the Borrower	One repayment in June 2015	Impaired
Trust for Urban Housing Finance - Bridging Facility (PTY) Ltd	28,072,144	No collateral held due to short duration of the facility to the Borrower i.e 3 months	Seven years with final repayment date 30/9/2013	Performing
Yeast City Housing (PTY) Ltd - Tau Village	6,338,759	Mortgage bond and suretyship held by Gauteng Partnership Fund for the total loan granted to the Borrower	Fifteen years with final repayment date 28/02/2025	Impaired
Tenitor Properties (PTY) Ltd	10,624,095	Mortgage bond and suretyship held by Gauteng Partnership Fund for the total loan granted to the Borrower	Twenty years with final repayment date 31/04/2031	Impaired
Receivables from exchange transaction	32,219,891			
Cash and cash equivalents	1,098,738,000			
	1,252,325,944			

Concentration risk

The Gauteng Partnership Fund's risk are concentrated in the Gauteng social housing sector (for households earning less than R8 600 CPI 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 R168,965,282 (2011: R149,106,471) which is nominal balance of all investment and loans at year end.

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28. Financial and non-financial instruments

2012	Loans and Receivables	Available-for-sale	Other assets	Other Liabilities	Non financial instruments at amortised cost	Total
Financial Assets						
Available-for-sale investments	-	11,647,556	-	-	-	11,647,556
Loans and Receivables from exchange transactions	121,368,053	-	-	-	-	121,368,053
Receivables from exchange transactions	32,219,891	-	-	-	-	32,219,891
Cash and cash equivalents	1,098,738,000	-	-	-	-	1,098,738,000
Non-Financial Assets						
Intangible assets	-	-	1,016,245	-	-	1,016,245
Equipment	-	-	5,598,808	-	-	5,598,808
Financial Liabilities						
Payables from exchange transactions	-	-	-	(624,090,078)	-	(624,090,078)
Non-Financial Liabilities						
Finance lease	-	-	-	-	(617,574)	(617,574)
Deferred Income	-	-	-	-	(162,129,737)	(162,129,737)
Provisions	-	-	-	-	(3,025,382)	(3,025,382)
	1,252,325,944	11,647,556	6,615,053	(624,090,078)	(165,851,549)	480,646,926
2011	Loans and Receivables	Available-for-sale	Other assets	Other Liabilities	Non financial instruments at amortised cost	Total
Financial Assets						
Available-for-sale investments	-	9,644,155	-	-	-	9,644,155
Loans and Receivables from exchange transactions	99,479,355	-	-	-	-	99,479,355
Receivables from exchange transactions	2,180,319	-	-	-	-	2,180,319
Cash and cash equivalents	902,682,003	-	-	-	-	902,682,003
Non-Financial Assets						
Intangible assets	-	-	149,210	-	-	149,210
Equipment	-	-	1,155,889	-	-	1,155,889
Financial Liabilities						
Payables from exchange transactions	-	-	-	(379,226,147)	-	(379,226,147)
Non-Financial Liabilities						
Finance lease	-	-	-	-	(171,410)	(171,410)
Deferred Income	-	-	-	-	(217,714,424)	(217,714,424)
Provisions	-	-	-	-	(1,965,495)	(1,965,495)
	1,004,341,677	9,644,155	1,305,099	(379,226,147)	(219,851,329)	416,213,455

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28. Financial and non-financial instruments (continued)

The above table illustrates the categorisation of financial instruments.

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

Financial assets	Carrying amount 2012	Carrying amount 2011	Fair value 2012	Fair value 2011
Available-for-sale investments	11,647,556	9,644,155	11,647,556	9,644,155
Loans and receivables from exchange transactions	121,368,053	99,479,355	121,368,053	99,479,355
Receivables from exchange transactions	32,219,891	2,180,319	32,219,891	2,180,319
Cash and cash equivalents	1,098,738,000	902,682,003	1,098,738,000	902,682,003
	-	-	-	-
	1,263,973,500	1,013,985,832	1,263,973,500	1,013,985,832

Financial Liabilities	Carrying amount 2012	Carrying amount 2011	Fair value 2012	Fair value 2011
Non financial liabilities	617,574	171,410	617,574	171,410
Financial liabilities - Payables from exchange transactions	624,090,078	379,226,147	624,090,078	379,226,147
	624,707,652	379,397,557	624,707,652	379,397,557

Fair Value of Financial Instruments	Valuation technique - market observable inputs	Valuation technique combination for market and non-market observable inputs	Total 2012	Valuation technique - market observable inputs	Valuation technique combination for market and non-market observable inputs	Total 2011
Financial Assets						
Available-for-sale investments	-	11,647,556	11,647,556	-	9,644,155	9,644,155
Loans and receivables from exchange transactions	121,368,053	-	121,368,053	99,479,355	-	99,479,355
	121,368,053	11,647,556	133,015,609	99,479,355	9,644,155	109,123,510

Non Financial Liabilities	Valuation technique - market observable inputs	Total 2012	Valuation technique - market observable inputs	Total 2011
Finance lease	617,574	617,574	171,410	171,410

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28. Financial and non-financial instruments (continued)

The fair value of shares which are not listed are estimated using the discounted cash flow valuation model based assumptions that are supported by a combination of market and non-market observable inputs. The valuation is based on projected sustainable cash flows taking into account views of future performance as at 31 March 2012. The discounted rates used to present value these cash flows taking 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 from exchange transaction 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 discounted rate used in calculating the present value of minimum lease payments is 9% (which is the prime rate at date of inception).

Fair Value Hierarchy

The fair value hierarchy shall have the following levels:

- a) Quoted (unadjusted) prices in active markets for identical assets or liabilities (Level 1);
- b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

As at 31 March 2012, the GPF held the following financial instruments measured at fair value:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

29. Comparison of results with the approved budget

	Actual	Budget	Variance
Expenses			
Personnel	17,665,618	18,533,294	867,676
Operational expenditure	11,860,784	12,284,176	423,392
Capex expenditure	7,003,218	7,042,036	38,818
	36,529,620	37,859,506	1,329,886

The budget was approved by the Trustees and submitted to the Executive Authority in terms of section 53(1) of the PFMA.

The GPF operated within its approved budget of R37 859 506. Actual expenditure was under budget by 3.51%.

This was mainly due to:

- a) staff vacancies filled late in the year; and
- b) rental paid only for eight months rather than the twelve months budgeted.

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Figures in Rand	2012
30. Reconciliation of budget surplus with the surplus in the statement of financial performance	
Net surplus per statement of financial performance adjusted for:	62,430,070
Total revenue	(98,439,839)
Loss on disposal of assets	25,143
Fair value adjustments	3,720,960
Depreciation and amortisation	1,893,907
Finance costs	28,328
Impairment of equipment	26,810
Impairment loss reversal	(755,370)
Capex expenditure	(7,003,218)
Timing differences	1,543,589
Net amount as per approved budget	(36,529,620)

31. Fruitless and wasteful expenditure

There was no instances to report during the current financial period.

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Detailed Statement of Financial Performance

Figures in Rand	Notes	2012	2011
Revenue			
Deferred income	14	55,584,687	19,211,550
Interest received banks	14	29,472,565	30,659,966
Interest received from investments	14	11,907,053	15,728,445
Other income	16	1,475,534	6,241
Total Revenue		98,439,839	65,606,202
Expenditure			
Personnel	19	(19,266,474)	(14,026,781)
Depreciation and amortisation		(1,893,907)	(810,346)
Impairment of equipment	21	(26,810)	-
Finance costs	22	(28,328)	(7,213)
Repairs and maintenance		(361,799)	(255,898)
Grants and subsidies paid		-	(393,750)
Loss on disposal of assets		(25,143)	-
General Expenses	18	(11,441,718)	(5,539,586)
Total Expenditure		(33,044,179)	(21,033,574)
Fair value adjustments	20	(3,720,960)	(3,770,108)
Impairment reversal	21	755,370	1,400,000
Surplus for the year		62,430,070	42,202,520

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



Jabulani View - Soweto



Fleurhof View - Roodepoort



Pharoe Park - Germiston

Notes

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