ANNUAL REPORT
2020/2021

GPF
GAUTENG
PARTNERSHIP
FUND

Catalyst for delivering sustainable human settlements

NEW DEVELOPMENT

Restoring human dignity by giving unprivileged people the right to places to live where the next generation can realise the potential denied to so many of their parents and grandparents.

CICIMA PROPERTY MANAGEMENT SOLUTIONS (PTY) LTD

index

Part A: General Information.....3

1. Contact Information.....4
2. List of Abbreviations.....5
3. Foreword by the Member of the Executive Council.....6
4. Foreword by the Chairperson.....8
5. Chief Executive Officer's Overview.....10
6. Statement of Responsibility and Confirmation of the Accuracy of the Annual Report.....13
7. Strategic Overview.....14
8. Legislative and Other Mandates.....15
9. Organisational Structure.....18

Part B: Performance Information.....21

10. Auditor-General's Report: Predetermined Objectives.....22
11. Situational Analysis.....22
12. Progress towards Achievement of Institutional Impacts and Outcomes.....23
13. Institutional Programme Performance Information.....26
14. Revenue Collection.....42

Part C: Governance.....45

15. Introduction.....46
16. Executive Authority.....46
17. The Board.....47
18. Risk Management.....53
19. Internal Control Unit.....53
20. Internal Audit and Audit and Risk Committees.....53
21. Compliance with Laws and Regulations.....54
22. Fraud and Corruption.....54
23. Minimising Conflict of Interest.....55
24. Code of Conduct.....56
25. Health, Safety and Environmental Issues.....56
26. Company Secretary.....56
27. Audit and Risk Committee Report.....57
28. B-BBEE Compliance Performance Information.....59

Part D: Human Resource Management.....61

29. Overview of Human Resources Matters at the GPF.....62
30. HR Priorities for the Year Under Review and Their Impact.....62
31. Workforce Planning Framework and Key Strategies to Attract and Recruit a Skilled and Capable Workforce.....62
32. Employee Performance Framework.....62
33. Employee Wellness Programmes.....62
34. Policy Development.....62
35. Highlight Achievements.....62
36. Challenges Faced by the Public Entity.....63
37. Future HR Plans/Goals.....63
38. Human Resources Oversight Statistics.....64

Part E: Financial Information.....69

NEW DEVELOPMENT

The GPF is empowering emerging black property developers to participate in the affordable residential property market.

DAN TLOOME – MEGA PROJECT

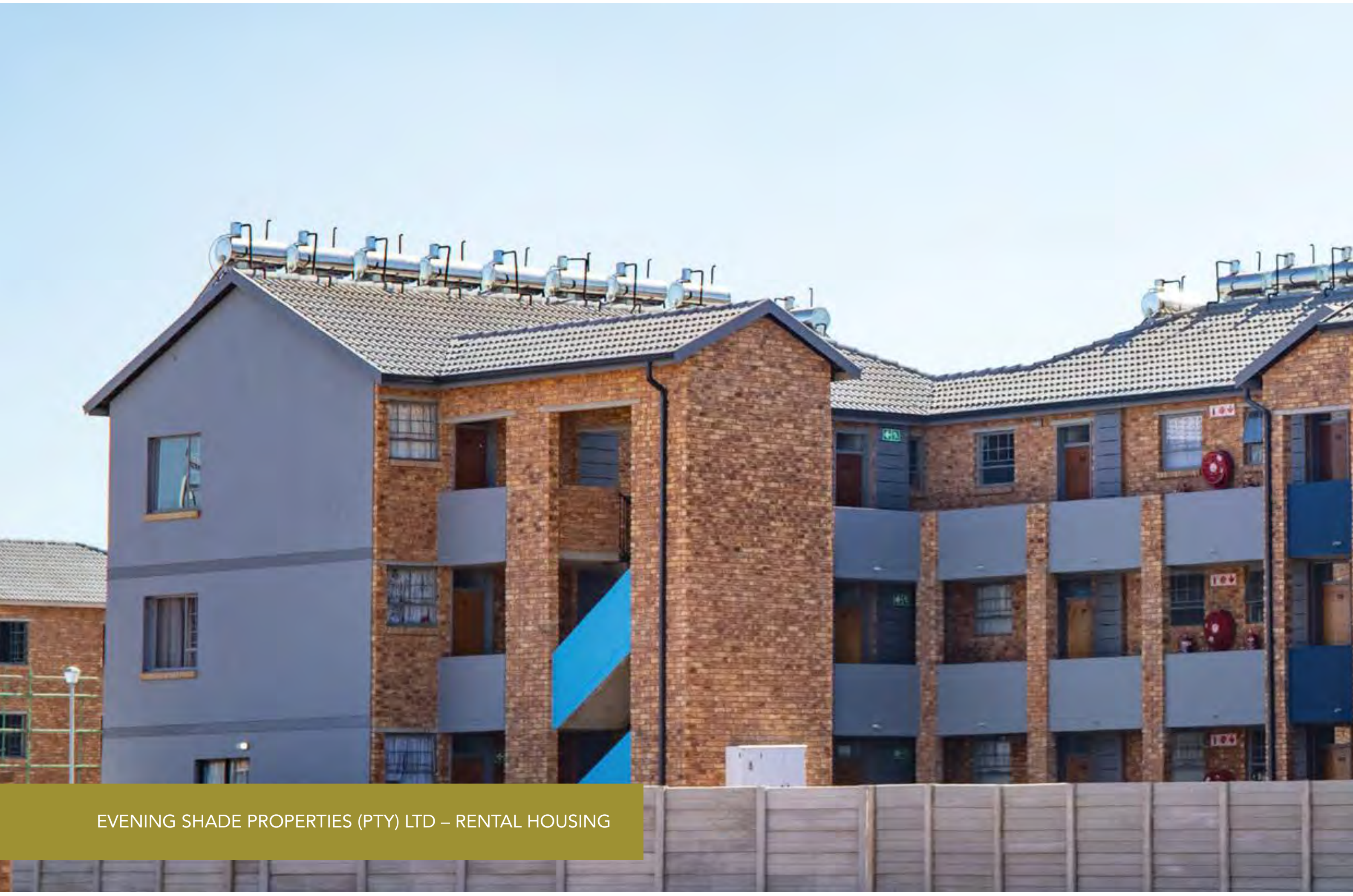
PART A

GENERAL INFORMATION

GPF
GAUTENG
PARTNERSHIP
FUND

1. Contact Information

Registered name:	Gauteng Partnership Trust T/A Gauteng Partnership Fund
Registration number:	IT2422/02
Physical address:	82 Grayston Drive Sandton, Johannesburg 2196
Postal address:	PO Box 652247 Benmore 2010
Telephone number:	+27 11 685 6600
Email address:	info@gpf.org.za
Website address:	www.gpf.org.za
External auditors:	Auditor-General South Africa Registered Auditors Waverley Office Park, 39 Scott Street, Waverley, Johannesburg
Bankers:	ABSA Bank First National Bank South African Reserve Bank
Company secretary:	Thanduxolo Mendrew



EVENING SHADE PROPERTIES (PTY) LTD – RENTAL HOUSING

2. List of Abbreviations

EEPF	Entrepreneur Empowerment Property Fund
GDHS	Gauteng Department of Human Settlements
GPF	Gauteng Partnership Fund
GRAP	Generally Recognised Accounting Practice
HCM	Human Capital Management
HDA	Housing Development Agency
HDI	Historically Disadvantaged Individual
HR	Human Resources
IRFA	Intergovernmental Relations Framework Act
MEC	Member of the Executive Council
NEHAWU	National Education, Health and Allied Workers' Union
NHBRC	National Home Builders Registration Council
PFMA	Public Finance Management Act
PIC	Public Investment Corporation
SMME	Small, Medium and Micro Enterprise
SOC	State-Owned Company
StatsSA	Statistics South Africa

3. Foreword by the Member of the Executive Council

Lebogang Maile
MEC: Human Settlements, Urban Planning and COGTA

The construction sector, with its backward and forward linkages, is a key driver of economic development and job creation, with its multiplier effect. Owing to the steep lockdown regulations, the construction sector experienced a downward spiral in 2020, with fewer construction projects going ahead and demand for general building services being severely curtailed.

With the COVID-19-induced lockdown in 2020, the construction sector experienced a 76% decline, with residential developments down 76.8% and non-residential developments dropping by 80.8%. This is the context within which the Gauteng Partnership Fund (GPF) was required to execute its mandate during the year under review.

Of course, this had a negative impact on the GPF's capacity to execute its mandate optimally. There were some targets that were achieved and even exceeded in areas such as Mega Projects implemented; percentage of project expenditure on SMMEs, with a focus on those owned by historically disadvantaged individuals; and number of serviced sites.

The GPF also made positive strides in improving accessibility to its Entrepreneur Empowerment Property Fund (EEPF), with the programme now being open to applications from any entry-level black company in the property sector, as opposed to being reliant on a tender process that is only opened annually.

The GPF also put in place interventions aimed at improving its Mega Project performance, with developers being monitored on a weekly and monthly basis in terms of their targets, in order to identify weaknesses and underperformance much earlier. Improvements in stakeholder engagements were made by working with local economic development departments in municipalities to address community issues within developments, which are often the cause of delays and stoppages.

There are areas of concern still, with the number of top structures completed not reaching the target. As one example, owing to cash flow issues with developers, sub-contractors were not paid on time. This is an area that we want to improve on, through improvements in payment processes and better management and regulation of the relationship between contractors and sub-contractors for developmental purposes. The GPF is tackling all challenges with Mega Projects, in conjunction with all its stakeholders.

Whilst the 2020/21 performance was negatively impacted by COVID-19 and the lockdown, the pandemic will come to an end at some point and the construction sector will play a critical role in post COVID-19 economic recovery and job creation, with government spending on infrastructure being a catalyst for greater investment in the economy.

Government's role will be to identify infrastructure project opportunities that can draw in private sector investment, deal with systemic and structural challenges that are a hindrance to the construction sector playing its optimum role in economic recovery and development, and remove any regulatory bottlenecks that frustrate infrastructure and human settlement projects.

We want to position the GPF as a provincial entity that will help with the implementation of human settlement projects that will deliver maximum social return and attract, as well as enable greater private sector investment that has a catalytic effect on economic development and growth within the province.

Lebogang Maile
MEC: Human Settlements, Urban Planning and COGTA

Date: 26 August 2021

DAN TLOOME – MEGA PROJECT

4. Foreword by the Chairperson

Mahlengi Bhengu-Matsiri
Chairperson

Introduction

On behalf of the Board of Trustees, it gives me pleasure to present to you the Gauteng Partnership Fund (GPF) 2020/21 Annual Report.

This report provides a summary of the GPF's achievements and performance against objectives agreed with the Gauteng Department of Human Settlements (GDHS).

The period under review will go down in history as a Black Swan year due to the COVID-19 global pandemic. This rare phenomenon of extreme impact has indeed disrupted organisational planning frameworks and muted performance, particularly within the GPF-located sectors of property development and construction.

The Board, management and staff of the GPF nevertheless pressed on, equal to the task of ensuring that the pandemic was managed in the organisation, and utilising the lag experienced in the sector to attend to organisational matters of strategic importance.

Board and governance

The new Board of Trustees was appointed and inaugurated in May 2020 for a three-year period. In the main its mandate, as directed by the founder, is to play a significant role in accelerated and improved affordable housing delivery in Gauteng.

I am pleased to report that the GPF Strategic Plan 2021–2026 was developed during the first half of the 2021/21 financial year. This consultative and inclusive process of strategic planning provided the relatively new Board with the opportunity to introspect on past performance and institutional capacity. It also enabled the development of a strategic road map to ensure that the organisation achieves its strategic outcome of becoming a partner of choice in the implementation and funding of affordable housing developments and, in turn, contributing to building integrated cities for the communities of Gauteng to live, work and play. The Strategic Plan was coupled with an independent strategic risk review that assisted in planning adequate risk mitigation in respect of strategic execution.

This was followed by a universal policy review within the GPF in the third quarter which augured well for ensuring that governance instruments are contemporary and aligned with best practice. This will pay off in the GPF delivering on its mandate within a sound governance framework and in a manner that reflects its organisational values.

During the period, Ms Zimbini Hill, Mr Clifford Motsepe and Mr Timothy Sukazi resigned as trustees of the Board, having served the organisation with diligent stewardship. On behalf of the Board, I wish to thank these trustees for their sterling contribution to the GPF and the legacy of performance integral to their trusteeship.

Service delivery and performance

I am proud to report that the GPF has implemented eight Mega Projects, meeting its predetermined target in this regard. The GPF has also exceeded its planned target on serviced stands, having delivered 1 778 service stands. In the course of these achievements, 2 784 jobs were created, and 47.95% of the total disbursed project expenditure was used on small, medium and micro enterprises (SMMEs) and historically disadvantaged individuals (HDIs) (R664 782 023 which includes payments and accruals). Project expenditure disbursed to women-owned entities amounted to 9.42%. These statistics represent an all round overachievement of targets.

Partial achievement of service delivery targets due to the COVID-19 pandemic included the completion of top structures, and the finalisation of loan deals on affordable rental and student accommodation. The completion of units within the rental, social housing, and student accommodation programmes was also partially achieved. This is due to the impact of lockdowns on construction and a slowing in demand for student accommodation due to tertiary institutions implementing online learning in the face of the pandemic.

New mandates, including the upgrade of the Informal Settlements Programme, were entrusted to the GPF during the second half of the reporting period. Implementation protocols were developed and a gearing up of resources to deliver the programme remained the focus until year-end.

Human capital and people management

The secondment of the CEO of the GPF, Mr Simphiwe Dzengwa, to the Sedibeng Water Board and the appointment of an Acting CEO at the GPF, Mr Daniel Molokomme, who is substantively also the Deputy Director-General: Planning and Property Management at the GDHS, must be acknowledged. Mr Molokomme acted in the position of CEO for the period August 2020, through financial year-end to July 2021.

Mr Dzengwa resigned from the position of CEO on 26 March 2021. On behalf of the Board of Trustees, I place on record appreciation for Mr Dzengwa's leadership contribution to the GPF for 28 months. We wish him the best in his future endeavours.

During the review period, the executive layer of the organisational structure was implemented with the employment of the Chief Development and Investment Officer, Chief Financial Officer and Corporate Services Executive on 1 December 2020. The executive layer focused largely on the policy review programme, the development of the Annual Performance Plan for the new financial year and finalisation of operating procedures and implementation plans for the coming period.

An organisational climate survey in the third quarter revealed an alarming employee engagement level at 39%. This survey has served as a diagnostic tool to inform a change management programme aimed at alignment with the new strategic plan and an improved workplace culture and climate.

Appreciation to Executive Authority

The support and cooperation received by the GPF from the Executive Authority, the Honourable MEC, Lebogang Maile and the GDHS leadership is placed on record with sincere appreciation. The levels of performance of the GPF could not have been achieved without this support during a most trying phase. We look forward to delivering on our mission and the new mandates with which we have been entrusted, with renewed vigour.

Conclusion

In the coming year, the GPF will tackle head-on issues relating to financial sustainability, in particular our loan book, and will redouble our efforts as an implementation partner of choice in the affordable housing space. Programmes aimed at improving combined assurance and organisational maturity, to ensure agility and the consistent delivery against planned targets in the first year and beyond of the new GPF Strategic Plan 2021–2026, will be brought into focus.

Finally, on behalf of the Board of Trustees, I wish to thank the Acting CEO, Mr Daniel Molokomme, for his authentic, ethical and performance-driven leadership over the reporting period. I also place on record the Board's appreciation to the employees of the GPF for their resilience in ensuring continued service delivery during a challenging year. I record our appreciation to our service delivery partners, the municipalities, for their co-operation over the period.

I thank you.

Mahlengi Bhengu-Matsiri
Chairperson

Date: 26 August 2021

5. Chief Executive Officer's Overview

Daniel Molokomme
Acting Chief Executive Officer

The 2020/21 financial year was challenging for the GPF, as it was also for countless other organisations, as a result of the dreadful COVID-19 pandemic. The pandemic necessitated a different approach in managing the GPF business. The Annual Performance Plan was reviewed earlier than the set mid-term period to ensure that the targets and budgets are realistic and achievable in response to the socio-economic situation caused by the COVID-19 pandemic.

During 2020/21, the GPF made fairly good progress in executing its mandate under the current situation. The GPF is maturing in its appreciation of the challenges and opportunities provided by its mandate as the preferred partner for the implementation of integrated and sustainable human settlements in Gauteng. At the heart of this mandate is the government's constitutional imperative of ensuring spatial transformation supportive of society, based on equality and fair access to urban resources. In Gauteng, this mandate is anchored in the priority for integrated human settlements and land release as articulated by the Premier in his State of the Province Address on 1 July 2019.

In the 2020/21 financial year, total allocated budget for operational cost was R79 million. The GPF spent 87% of the allocated budget which equates to R69 million in monetary value. The variance of 13% was due to goods that could not be procured and the delay of some procurement due to most economic sectors being affected by the COVID-19 pandemic that affected the procurement of goods required as set out in the procurement plan.

Supply chain management processes and systems are in place, and we continue to ensure that our payment cycles remain robust and do not negatively affect our service providers' cash flows. The payment of service providers, whose accounts were settled within 15 days was 88% and 100% within 30 days. The percentage of preferential procurement spend target was exceeded by far as the agency achieved 97% against a target of 75%. As of 1 April 2021, the GPF migrated fully to Pastel Sage in an effort to improve the turnaround times for payment of suppliers. Over the period, we ensured competitive bidding in our projects and, as such, we did not conclude any unsolicited bids.

As at 31 March 2021, the GPF had committed 42% of its available cash to projects. In terms of liquidity, the GPF commitments were covered 2.3 times. The cost to income ratio went from 90% to 171% in comparison with the previous year due to the timing of expenses.

During the year under review, the GPF Loan Book increased from R1 212 billion during 2019/20 to R1 242 billion in 2020/21. The operating environment was difficult, intensified by increased non-performing loans. We continue to apply proactive risk mitigation approaches upfront to every loan/investment and have a hands-on approach to manage potential project performance risks. For instance, the growth in instalment payment arrears due to economic pressures experienced by tenants led to the creation of a committee by the landlords to address these specific challenges on a regular basis. We continue to review our processes, ensuring that we meet our clients' turnaround expectations and future business sustainability requirements. We should note that at year-end, some tenants were experiencing difficulties in honouring their rental payments as a result of the COVID-19 lockdown regulations. The GPF is addressing COVID-19 instalment payments by landlords through COVID-19 debt relief, and requests for COVID-19 debt relief are assessed on a case-by-case basis.

The lack of co-funding partners remains a major challenge that affects our business model, and over the past few years we have dedicated resources to address this risk in the long term. In 2016, we concluded funding partnerships with the Public Investment Corporation (PIC) and Futuregrowth Asset Management. The funds provide Senior Facility Loans alongside GPF co-funded projects. Of the PIC facility of R350 million, 90% has been committed, while the Futuregrowth facility of R250 million has been fully committed. Capital raising remains a priority, which is in line with our mandate to strengthen our delivery capability and thereby ensure that the GPF and Gauteng Province meet their strategic objectives and performance targets. The GPF is currently looking at opportunities to secure additional facilities from existing or new funding partners. Futuregrowth is considering an additional R250 million to the GPF, subject to Board approval and due diligence. We have also been in discussions with First National Bank about a potential funding partnership and await the outcome of its internal credit processes.

The leveraging of private sector capital is the underlying principle of the GPF business model. In 2020/21, we attracted a total of R140 million in public and private sector funding, in comparison to R97 million in the previous reporting period. The GPF has not met its 2020/21 housing targets for rental units (target of 700 housing units completed vs 262 housing units completed) as most construction projects came to a complete halt or were interrupted due to the COVID-19 lockdown. The GPF has concluded an Implementation Protocol with the Gauteng Department of Human Settlements (GDHS) to implement identified Mega Projects. We have exceeded the target for serviced stands (target of 1 700 serviced stands vs 1 778 serviced stands completed), however, the target for completed housing units was not met (target of 4 500 housing units vs 2 616 housing units completed) due to cash flow constraints experienced by some developers, COVID-19 lockdown regulations as well as intermittent labour unrest on some projects. The total amount of unspent grant towards Mega Projects from the department was R250 million and this will be deferred to the new financial year for completion of the outstanding units.

The implementation of Mega Projects has made a significant socio-economic impact within communities where they are established. The Mega Projects are implemented in a manner designed to broaden black- and female-owned enterprises, as well as SMMEs in the infrastructure development sector. It is against this background that the GPF endeavours to ensure that at least 30% of the capital budget is spent on SMMEs and, over time, to increase the development of women-owned enterprises. A total number of 1 809 jobs were created through human settlement projects, against a target of 1 000.

As illustrated in Figure 1, the GPF has performed well since inception in 2003. For the most part during the past years, it has exceeded set targets despite the financial and delivery environment challenges at the time.

GPF Performance 2003–2021

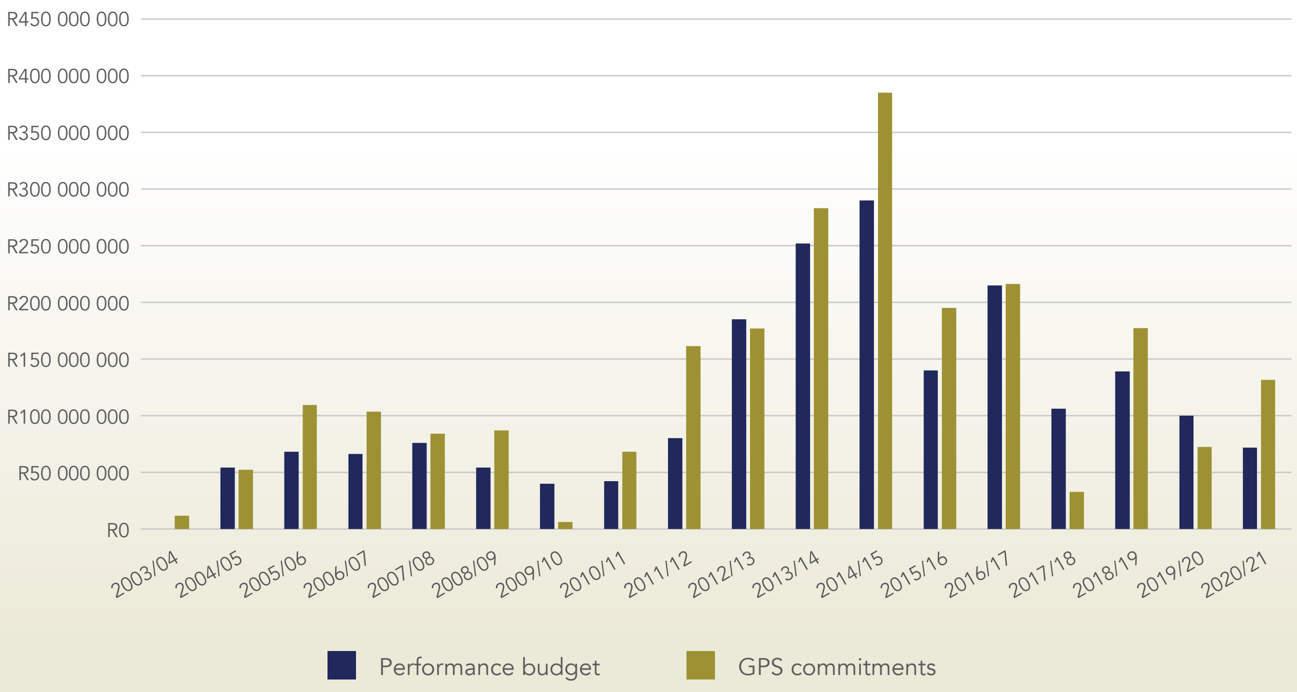


Figure 1: GPF budget vs commitments

We look forward to continuing the execution of our mandate and positioning the GPF, not only to play a critical role in mobilising public and private sector funding for the human settlements projects to realise the province's vision, but through capital investments, as an implementing agent, to oversee the implementation of development in an integrated manner. The GPF has aligned the business focus to the new vision, outlined key short-term milestones and developed a long-term strategy that will enable the GPF team to implement the mandate. Our priority is to deliver on the mandate, but we do so while taking into consideration the sustainability of the GPF in the long term.

We recognise that delivering mega human settlements is more complex than social and affordable rental housing projects. However, having understood government's vision as a collective, and through planning and alignment of resources of the public and private sector, we can turn the vision into reality. The GPF's role is to facilitate, provide effective oversight and implement projects while creating an environment for the private sector to participate.

I would like to take this opportunity to extend my sincere gratitude to the Honourable MEC, Mr Lebogang Maile, for his continued leadership and support.

In conclusion, I would like to sincerely thank the Head of Department, Ms Phindile Mbanjwa; the Board Chairperson, Ms Mahlengi Bhengu-Matsiri; and all the Board members for their steadfast leadership, guidance and stewardship throughout the year. I would specifically like to thank the executive management team and staff of the GPF for their continued support and unwavering dedication to the achievement of the extended mandate of the GPF.

Daniel Molokomme
Acting Chief Executive Officer

Date: 26 August 2021

6. Statement of Responsibility and Confirmation of the Accuracy of the Annual Report

To the best of my knowledge and belief, I confirm the following:

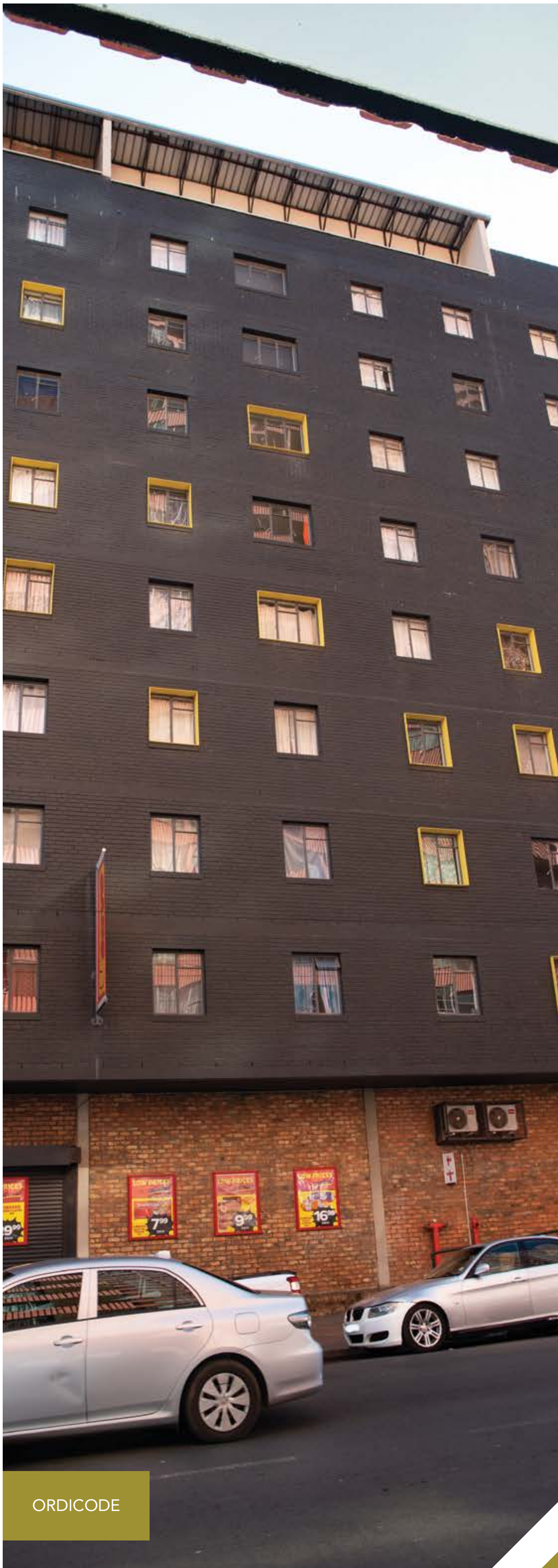
- All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General.
- The Annual Report is complete, accurate and free from any omissions.
- The Annual Report has been prepared in accordance with the guidelines on the Annual Report as issued by the National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the South African Generally Recognised Accounting Practice (GRAP) standards applicable to the public entity.
- The Board is responsible for the preparation of the Annual Financial Statements and for the judgements made therein.
- The Board is responsible for establishing and implementing a system of internal control, which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information, and the Annual Financial Statements.
- The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In my opinion, the Annual Report fairly reflects the operations, performance information, human resources information, and financial affairs of the public entity for the financial year ended 31 March 2021.

Yours faithfully

Daniel Molokomme
Acting Chief Executive Officer

Date: 26 August 2021



7. Strategic Overview

7.1 Vision

The vision of the GPF is to be a partner of choice in catalysing the funding and development of integrated and sustainable human settlements in Gauteng.

7.2 Mission

The GPF exists to facilitate the development of integrated and sustainable human settlements for communities in Gauteng by:

- Raising and managing the capital required for the successful implementation of identified sustainable human settlements;
- Serving as a turnkey property developer on strategic public land and providing management services; and
- Enhancing the lives of people in communities while also providing investors and partners with sound financial returns.

7.3 Values

Our core values are embedded in our culture of professionalism and excellence and are expressed in the execution of our mandate, vision, mission goals and objectives.

Our core values are:

Teamwork

- We have a culture of excellence in the execution of our common goal.
- We work in unison and view our work as a collective effort.

Innovation

- We strive towards the continuous development of our product and services offering.

Integrity

- We execute our work in a transparent, accountable and ethical manner.

Proactive

- We take a proactive approach to identify and address needs and gaps across the entire human settlement delivery value chain.

People/Ubuntu

- We recognise the humanity of others and endeavour to establish respectful human relations with the people of Gauteng as part of our commitment to fulfilling our mandate.
- We embrace and value our staff's devotion as core to our business.

Environmental sustainability

- We aim to minimise adverse environmental impacts across all our projects.

These shared values are regarded as paramount to the success of the organisation. The GPF also recognises that a values-driven leadership approach towards crafting a high-performance culture requires targeted management intervention to ensure that the values are visible and lived by all within the organisation, without exception.

DAN TLOOME – MEGA PROJECT

8. Legislative and Other Mandates

8.1 Constitutional mandate

The mandate of the GPF takes its cue from Chapter 2, Section 26 of the Constitution of the Republic of South Africa (No. 108 of 1996), which states:

1. "Everyone has the right to have access to adequate housing;
2. The State must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right; and
3. No one can be evicted from their home, or have their home demolished, without an order of court made after considering all relevant circumstances. No legislation may permit arbitrary evictions."

In addition, the GDHS, and thus the GPF, operates under a myriad of other national and provincial legislation, policies and strategies pertaining to the housing sector. The most notable of these national and provincial legislation, policies and strategies are highlighted as follows.

8.2 Legislative and policy mandates

8.2.1 Executive mandate

The mandate of GPF is "to serve as the funding and implementing agent for integrated, sustainable human settlement developments in the Gauteng City Region and custodian of strategic provincial land and/or property transferred to the GPF for effective immovable asset management and coordinated, efficient implementation of mega human settlement developments".

8.2.2 Legislative mandate

The following summation lists a number of legislative Acts with bearing on the work of the GPF.

Table 1: Legislation relevant to the GPF's work

Legislative Framework	Relevance/Implications for the GPF
South African Constitution	The rule of law governing every person, every organisation or institution as well as all law within the Republic of South Africa.
Public Finance Management Act (No. 1 of 1999), as amended	The Act requires the GPF to promote the objective of good financial management and accountability to maximise service delivery through effective and efficient use of resources. As a PFMA Schedule 3C entity of the GDHS, the GPF already complies with the PFMA. Its proposed listing as a Schedule 3D entity of this same Act will ensure such compliance and sound financial management while implementing its revised mandate that requires it to, *inter alia*: • Be a juristic person but one that remains under ownership control of the GDHS; • Provide services on ordinary business principles; • Borrow financially; and • Be fully or substantially funded from sources other than the Provincial Revenue Fund, i.e. the GPF needs to become financially self-sustainable.
Trust Property Control Act (No. 53 of 1988)	To regulate further the control of trust property; and to provide for matters connected therewith. As a trust, this Act is the founding legislation of the GPF.
Financial Intelligence Centre Act (No. 38 of 2001)	To establish a Financial Intelligence Centre and a Money Laundering Advisory Council to combat money laundering activities and the financing of terrorist and related activities; to impose certain duties on institutions and other persons who might be used for money laundering purposes and the financing of terrorist and related activities; to amend the Prevention of Organised Crime Act, 1998; and the Promotion of Access to Information Act, 2000; and to provide for matters connected therewith. The GPF is an accountable institution in terms of this Act. In its lending operations the GPF must comply with this Act.
Companies Act (No. 71 of 2008), as amended	• The Act regulates the incorporation, registration, organisation and management of companies, including state-owned companies (SOCs); • The Act encourages transparency, while balancing the rights and obligations of directors and the shareholder in that it specifies the fiduciary and due care duties and responsibilities of directors of a company; and • The registration of the GPF as a SOC in terms of the Companies Act is important because this ensures that the GPF is subject to the same company operating and governance rules with which its potential funding partners comply.

Legislative Framework	Relevance/Implications for the GPF
Rental Housing Act (No. 50 of 1999), as amended	• To define the responsibility of government in respect of rental housing property; to create mechanisms to promote the provision of rental housing property; to promote access to adequate housing through creating mechanisms to ensure the proper functioning of the rental housing market; and • To make provision for the establishment of Rental Housing Tribunals; to define the functions, powers and duties of such tribunals; to lay down general principles governing conflict resolution in the rental housing sector; to provide for the facilitation of sound relations between tenants and landlords and for this purpose to lay down general requirements relating to leases; to repeal the Rent Control Act, 1976.
Social Housing Act (No. 16 of 2008)	Promotes the establishment of a sustainable social housing environment through administration of social housing projects and by reiterating some of the provisions of the Rental Housing Act, as listed above. The Social Housing Act is further empowered to accredit Social Housing Institutions through the Social Housing Regulatory Authority.
Housing Act (No. 107 of 1997)	Compels all three spheres of government to give priority to the needs of the poor in respect of housing development. Section 4 of the Act outlines the **National Housing Code**. The code sets the underlying policy principles, guidelines and norms and standards which apply to government's various housing assistance programmes. It was introduced in 1994 and is regularly amended.
Spatial Planning and Land Use Management Act (No. 16 of 2013)	Provides a framework for spatial planning, land use management and inclusive, developmental, equitable and efficient spatial planning at the different spheres of government. It also sets out the requirements for the development of national, provincial and local spatial development frameworks to ensure integration of services, infrastructure and economic development.
Infrastructure Development Act (No. 23 of 2014)	Provides for the facilitation and coordination of public infrastructure development, which is of significant economic or social importance, across the three spheres of government.
Intergovernmental Relations Framework Act (IRFA) (No. 13 of 2005)	Specific to the relationship between the GDHS and the GPF, Section 35(2)(a) of the IRFA provides that an Implementation Protocol must be considered where the implementation of a policy, the exercise of a statutory power, the performance of a statutory function or the provision of a service has been identified as a national priority. Section 35(2)(b) of the IRFA provides that an Implementation Protocol must be considered when it will materially assist the national government or a provincial government in complying with its constitutional obligations to support the local sphere of government or to build capacity in that sphere. The **Implementation Protocol** between the GDHS and the GPF ensures a collaborative, effective, efficient and continued rendering of housing services to the community of Gauteng.
Housing Development Agency Act (No. 23 of 2008)	This Act establishes the Housing Development Agency (HDA) with the role of identifying, acquiring and developing suitable land for the creation of sustainable human settlements. The HDA plays a key role in implementing the national catalytic projects, many of which overlap with the Gauteng Mega Projects. Realising the need for mutual cooperation and a shared vision. The GPF liaises with the HDA, as necessary, to ensure efficient and effective implementation of Mega Projects.
Prevention and Combating of Corrupt Activities Act (No. 12 of 2004)	• To provide for the strengthening of measures to prevent and combat corruption and corrupt activities; and • To provide for investigative measures in respect of corruption.
Criminal Procedure Act (No. 51 of 1977), as amended	To make provision for procedures and related matters in criminal proceedings.
Prevention of Organised Crime Act (No. 121 of 1998)	• To introduce measures to combat organised crime, money laundering and criminal gang activities; • To prohibit activities relating to racketeering; • To obligate the provision of information related to money laundering; • To criminalise activities associated with gangs; and • To provide for the recovery of the proceeds of unlawful activities and to provide for matters connected therewith.
Protection of Constitutional Democracy against Terrorism and Related Activities Act (No. 33 of 2004)	• To provide for measures to prevent and combat terrorist and related activities; • To provide for convention offences, to give effect to informational instruments dealing with terrorist and related activities; and • To provide for measures to prevent and combat the financing of terrorist and related activities.
Protection of Personal Information Act (No. 4 of 2013)	• To promote the protection of personal information processed by public and private bodies; • To introduce information protection principles so as to establish minimum requirements for the processing of personal information; • To provide for the establishment of an Information Protection Regulator; • To provide for the issuing of codes of conduct; to provide for the rights of persons regarding unsolicited electronic communications and automated decision making; • To regulate the flow of personal information across the borders of the Republic; and • To provide for matters connected therewith.

Legislative Framework	Relevance/Implications for the GPF
Other sector-specific legislation of direct relevance to the GPF	• **Home Loan and Mortgage Disclosure Act (No. 63 of 2000):** Regulates and monitors bank lending practices; • **National Building Regulations and Building Standards Act (No. 103 of 1977):** Provides for the promotion of uniformity in the law relating to the erection of buildings in the areas of jurisdiction of local authorities and for the prescribing of building standards; • **Housing Consumers Protection Measures Act (No. 95 of 1998):** Provided for the establishment of the National Home Builders Registration Council (NHBRC) and stipulates that home builders will agree to be bound by the rules and regulations laid down by the NHBRC and to build to the minimum quality standards set out in the NHBRC standards and guidelines; • **Gauteng Land Administration Act (No. 11 of 1996):** Provides for the acquisition and disposal of land owned by the Gauteng Provincial Government; • **Financial Intelligence Centre Act (No. 38 of 2001):** Aims to combat money laundering activities in South Africa. It imposes duties upon the GPF to identify and verify clients and report suspicious transactions to the authority; and • **Financial Advisory and Intermediary Services Act (No. 37 of 2002):** Regulates the activities of all financial service providers who give advice or provide intermediary services to clients as regards certain financial products. The Act requires that such providers be licensed and that professional conduct be controlled through a code of conduct and specific enforcement measures.

8.2.3 Planned new legislation

The following are new legislation being developed which will affect the GPF's business:

- **Human Settlements Act:** The consultative process for the Draft White Paper on Human Settlements is currently in progress, as a consolidation of human settlement developments since 1994, as well as a conscious response to the strategic shift espoused in the National Development Plan, to culminate in the Human Settlements Act. The promulgation of the Human Settlements Act will repeal the Housing Act (No. 107 of 1997), as well as the White Paper on Housing: A New Housing Policy and Strategy for South Africa, 1994.
- **Inclusionary Housing Bill**: This Bill will allow for affordable housing to become an integral part of commercially-driven private developments aimed at higher income groups and designed to ensure racial and class integration in Gauteng City Region settlements.
- **Amendment to the Gauteng Housing Act (No. 6 of 1998):** The amendment will incorporate the many new legislative and policy changes that have taken place at national and provincial levels since the commencement of the Act in 1998. The Act will redefine the Housing Advisory Committee to take into account the new Programme Management Office Steering Committee.

8.2.4 Policy mandate

The most notable policies influencing the work of the GPF include:

- **Conflict of Interest:** The Conflict of Interest Management Policy primarily provides mechanisms to identify and manage any conflicts of interests that might arise.
- **King IV Code on Corporate Governance:** This is defined as the exercise of ethical and effective leadership by the governing body towards the achievement of the following governance outcomes:
  - Ethical culture;
  - Good performance;
  - Effective control; and
  - Legitimacy.

Not listed, but equally important and contained in the Compliance Universe Framework document of the GPF, are the various governance related legislation and regulations informing the compliance regime of the organisation. Treasury conducts quarterly compliance reviews on the GPF to provide quality assurance on compliance.

9. Organisational Structure

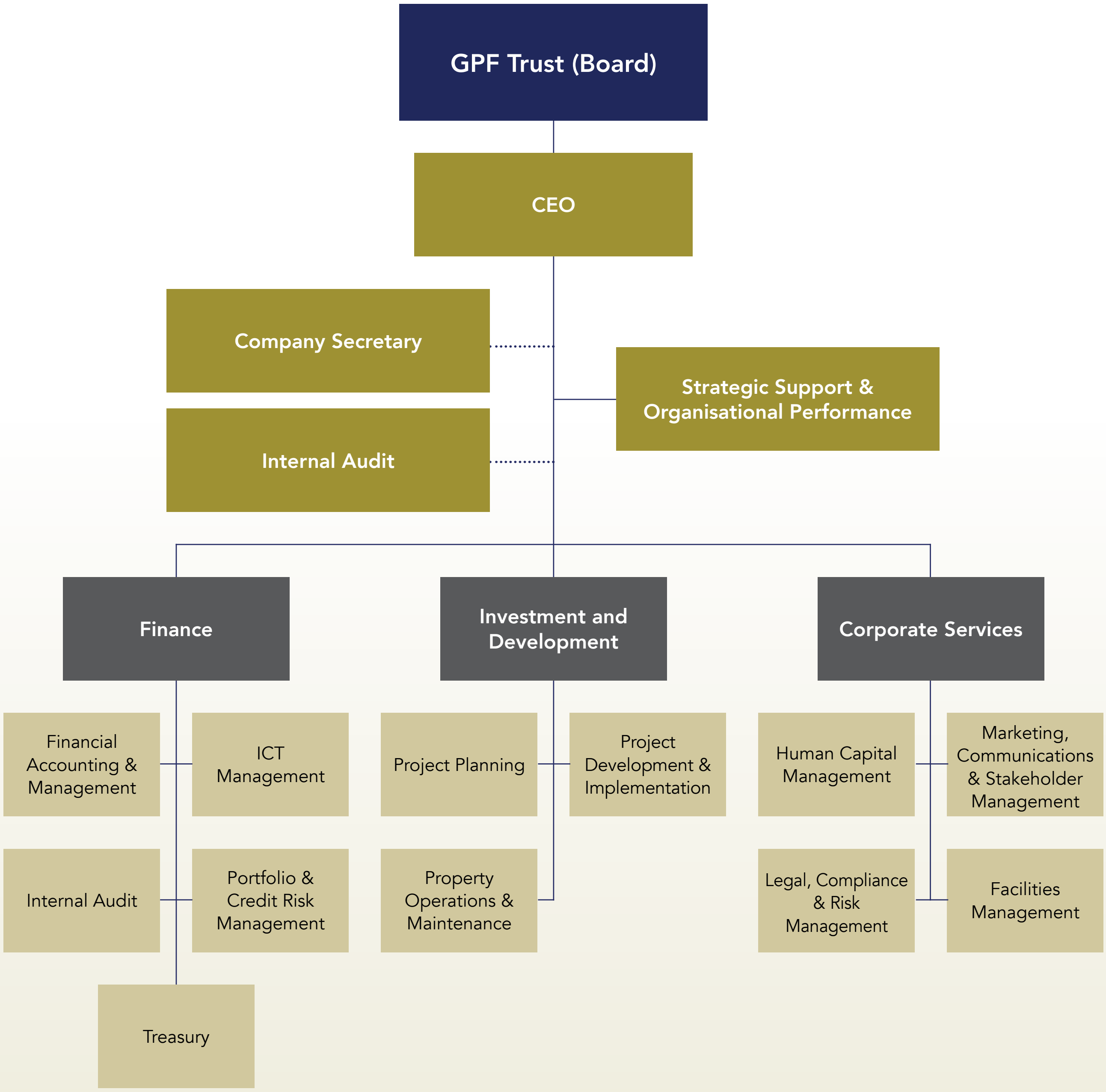


Figure 2: Organisational structure

ELIJAH BARAYI – MEGA PROJECT

NEW DEVELOPMENT

The GPF is an implementing agent of the Gauteng Department of Human Settlements for the delivery of integrated human settlements.

ELIJAH BARAYI – MEGA PROJECT

PART B

PERFORMANCE INFORMATION

GPF
GAUTENG PARTNERSHIP FUND

10. Auditor-General's Report: Predetermined Objectives

The AGSA/auditor currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to pages 72 to 75 of the auditor's report, published as Part E: Financial Information.

11. Situational Analysis

11.1 Service delivery environment

The South African economy contracted for the first time in 11 years in 2020 as COVID-19 lockdowns hampered the economy by disrupting trade and output. Gross domestic product shrank by 7%, compared with a 0.2% expansion in 2019, according to Statistics South Africa (StatsSA).

The South African construction industry has been in decline since 2017, with the industry's output value in real terms contracting by 3.3% in 2019. This decline is attributed to an economic slowdown, coupled with weak consumer and investor confidence, affecting public and private sector investments in construction projects. The negative impact will persist as the industry continues to be hit hard by the impact of high national debt, labour shortages, and little infrastructure spending amid a depressed economy, exacerbated by the current pandemic.

The construction industry further contracted in 2020, due to the COVID-19 outbreak and the imposed strict nationwide lockdown coupled with a bleak economic outlook. The declining building permits for both residential and non-residential buildings weighed on the industry's output over the short and medium terms.

In the year under review, the economic outlook remained uncertain, as the public purse was redirected towards responding to curbing the spread of COVID-19, impacting negatively on the country's fiscal prospects. The government's immediate response to the economic recovery plan focuses on building infrastructure, expanding energy generation, industrialisation and job creation. This is in response to the population growth that far outstrips the economic growth, creating an economic infrastructure gap. According to StatsSA, the South African mid-year population was estimated to have increased to 59,62 million in 2020, with Gauteng continuing to record the largest share with 15,5 million people (26,0%) living in the province. This continues to cause a housing burden in the province, given the current 1,2 million housing unit backlog in Gauteng.

It is for this reason that the South African Government has established unique housing delivery programmes that make capital grants available for the delivery of housing to people who are poor. Typically, these programmes target households with an income of R3 500 for the Reconstruction and Development Programme; R3 501 to R22 000 for the Finance-Linked Individual Subsidy Programme; or rental or cooperative social housing solutions for households earning between R1 501 and R15 000 per month. Traditional banks have stringent lending criteria for households with incomes as low as R15 000 per month. The implementation of Mega Projects as well as the provision of affordable rental stock go a long way in contributing towards closing the infrastructure gap that currently exists in the province.

11.2 Organisational environment

The confluence of both internal and external factors had a significant impact on the organisational environment of the GPF over the past year. The COVID-19 pandemic and the resultant global economic contraction negatively affected the global construction sector, and South Africa and the Gauteng province were not spared in the process.

The new Board was appointed in the first quarter of the financial year under review. The Board provides effective leadership and strategic direction to the entire organisation and ensures that the principles of good corporate governance and ethical behaviour are maintained.

The position of Chief Executive Officer became vacant at the beginning of 2020 and a senior official from the GDHS was seconded to perform this vital function. The position for the Company Secretary became vacant at the end of the financial year under review and the Legal, Risk and Compliance Manager was appointed to act in the position. The Board appointed three executives in December 2020: the Chief Financial Officer, Chief Investment and Development Officer, and Corporate Services Executive. The recruitment process to appoint the Chief Executive Officer and Company Secretary is under way.

The COVID-19 pandemic caused a measurable slowdown in the construction and engineering sectors. This resulted in delays on projects that were being implemented in partnership with the GPF and negatively affected the collection of project funds.

Within the organisation, COVID-19 influenced all business activities and changed the way in which employees perform their tasks and interact with clients and stakeholders. Management responded to the new working environment and took proactive steps to ensure both the safety of employees and the effective functioning of the organisation.

11.3 Key developments and legislative changes

The GPF is not aware of any significant policy or legislative changes that affected its operations.

12. Progress towards Achievement of Institutional Impacts and Outcomes

12.1 Introduction

The GPF contributes towards Priority 5 of the Medium-Term Strategic Framework (2019-2024): Spatial integration, human settlements and local government. During this planning period, the GPF wishes to achieve improved quality of life for the inhabitants of Gauteng through the development of sustainable, integrated and spatially transformed human settlements in the province.

The key outcomes envisaged over the planning period are:

- Integrated cities for Gauteng communities to live, work and play;
- Increased opportunities for economic inclusion; and
- A well-governed, managed, credible and financially sustainable organisation.

12.2 Impact of COVID-19 on the sector

Even before the COVID-19 pandemic, South Africa's investment in infrastructure had been declining for several years, which, among other adverse effects, had caused great hardship for the construction and related industries. The pandemic and subsequent global lockdowns had a particularly severe impact on infrastructure service providers, both for projects under development and under implementation. Developers saw a drop in demand and revenue.

Buyers of infrastructure services delayed procurement of new projects or cancelled projects. Lenders and investors, like the GPF, started revisiting their decision to invest in projects that were deemed bankable prior to the pandemic.

The cost of some inputs increased while some inputs became, at least temporarily, not available due to disruptions in national, regional and global supply chains.

Lower revenues, higher costs and non-payment resulted in layoffs, financial losses and cash shortages. Many people lost their jobs and could no longer afford rentals and other essential basic human needs.

The 2020/21 financial year commenced immediately after the COVID-19 lockdown restrictions were put in place in the country. This had a negative impact on the performance of projects in Quarter 1 (1 April–30 June 2020) under level 5 restrictions as only essential services were permitted to continue.

A survey titled 'Wave 2', conducted by StatsSA between 29 April and 6 May 2020, depicted the dire impact of COVID-19 on employment. The rental market had very minimal growth (if any) due to the combination of high vacancy rates and economic pressures on tenants. Landlords had to, and continue to, contend with extensive non-payment issues due to the economic effects of the pandemic and lockdown. The Student Accommodation Programme was also negatively affected as most institutions of higher learning opted for online learning, leading to lesser demand for on-site accommodation.

In Quarter 2 of 2020/21, performance remained low as most of the set targets were based on completion of construction work, and approval of loan applications for student and rental stock, which could not be achieved as the construction sector (both manufacturing of construction material and building) was affected by level 5 and 4 restrictions, respectively. Developers remained 'lending-cautious', leading to a reduced number of loan applications flowing into the GPF pipeline. The GPF resolved to amend its targets as it became evident that the impact of COVID-19 would have long-term effects on the sector, thus affecting the performance targets of the organisation.

Quarters 3 and 4 saw some improvement in work delivered, however, performance remained unsatisfactory. Only 50% of the annual targets were achieved in the 2020/21 period.

The following tables gives an overview of targets exceeded, met and unmet. More detailed information follows in the subsequent tables under each programme.

Table 2: Summary of targets achieved

Measure	Annual Target 2020/21	Actual Performance 2020/21	Comments
Number of direct jobs created	1 000	2 784	Target overachieved. Developers deployed catch-up construction programmes due to production lost due to COVID-19 lockdowns.
Percentage of project expenditure on SMMEs (HDIs)	30%	R318 779 208 47.95% of total R664 782 023 disbursed	The target was overachieved. Developers procured and spent more, as the project matured, on local labour and material suppliers.
Percentage of project expenditure on SMME (HDI women-owned entities)	5%	R30 016 660 9.42% of R318 779 208	Target was overachieved. Developers were requested to specifically target female-owned entities for procurement.
Mega Projects implemented	8	8	Target achieved.
Number of serviced sites completed	1 700	1 778	Target exceeded. The target was exceeded by 78 because of the lay-out plan of stands and the number of service sites arising from the stand numbers for Western Mega.

ELIJAH BARAYI – MEGA PROJECT

Table 3: Summary of targets not achieved

Measure	Annual Target 2020/21	Actual Performance 2020/21	Comments
Percentage rand value of loans approved towards HDI women-owned entities	30%	27%	Target not met. Only 1 of the 5 projects approved was a woman-owned entity. Approvals were impacted by the cautious approach by developers due to COVID-19.
Number of top structures (houses) completed	4 500	2 616	Target not met. Industry-wide slowdown due to COVID-19 pandemic.
Value of loans approved for rental accommodation	R30m	R16 185 883	Target not met. Slow turnaround time at council to get approvals. Investors assessing the market for best investments. No new business due to COVID-19.
Value of loans approved for student accommodation	R75m	R55 656 495	Target not met. The universities reverted to online teaching due to the pandemic, which resulted in developers adopting a cautious approach to new student accommodation projects.
Number of completed units within the rental, social housing, and student accommodation programmes	700	262	Target not met. Delays in construction due to the COVID-19 pandemic.

While there is some correlation between the impact of the pandemic on the sector and the low performance, the GPF is not satisfied with its overall performance and recognises the need for improvement. As such, it has put in place various programmes aimed at catching up with delayed projects, and to enhance the performance of the Investment and Development business unit in the 2021/22 financial year.

13. Institutional Programme Performance Information

Table 4: Overview of programmes – performance overview originally tabled

Programme 1: Treasury and Co-Funding Facilities Managed

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement April 2020 – July 2020	Deviation from Planned Target to Actual Achievement 2020/2021	Reasons for Deviations	Reasons for Revisions to the Outputs/ Output Indicators/ Annual Targets
Integrated human settlements	Rand value of funding raised or facilitated for project lending and mega projects	Rand value of development finance raised	R0	R0	R300m	R0		Annual target to be met in the 4th quarter.	Output: Capital raising Output indicators: Rand value of funding raised. The output and output indicator was improved upon to precisely measure its target and combine the two outputs below.
	Bridging finance facilitated	Rand value of bridging finance facilitated for project developers	New indicator	R0	R100m	R0		Annual target to be met in the 4th quarter.	
	Bulk infrastructure funding facilitated	Rand value of bulk infrastructure funding facilitated	New indicator	R0	R100m	R0		Annual target to be met in the 4th quarter.	

Programme 2: Property Development, Implementation, Management and Maintenance

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement April 2020 – July 2020	Deviation from Planned Target to Actual Achievement 2020/2021	Reasons for Deviations	Reasons for Revisions to the Outputs/ Output Indicators/ Annual Targets
Increased developmental impact within human settlements projects	Jobs created in human settlements projects	Number of direct jobs created	New indicator	3 903	1 000	2 784		Target exceeded. Developers deployed catch-up construction programmes due to production lost during COVID-19 lockdowns.	

Programme 2: Property Development, Implementation, Management and Maintenance (continued)

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement April 2020 – July 2020	Deviation from Planned Target to Actual Achievement 2020/2021	Reasons for Deviations	Reasons for Revisions to the Outputs/ Output Indicators/ Annual Targets
Increased developmental impact within human settlements projects	Empowered small businesses in human settlements projects implemented	Percentage of project expenditure spent on SMME (HDI)	New indicator	New indicator	30%	47.95% R318 779 208 of total R664 782 023 disbursed		Target exceeded. Developers procured and spent more as the project matured on local labour and material suppliers.	
	Empowered women-owned small businesses in human settlements projects implemented	Percentage of project expenditure spent on SMME (HDI women-owned entities)	New indicator	New indicator	10%	9.42% R30 016 660 of R318 779 208		Target exceeded. Developers were requested to specifically target female-owned entities for procurement.	The annual target was revised to 5% due to the impact of COVID-19.
Facilitate inclusive and sustainable human settlements	Mega Projects implemented	Number of Mega Projects implemented	6	7	8	8		Target met.	
		Number of serviced sites completed – Mega Projects	5 694	3 217	608	1 778		Target exceeded. The target was exceeded by 78 because of the lay-out plan of stands and the number of service sites arising from the stand numbers for Western Mega.	Annual target was revised from 608 to 1 778 based on the pipeline at the time of revision.

Programme 2: Property Development, Implementation, Management and Maintenance (continued)

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement April 2020 – July 2020	Deviation from Planned Target to Actual Achievement 2020/2021	Reasons for Deviations	Reasons for Revisions to the Outputs/ Output Indicators/ Annual Targets
Facilitate inclusive and sustainable human settlements	Mega Projects implemented	Top structures completed (houses) – Mega Projects	420	3 038	3 931	2 616		Target not met. Developers' cash flow constraints resulted in work stoppages by sub-contractors for not being paid on time and ultimately loss of production. Community unrest on site was partly to blame for work stoppages and loss of production. Reduced working year due to the COVID-19 lockdown.	Annual target was revised from 3 931 to 4 500 based on the pipeline at the time of revision.
		Completed mixed income houses	New indicator	New indicator	500	-		Target not met.	The output indicator was taken out because of the dependency on the developer.
		Number of mixed-use turnkey projects completed	New indicator	New indicator	1	-		Target not met.	The output indicator was taken out because of the dependency on the GDHS to give the GPF development rights.

Programme 3: Project Lending

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement April 2020 – July 2020	Deviation from Planned Target to Actual Achievement 2020/2021	Reasons for Deviations	Reasons for Revisions to the Outputs/ Output Indicators/ Annual Targets
Improved quality and reliability of human settlement service provision and facilitation of infrastructure investment	Funding approved or facilitated to rental, social and student accommodation developers	Amount of rand value of loans approved for private sector developers for rental housing	R124.1m	R38m	R75m	R16.1m		Target not met. Slow turnaround time at council to get approvals. Investors assessing the market for best investments. No new business due to COVID-19.	
		Amount of rand value of loans approved for private sector developers for student housing	R53.2m	R34.4m	R30m	R55.6m		Target not met. The universities reverted to online teaching due to the COVID-19 pandemic, which resulted in developers adopting a cautious approach to new student accommodation projects.	The annual target was revised from R30m to R75m due to the healthy pipeline. The pipeline did not come to fruition because of the impact of COVID-19.
		Amount of rand value of loans facilitated for private sector developers for social housing	-	-	R100m	-			The output indicator was taken out because of a reliance on the private funder and the facility was not secured.
	Completed rental and student accommodation units/ houses	Number of completed units within the rental and social housing projects and student accommodation projects	704	636	750	262		Target not met. Delays in construction due to COVID-19 pandemic.	

Programme 4: Collections of Funds

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement April 2020 – July 2020	Deviation from Planned Target to Actual Achievement 2020/2021	Reasons for Deviations	Reasons for Revisions to the Outputs/ Output Indicators/ Annual Targets
The GPF is a going concern and is financially sustainable	Revenue collection	Increased percentage of instalment monies received (collection rate) (as a percentage of loan book)	51.12%	>90% Collection rate	>90% Collection rate	55%		Target not met due to: • High vacancies • High tenant defaults • Adverse operating economic environment.	
	Performing loan book	Reduced percentage of bad debts written off (as percentage of loan book)	0%	<2%	<2%	-			The output indicator was taken out because revenue collection is the overarching output indicator that already encompasses all the other output indicators under performing loan book.
		Reduced percentage of non-performing loans (as percentage of loan book)	1.07%	<5%	<5%	-			The output indicator was taken out because revenue collection is the overarching output indicator that already encompasses all the other output indicators under performing loan book.
		Reduced percentage of arrears (as a percentage of loan book)	0.50%	<2%	<2%	-			The output indicator was taken out because revenue collection is the overarching output indicator that already encompasses all the other output indicators under performing loan book.

Programme 5: Administration

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement April 2020 – July 2020	Deviation from Planned Target to Actual Achievement 2020/2021	Reasons for Deviations	Reasons for Revisions to the Outputs/ Output Indicators/ Annual Targets
The GPF is a well-managed, governed and credible organisation that is financially sustainable, effective and efficient	Percentage variance between total budget and actual expenditure for the year to date	<5% variance	16%	20%	<5%	-			The decision was taken internally to remove the output indicator because it is operational.
	Percentage of the total financial and non-financial findings per AG's report resolved, per annum	100% of findings resolved	70%	100%	100%	-			The output and output indicator were revised: Output: Unqualified audit report Output indicator: Number of unqualified audit reports per financial year.
	Percentage of the total number of fully compliant invoices received and paid within 15 days of goods received voucher	100% of payments within 15 days	New indicator	100%	100%	71%			The decision was taken internally to remove the output indicator because it is operational.
	Rand value of cash interest on income received, per annum	R87m	R69m	R81m	R51m	R16 084 239			The decision was taken internally to remove the output indicator because it is operational.
	Rand value of non-interest income (actual cash inflows other than interest), per annum	R1m	R56m	R1m	R1m	R0			The decision was taken internally to remove the output indicator because it is operational.
	80% procurement from BBBEE enterprises	80% procurement from BBBEE enterprises	New indicator	80% procurement from BBBEE enterprises	80% procurement from BBBEE enterprises	95%			The decision was taken internally to remove the output indicator as it is already addressed under the 'Increased developmental impact within human settlements projects' outcome.
	30% procurement on small BBBEE enterprises	30% procurement on small BBBEE enterprises	New indicator	30% procurement on small BBBEE enterprises	30% procurement on small BBBEE enterprises	-			The decision was taken internally to remove the output indicator as it is already addressed under the 'Increased developmental impact within human settlements projects' outcome.

Programme 5: Administration (continued)

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement April 2020 – July 2020	Deviation from Planned Target to Actual Achievement 2020/2021	Reasons for Deviations	Reasons for Revisions to the Outputs/ Output Indicators/ Annual Targets
The GPF is a well-managed, governed and credible organisation that is financially sustainable, effective and efficient	70% procurement on South African manufactured products	70% procurement on South African manufactured products	New indicator	70% procurement on South African manufactured products	70% procurement on South African manufactured products	-			The decision was taken internally to remove the output indicator as it is already addressed under the 'Increased developmental impact within human settlements projects' outcome.
	5% procurement on youth enterprises	5% procurement on youth enterprises	New Indicator	5% procurement on youth enterprises	5% procurement on youth enterprises	-			The decision was taken internally to remove the output indicator as it is already addressed under the 'Increased developmental impact within human settlements projects' outcome.
	12% procurement on township suppliers	12% procurement on township suppliers	New indicator	12% procurement on township suppliers	12% procurement on township suppliers	4.69%			The decision was taken internally to remove the output indicator as it is already addressed under the 'Increased developmental impact within human settlements projects' outcome.
	Percentage of ICT systems uptime availability, each financial year ensuring operational efficiency	Percentage of uptime of the server	97%	98%	98%	94.79%			The decision was taken internally to remove the output indicator because it is operational.
	Percentage of (Priority 2 and Priority 3) reported IT incidents resolved against the total number reported per quarter of each financial year ensuring effectiveness of control		None	P2 – 85% P3 – 75%	P2 – 85% P3 – 75%	P2 – 90%% P3 – 90%%			The decision was taken internally to remove the output indicator because it is operational.

Programme 5: Administration (continued)

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement April 2020 – July 2020	Deviation from Planned Target to Actual Achievement 2020/2021	Reasons for Deviations	Reasons for Revisions to the Outputs/ Output Indicators/ Annual Targets
The GPF is a well-managed, governed and credible organisation that is financially sustainable, effective and efficient	Percentage improvement in staff satisfaction as measured biannually by an independent staff satisfaction survey	New	-	-	75%	-			Output revised to 'Harmonious working environment' and output indicator to 'Levels of staff satisfaction' to precisely measure the target. The annual target was also reduced from 75% to 60% to allow management to establish a baseline.
	Percentage improvement of accuracy in administration of compensation and benefits	100%	100%	100%	100%	-			The decision was taken internally to remove the output indicator because it is operational.
	Reduction in number of staff grievances and CCMA cases	New	-	4	<4	-			The decision was taken internally to remove the output indicator because it is operational.
	Percentage improvement of alignment of individual performance agreements with the organisational objectives	New	-	-	100%	73%		Performance agreements were completed, but due to lockdown disruptions and the subsequent leadership changes, 73% were signed.	
	All relevant organisational policies are in place, easily accessible, are being adhered to, and have been reviewed at least annually for relevance, appropriateness and legislative compliance	% of policies reviewed and approved annually	80%	90%	90%	-		The target is to be reported in the fourth quarter.	Output revised to organisational policies and reviewed and output indicator to number of approved policies.

Programme 5: Administration (continued)

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement April 2020 – July 2020	Deviation from Planned Target to Actual Achievement 2020/2021	Reasons for Deviations	Reasons for Revisions to the Outputs/ Output Indicators/ Annual Targets
The GPF is a well-managed, governed and credible organisation that is financially sustainable, effective and efficient	All relevant organisational policies are in place, easily accessible, are being adhered to, and have been reviewed at least annually for relevance, appropriateness and legislative compliance	% of approved policies communicated and workshopped with staff	New indicator	New indicator	100%	-			The decision was taken internally to remove the output indicator because it is operational.
		% of approved policies placed on the GPF SharePoint and website	New indicator	New indicator	90%	-			The decision was taken internally to remove the output indicator because it is operational.
		% of breaches of policies identified	New indicator	New indicator	<10%	-			The decision was taken internally to remove the output indicator because it is operational.
	Reduced number of litigations against the GPF	Number of litigation cases against the GPF	New indicator	New indicator	2	-			The decision was taken internally to remove the output indicator because it is operational.
		Percentage of litigation cases concluded by way of settlement	New indicator	New indicator	50%	-			The decision was taken internally to remove the output indicator because it is operational.
		Percentage of litigation cases against the GPF withdrawn	New indicator	New indicator	30%	-			The decision was taken internally to remove the output indicator because it is operational.
	Improved enforceability of GPF agreements	Percentage of litigation cases instituted by the GPF that result in court orders in favour of the GPF	New indicator	New indicator	90%	20%			The decision was taken internally to remove the output indicator because it is operational.
		Percentage of litigation cases against that are successfully defended	New indicator	New indicator	80%	-			The decision was taken internally to remove the output indicator because it is operational.

Programme 5: Administration (continued)

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement April 2020 – July 2020	Deviation from Planned Target to Actual Achievement 2020/2021	Reasons for Deviations	Reasons for Revisions to the Outputs/ Output Indicators/ Annual Targets
The GPF is a well-managed, governed and credible organisation that is financially sustainable, effective and efficient	Increased awareness and improved credibility of the GPF	Enhanced visibility of the GPF brand through implementation of a % increase of approved Annual Marketing and Communications Plan	New indicator	New indicator	80%	10%			The decision was taken internally to remove the output indicator because of the impact of COVID-19. The entity could not have project launches, conferences and print material due to lockdown.
	Fully effective and efficient Governing Body that ensures good corporate governance and implementation of its fiduciary responsibilities	Number of Board and Committee Charters reviewed and approved	New indicator	New indicator	New indicator	5	-	The target is to be reported in the fourth quarter.	The decision was taken internally to remove the output indicator because it is operational.
		Percentage of activities outlined in the Annual Board Plan implemented	New indicator	New indicator	New indicator	100%	100%		The decision was taken internally to remove the output indicator because it is operational.
		Percentage of Board resolutions implemented per quarter	New indicator	New indicator	New indicator	100%	100%		The decision was taken internally to remove the output indicator because it is operational.
	Improved performance against Corporate Scorecard	Number of Quarterly Performance Reports submitted to the Board of Trustees and the GDHS	4	4	4	1			The decision was taken internally to remove the output indicator because it is operational.

Table 5: Report against the re-tabled Annual Performance Plan

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement July 2020 – March 2021	Reasons for Deviations
1. A well governed, managed, credible and financially sustainable organisation	Unqualified audit report	Number of unqualified audit reports per financial year	1	1	1	1	The target was achieved in Q3 due to the change of submission dates with material findings which relates to supply chain management (SCM) matters.
	Capital raising	Rand value of funding raised	-	R0	R300m	0	• COVID-19 pandemic • Lack of appetite for the sector by investors due to adverse economic conditions.
	Debt collection	Percentage of revenue collected	51.12%	56%	60%	55%	• High vacancies • High tenant defaults • Adverse economic operating environment.
	Organisational policies developed and reviewed	Number of approved policies	60	60	60	56	Target not met. The SCM, Fraud Prevention, Arrears Management, Records Management Policies and Internal Audit Charter were deferred for review in Quarter 1 of 2021/22.
	Performance agreements aligned with organisational objectives	Number of aligned individual performance agreements with the organisational objectives	40	40	40	29 (73%)	Performance agreements were completed but due to lockdown disruptions and the subsequent leadership changes, 73% were signed.
	Harmonious working	Levels of staff satisfaction	-	-	60%	39%	The survey was concluded in December 2020. The findings were presented to Exco, Board and employees during Q4. Recommendations are being considered for change management interventions.
2. Increased opportunities for economic inclusion	Jobs created in human settlements project	Number of direct jobs created	-	3 903	1 000	1 809	Target overachieved. Developers deployed catch-up construction programmes due to production lost due to COVID-19 lockdowns.
	Targeted preferential procurement policy implemented	Percentage of project expenditure spent on SMME (HDI)	New indicator	New indicator	30%	R318 779 208 47.95% of total R664 782 023 disbursed	The target was overachieved. Developers procured and spent more as the project matured on local labour and material suppliers.
	Empowered women-owned small businesses in human settlements projects implemented	Percentage of project expenditure spent on SMME (HDI women-owned entities)	New indicator	New indicator	5%	R30 016 660 9.42% of R318 779 208	Target was overachieved. Developers were requested to specifically target female owned entities for procurement.

Table 5: Report against the re-tabled Annual Performance Plan (continued)

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement July 2020 – March 2021	Reasons for Deviations
2. Increased opportunities for economic inclusion	Empowered women-owned small businesses in human settlements projects implemented	Percentage of rand value loans approved towards (HDI) women-owned entities	New indicator	New indicator	30%	27%	Target not met. Only 1 of the 5 projects approved was a woman-owned entity. Approvals were impacted by the cautious approach by developers due to COVID-19.
3. Integrated cities of GP communities to live, work and for play	Mega Projects implemented	Number of Mega Projects implemented	6	7	8	8	Target achieved.
	Serviced sites completed – Mega Projects	Number of serviced sites completed	5 694	3 217	1 700	1 778	Target exceeded. The target was exceeded by 78 because of the lay-out plan of stands and the number of service sites arising from the stand numbers for Western Mega.
	Top structure completed (houses) – Mega Projects	Number of top structures (houses) completed	420	3 038	4 500	2 616	Target not met. Developers' cash flow constraints resulted in work stoppages by sub-contractors for not being paid on time and ultimately loss of production. Community unrest on site was partly to blame for work stoppages and loss of production. Reduced working year due to the COVID-19 lockdown.
	Funding approved for rental housing and student accommodation implemented	Rand amount of approved loans for rental housing	R124.1m	R37,9	R30m	R16 185 883	Target not met. Slow turnaround time at council to get approvals. Investors assessing the market for best investments. No new business due to COVID-19.
		Rand amount of approved loans for student accommodation	R53.2m	R34,4	R75m	R55 656 495	Target not met. The universities reverted to online teaching due to the COVID-19 pandemic, which resulted in developers adopting a cautious approach to new student accommodation projects.
	Rental and student accommodation units/houses completed	Number of completed units within the rental housing and student accommodation projects	704	636	700	262	Target not met. Delays in construction due to COVID-19 pandemic.

13.1 Strategy to overcome areas of under-performance

Some of the interventions put in place to address the areas of under-performance include:

COVID-19 Related	Performance Enhancement	Administrative Efficiencies
• Revised the Capital Investment and Lending Policy to include consideration of advancing funding for material on/and off site.	• Developed strategic approaches to the delivery of Mega Projects, Rapid Land Release and Decision Matrix for new mandates. • Introduced Work Plans to monitor implementation of set targets, with increased management key performance indicators aimed at ensuring maximum impact of the GPF programmes.	• Implementation of Online Team Work collaboration platform to enable work out of office. • Filling of key vacant positions. • Finalisation of an Investment and Development Manual to ensure business continuity.

Furthermore, a study on the impact of the pandemic on the sector has been commissioned to assist the GPF to make informed capital investment decisions that will yield maximum results. A business case on how to unlock investment on government-owned properties is also under way. These will be concluded in Q2 of the 2021/22 financial year.

Proper preparations minimise chances of poor performance. The Investment and Development business unit is looking forward to playing its part to ensure the achievement of the GPF's mandate and will be working closely with all stakeholders to deliver quality rental accommodation and Mega Projects in the province.

13.2 Reporting on the Institutional Response to the COVID-19 Pandemic

The Board is committed to ensuring a safe and healthy workplace for all its employees, visitors and invitees. The Board complies with all relevant legislation, and in particular the Occupational Health and Safety Act (No. 85 of 1993). This includes monitoring risks in the workplace, addressing reported incidents, and raising awareness and responsibility among employees around serious diseases.

The GPF, as a tenant of the current building, planned to be part of the execution of occupational health and safety drills. However, due to the lockdown and subsequent social distancing rules, this safety exercise did not materialise.

The GPF developed additional COVID-19 protocols, implemented in concert with the regulations that set out specific measures that employers are required to take to protect their employees in the workplace from COVID-19. These are regulations issued in terms of Section 27(2) of the Disaster Management Act, 2002, and the COVID-19 Directive and Health and Safety in the Workplace, issued by the Department of Employment and Labour.

As a result of the COVID-19 pandemic, the following precautionary measures were put in place to minimise the rate of the COVID-19 infections among employees:

- Guidelines for the containment/management of the corona virus;
- A Readiness Checklist, which outlines the GPF's readiness to mitigate risks against employees being infected with COVID-19;
- A Health and Safety Checklist was implemented and must be completed by all staff when they are in the office;
- Risk assessment and mitigation plans;
- Procurement of a nurse to administer COVID-19 tests;
- Acquisition of masks for all staff;
- Installation of hand-sanitising stations for staff to clean their hands as often as required;
- The offices were deep cleaned to ensure the safety of the staff; and
- Meeting protocols were instituted to ensure that social distancing was adhered to at all times.

Further, to ensure that vulnerable staff and those with comorbidities were protected, GPF management assisted staff to work from home as the best precautionary measure to keep staff safe from the virus.

Table 6: Progress on institutional response to the COVID-19 pandemic

Programme/ Sub-programme	Intervention	Geographic Location/ District/ Local Municipality	No. of Beneficiaries	Disaggregation of Beneficiaries	Total Budget Allocation	Budget Spent per Intervention	Contribution to the Outputs in the Annual Performance Plan	Immediate Outcomes
Human Resources	Face cloth masks	Gauteng	46	N/A	R308 037.00	R574.80	N/A	Safety of the staff
Human Resources	Hand sanitisers	Gauteng	46	N/A		R3 500.00	N/A	Safety of the staff
Human Resources	Office cleaning and disinfecting	Gauteng	46	N/A		R105 360.00	N/A	Safety of the staff
Human Resources	Office fumigation and fogging	Gauteng	46	N/A		R87 400.00	N/A	Safety of the staff
Human Resources	Office deep cleaning	Gauteng	46	N/A		R68 643.00	N/A	Safety of the staff
Human Resources	Face cloth masks	Gauteng	46	N/A		R2 300.00	N/A	Safety of the staff
Human Resources	Mounted sanitiser dispensers, sanitising wipes, and thermometers	Gauteng	46	N/A		R19 155.00	N/A	Safety of the staff
Human Resources	Physical workstation dividers	Gauteng	46	N/A		R61 743.50	N/A	Safety of the staff
Human Resources	Sanitiser refills 25 litres	Gauteng	46	N/A		R4 860.87	N/A	Safety of the staff
Human Resources	Thermometer	Gauteng	46	N/A		R1 552.50	N/A	Safety of the staff
Human Resources	Gloves (disposable, latex-free, nitrile, examination, sterile, powder free, large, per 100)	Gauteng	46	N/A		R951.20	N/A	Safety of the staff
Human Resources	Office deep cleaning	Gauteng	46	N/A		R68 643.00	N/A	Safety of the staff

13.3 Linking performance with budgets

Affordable Rental Housing Performance

Rental Housing Fund Programme

The Rental Housing Fund enhances the debt-to-equity ratio for companies in projects to leverage commercial funding. The programme is targeted at relatively established companies. There was one project approved under the programme for the year under review.

Table 7: List of approved rental housing projects

Name of Company	Project Name	No. of Units	GPF Funding Committed Inclusive of Capitalised Interest
Barra Dunes Chalet 31 (Pty) Ltd	Sandy Park, Erf 1 of Groblerspark, Ext. 101, Princess Park Roodepoort	144	R16 185 883
TOTAL		**144**	**R16 185 883**

Entrepreneur Empowerment Property Fund

The EEPF is an incubator-type programme designed to promote participation by HDI-owned companies in the affordable rental property market. The programme was previously limited to prospective participants invited through an annual public tender process. The GPF took a decision to open the programme to allow applications from any entry level black-owned company that would like to participate in the property market. Participation in the programme is no longer subjected to an annual public tender invitation. For the year under review there were no new approvals.

Student Accommodation Fund

The Student Accommodation Fund enhances the debt-to-equity ratio for companies in projects to provide affordable and good quality of living to the students. There is a growing interest by the private sector to provide affordable student accommodation in Gauteng rather than the traditional affordable rental accommodation. This is supported by, among others, government initiatives in making land available to the private sector for the purpose of student accommodation developments. For instance, the City of Johannesburg has made available several parcels of land and/or buildings to the private sector within the inner city for the purpose of development, with higher investment yields and secured market up-take through the National Student Financial Aid Scheme. The target set for the 2020/21 financial year was R75 million. The target achieved was R55,6 million – 74% of target achieved.

Table 8: List of approved student accommodation projects

Name of Company	Name of Project	No. of Units	No. of Beds	GPF Funding Committed Inclusive of Capitalised Interest
Mapchief Trading (Pty) Ltd	Erf 872 Pretoria Gardens	77	308	R18 256 232.00
Golden Pupil Trading (Pty) Ltd	Erf 412 Power Park, Soweto	35	140	R8 560 000.00
Sagewood Cribbs (Pty) Ltd	Erf 1011 Protea Glen, Soweto	30	90	R8 560 000.00
Property Developers & Construction (Pty) Ltd	Erf 2000 & Portion 1 of Erf 1999, 57 Bok Street, Doornfontein	119	280	R20 280 263.00
TOTAL		**261**	**818**	**R55 656 495.00**

Rental and student accommodation units/houses completed

The number of completed units totalled 262 against a target of 700 units as most of the construction projects came to a halt due to the COVID-19 pandemic.

Table 9: List of completed projects

Name of Institution	Project Name	Location	Product	No. of Units	Comments
Stormstrong (Pty) Ltd	Erf 299 Windsor West, Randburg	City of Johannesburg	EEPF	22	Occupation Certificate
Kwezi Enhle Investments (Pty) Ltd	Erf 102 Erasmus, Bronkhorstspruit	City of Tshwane	Rental Housing	36	Occupation Certificate
Bravo Enterprise and Projects CC	Erf 231, Kempton Park	City of Ekurhuleni	EEPF	36	Temporary Occupation Certificate
Yin Construction and Development (Pty) Ltd	Cloverdene, Ext. 1	City of Ekurhuleni	Rental Housing	168	Occupation Certificate

Projects under construction

As of 31 March 2021, there were 13 projects under construction with an expected yield of 1 384 units. The number of job opportunities created from these projects amounted to 4 786.

Table 10: Projects under construction

Name of Institution	Project Name	Location	Product	No. of Units
Watershed Properties	Portion 202 of Farm 265, Ruimsig, Ext. 102	City of Johannesburg	Student Accommodation	265
Bono Property Investments (Pty) Ltd	Erf 496, Naturena	City of Johannesburg	Student Accommodation	94
Haolin Construction (Pty) Ltd	Erven 1545 and 1546, Cloverdene, Ext. 15, Benoni	City of Ekurhuleni	Rental Housing	168
Evening Shade (Phase2)	Erven 636 and 637, Daggafontein, Ext. 8–ii/Phase 2	City of Ekurhuleni	Rental Housing	88
Golden Pupil Trading (Pty) Ltd	Erf 412 Power Park Soweto	City of Johannesburg	Student Accommodation	35
Tshellaine Holdings (Pty) Ltd	Erf 1163 at Marula Crescent, Winchester Hills, Ext. 3	City of Johannesburg	Student Accommodation	56
Barra Dunes Chalet (Pty) Ltd	Erf 1 of Groblerpark, Ext. 101, Princess Park, Roodepoort	City of Johannesburg	Rental Housing	144
Cicima Property Management Solutions (Pty) Ltd	Erf 1686, Benoni	City of Ekurhuleni	EEPF	66
Nelisa Properties (Pty) Ltd	Erf 388, Windsor	City of Johannesburg	EEPF	24
Muma Investments (Pty) Ltd	The Village Hub, 125 Madiba, Pretoria	City of Tshwane	EEPF	210
Lekotu Enterprise (Pty) Ltd	Erf 1680, Benoni	City of Ekurhuleni	EEPF	72
Izakhiwo Properties (Pty) Ltd	Portion 1 of Erf 1484, Pretoria	City of Tshwane	EEPF	40
Bridge City Housing Consortium (Pty) Ltd	Erf 7305, Chiawelo, Ext. 2, Soweto	City of Johannesburg	Rental Housing	132

Mega Projects performance overview

Mega Human Settlements Projects refers to the development of integrated housing – which is inclusive of Build New Ground housing, gap market housing, social, rental and open market bonded housing, along with social amenities and local economics. The GPF has concluded the 10th deed to the Implementation Protocol with the GDHS, wherein the GPF will implement identified Mega Projects on behalf of the GDHS.

The targeted number of top structures were not completed due to developers' cash flow constraints that resulted in work stoppages by sub-contractors for not being paid on time and ultimately loss of production. Community unrest on site was partly to blame for work stoppages and loss of production. The working year was reduced due to the COVID-19 lockdown.

Table 11: Detailed milestone Mega Projects – performance summary

Project Name	Foundations	Wall Plates	Slabs	95% Completions	100% Completions
Affri Village	0	152	384	456	1 008
Dan Tloome	480	770	1 022	966	504
Elijah Barayi	865	820	808	820	584
Montrose	0	30	0	0	0
Savanah	247	247	0	247	0
Westonaria Borwa	141	316	127	127	75

Mega Projects are implemented in a manner designed to broaden the base of black and female-owned enterprises and SMMEs within the infrastructure development sector. Against this background, the GPF endeavours to ensure that at least 50% of the capital budget is spent on the SMMEs and, over time, to increase the development of women-owned enterprises.

While there is some improvement in the implementation of Mega Projects, there have been ongoing challenges that the GPF is addressing in collaboration with its stakeholders.

These interventions include:

- Stringent monitoring of the developers' weekly and monthly targets to identify non-performing projects earlier.
- Better coordination with the local council's Local Economic Development department to assist with community issues.
- Developers have the first three months in the new financial year to deliver on all outstanding previous financial year targets. Developers are planning for a 12-month production year in 2021/22.

14. Revenue Collection

R140m Leveraged funding

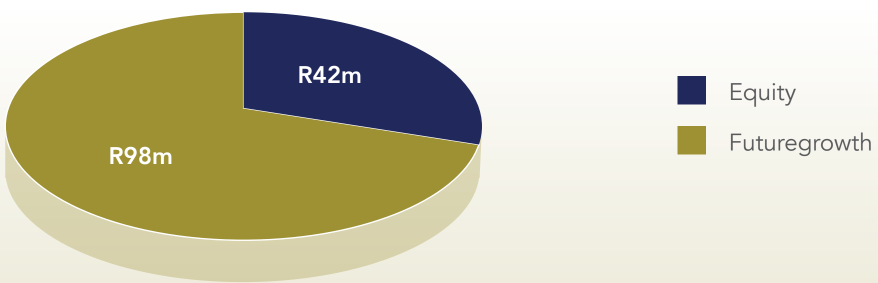


Figure 3: Leveraged funding

TSHELLAINE HOLDINGS (PTY) LTD – STUDENT ACCOMMODATION

NEW DEVELOPMENT

The GPF offers innovative funding products designed to share project risk with the private sector.

DAN TLOOME – MEGA PROJECT

PART C

GOVERNANCE

GPF
GAUTENG
PARTNERSHIP
FUND

15. Introduction

The GPF was established as a benevolent Trust with the MEC for Human Settlements in Gauteng as its Founder.

The Board consists of trustees with the majority being non-executive and independent. The Chief Executive Officer is the executive trustee. The shareholder representative is the non-independent trustee.

In terms of the Trust Deed, the maximum number of trustees is 12 while the minimum number is eight. The trustees are appointed for a period of no more than three years.

In terms of appointment letters provided to the trustees by the MEC at the time of their appointment, as well as subsequent letters of extension, the term of office of 11 of the trustees expired in the previous financial year. The only trustee whose term did not expire was the CEO. Of the 11 trustees whose term of office expired in the prior year, five trustees duly resigned from the office of trustee, while seven (including the CEO) did not. During May 2020 the Founder re-appointed six trustees ('the remaining trustees') and appointed four new trustees.

In October 2020, the newly appointed trustees were issued with Letters of Authority by the Master of the High Court and granted the relevant authority to act. Before this date, the remaining trustees fell below the requisite minimum number and therefore were only empowered to act in preservation of the Trust. Once granted the necessary authority, the Board reconsidered all decisions taken by the minimum number of trustees and ensured that all decisions taken by the Board of Trustees were approved by the Board.

The trustees maintain independence on all matters under consideration and add to the Board's depth of experience and expertise.

All trustees have unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees on matters of corporate governance, compliance with rules and procedures, statutory requirements, regulations and best corporate governance practices.

The Board provides effective leadership based on a principled foundation and the entity subscribes to high ethical standards. Responsible leadership, characterised by the values of responsibility, accountability, fairness and transparency, are the defining character of the entity. The fundamental objective is always to do business ethically while building a sustainable entity that recognises the short-term and long-term impact of its activities on the economy, society and the environment. In its deliberations, decisions and actions; the Board is sensitive to the legitimate interests and expectations of the entity's broad stakeholders.

The Board applies the governance principles contained in the King Code IV as far as they apply to it and continues to further entrench and strengthen the prescribed practices in its governance structures, systems, processes and procedures. The Board and executives recognise and are fully committed to the principles of openness, integrity and accountability advocated by King IV. From this process, the Executive Authority and other stakeholders may derive assurance that the entity is being managed ethically and in accordance with prudently determined risk parameters in accordance with generally accepted corporate practices.

The Board or any of its members may, under appropriate circumstances, and at the expense of the company, obtain the advice of independent professionals.

An annual Board evaluation assists the Board in identifying any areas of development and successes. The Board committees are evaluated against their charters.

16. Executive Authority

The Executive Authority of the GPF is the Gauteng MEC for Human Settlements, who exercises both strategic and political oversight on the affairs of the GPF. In this regard, the Executive Authority is guided by the principles contained in the PFMA and the Trust Deed.

The GPF must perform according to the Strategic Plan and the Annual Performance Plan agreed to with the Executive Authority and the GDHS. The GPF's management is accountable for strategic and operational matters to the Board of Trustees, which controls and maintains a fiduciary relationship with the organisation. The GPF coordinates its area-based human settlements development activities and other catalytic interventions with and on behalf of the Executive Authority and the GDHS, and engages with the GDHS in the design and construction of infrastructure and human settlement assets. The GPF must ensure that spatial transformation, human settlements development and economic growth are integrated and well-coordinated.

When making trustee appointments, the Executive Authority ensures an appropriate mix of the necessary capacity and skills, and that the majority of the trustees are independent and non-executive. The executive trustee, being the CEO, is appointed in consultation with the Executive Authority.

The Executive Authority also appoints a shareholder representative to the GPF Board to represent it and its interests in the Board. All the requisite Quarterly Performance Reports were submitted to the Executive Authority and the GDHS for the period under review.

17. The Board

17.1 The role of the Board

The Board is the core of GPF's corporate governance system and is responsible for:

- Providing clear strategic direction to the GPF;
- Ensuring that appropriate management structures are in place for effective day-to-day operation of the organisation;
- Promoting a culture of good governance and ethical behaviour throughout the entity;
- Entrenching sound corporate governance through an integrated governance system; and
- Compliance with all relevant laws, regulations and codes of practice.

The Board retains full and effective control over the GPF and monitors the implementation of the GPF's strategic programmes and outcomes. It sets the entity's strategic direction and focus, and monitors overall performance of the entity and its executive management.

The duties of the Board include:

- Providing effective, transparent, accountable and coherent oversight of the GPF's affairs;
- Ensuring that the GPF complies with all applicable legislation, the service delivery agreement and the various shareholder policy directives issued by its parent department from time to time;
- Dealing with the GDHS in good faith and communicating openly and promptly on all pertinent matters requiring the attention of its shareholder;
- Determining and developing strategies that set out the organisation's purpose and values in accordance with the shareholder mandate and strategic documents such as the Integrated Development Plan;
- Reviewing and approving financial objectives, including significant capital allocations and expenditure as determined by the GDHS;
- Considering and ensuring that the entity's size, diversity and skills are sufficient to achieve its strategic objectives;
- Developing clear definitions of the levels of appropriate materiality or sensitivity in order to determine the scope and delegation of its authority and to ensure that it reserves specific powers and authority for itself. All delegated authority shall be in writing and shall be evaluated on a regular basis;
- Managing the potential conflicts of interest of Board members, management and employees, including the employees and officials of the GDHS, and wider stakeholders;
- Overseeing the GPF's values and ethics and ensuring that an appropriate corporate code of ethics is in place;
- Approving the Annual Financial Statements of the GPF; and
- Satisfying itself that the strategy and business plans of the GPF do not give rise to risks that have not been thoroughly identified and assessed by management. The Board takes overall responsibility for the governance of enterprise risk and for information technology governance and risk management.

The GPF recognises that conducting its affairs with integrity will ensure that the public and its parent department, the GDHS, have confidence in its work. To that end the GPF's Board of Trustees and executive management team subscribe to the governance principles set out in the PFMA, the Trust Deed, the Code of Conduct of the GPF, and the King IV Code on Corporate Governance.

The Board of Trustees of the GPF regards and acknowledges good corporate governance as fundamentally important to the achievement of the GPF's mandate, its financial objectives and the fulfilment of its corporate and constitutional responsibilities and those of the GDHS, and is accordingly unreservedly committed to applying the principles of good corporate governance in all of the GPF's business dealings with its stakeholders.

The Board actively reviews and enhances the systems of internal control and governance procedures in place to ensure that the GPF is managed ethically and within prudently determined risk parameters. During the period under review, the Board conducted assessments to ensure that the GPF complied with the requirements of the Trust Property Control Act and the Public Finance Management Act.

17.2 Board Charter

The Board Charter adopted by the Board is premised on the PFMA and good governance principles embodied in the King IV Code on Corporate Governance.

The Charter sets out the roles, functions, obligations, rights, responsibilities and powers of the Board; and the policies and practices of the Board in respect of its duties, functions and responsibilities.

The Charter sets the minimum acceptable standards of conduct of good corporate governance. It guides the Board in understanding its roles and responsibilities in line with the Trust Deed and applicable legislation.

The office of the Chairperson of the Board and the CEO shall be separate. There shall at all times be a clearly defined division of responsibilities in both offices to ensure a balance of authority and power.

The Board shall appoint the CEO and set the terms of his/her employment. The process for the appointment of the CEO shall be subject to the policy on appointment of CEOs as determined by the Board in consultation with the Executive Authority, if any.

Through the Charter, the Board as a collective is encouraged to allow every member to play a full and constructive role in the affairs of the GPF within the limitations imposed by the Trust Deed of the GPF, all applicable legislation and any Board resolutions specifically regulating the powers and responsibilities of the trustees.

Every trustee is encouraged to express disagreement, where necessary, with fellow trustees on the Board, including the Chairperson and the CEO.

Board Members

Mahlengi Bhengu-Matsiri
Chairperson

Sello Morera
Deputy Chairperson

Simphiwe Dzengwa
Chief Executive Officer
(Resigned 26 March 2021)

Daniel Molokomme
Acting Chief Executive Officer

Abdullah Ismail
Trustee

Masaepo Kganedi
Trustee

Keith Khoza
Trustee

Douglas Kutumela
Trustee

Nangamso Maponya
Trustee

Leon Gert Marincowitz
Trustee

Lindiwe Mthimunye
Trustee

Zimbini Hill
Trustee
(Resigned 10 December 2020)

Clifford Motsepe
Trustee
(Resigned 5 October 2020)

Timothy Sukazi
Trustee
(Resigned 3 December 2020)

17.3 Composition of the Board

The Board comprises trustees with a wide range of skills, expertise and experience. These take into account the requirements of the GPF and include auditing, accounting, banking, finance, business management, public management, marketing, legal, built environment and construction management. This ensures an appropriate balance that brings a sense of perspective and adds value and insight to strategic decision-making.

The Board of Trustees appointed by the Executive Authority and authorised by the Master of the High Court are:

- Ms Mahlengi Bhengu-Matsiri (Chairperson);
- Mr Sello Morera (Deputy Chairperson);
- Mr Simphiwe Dzengwa (Chief Executive Officer) – resigned 26 March 2021;
- Mr Douglas Kutumela;
- Mr Leon Gert Marincowitz;
- Mr Keith Khoza;
- Ms Lindiwe Mthimunye;
- Ms Masaepo Kganedi;
- Mr Abdullah Ismail;
- Ms Nangamso Maponya;
- Mr Timothy Sukazi – resigned 3 December 2020;
- Mr Clifford Motsepe – resigned 5 October 2020; and
- Ms Zimbini Hill – resigned 10 December 2020.

The Board meets regularly, retains full and effective control over the company, and monitors the implementation of the company's strategic programmes by executive management through a structured approach to reporting and accountability. All the GPF's Board committees are chaired by independent non-executive trustees. The Board meets no less than four times a year to consider matters reserved for its attention. The constitution, skills and attendance of the Board are outlined in the following table.

BONO PROPERTY INVESTMENTS (PTY) LTD – STUDENT ACCOMMODATION

Table 12: Board composition

Name	Designation (in terms of the Public Entity Board Structure)	Initial Date of Appointment	Date of Re-appointment	Date of Resignation	Qualifications	Area of Expertise	Board Directorships	No. of Meetings Attended
Mahlengi Bhengu-Matsiri	Chairperson	15 May 2020	N/A	N/A	Higher Diploma in Economics BAdmin	Leadership Strategy Public Administration Governance Communications	N/A	12/12
Sello Morero	Deputy Chairperson	15 May 2020	N/A	N/A	Masters: Public Administration Post-Graduate Diploma in Public Administration Certificate in Policing	Leadership Local Government Administration Strategy Governance Customer Relations Marketing Communications	N/A	12/12
Douglas Kutumela	Trustee	15 May 2021	N/A	N/A	BCom	Leadership Local Government Administration Labour Relations Human Resources Logistics	N/A	12/12
Leon Gert Marincowitz	Trustee	15 May 2021	N/A	N/A	MPhil BA Honours BA	Leadership Governance Property and Real Estate Public Policy and Governance	Gauteng Gambling Board (NED) Gauteng Enterprise Propeller (NED)	12/12
Keith Khoza	Trustee	1 November 2020	N/A	N/A	Masters: Public Administration Post-Graduate Diploma in Management Diploma in Journalism	Leadership Strategy Public Administration Governance Communications	N/A	6/12
Lindiwe Mthimunye	Trustee	17 October 2016	15 May 2020	N/A	CA(SA) MCom Post-Graduate Diploma in Tax Law Post-Graduate Diploma in Accounting BCom	Leadership Finance Accounting Strategy Business Management Governance Housing Finance	N/A	12/12

Table 12: Board composition (continued)

Name	Designation (in terms of the Public Entity Board Structure)	Initial Date of Appointment	Date of Re-appointment	Date of Resignation	Qualifications	Area of Expertise	Board Directorships	No. of Meetings Attended
Maseapo Kganedi	Trustee	1 February 2018	15 May 2020	N/A	LLM LLB Diploma in Legislative Drafting Certificate in Pension Law Certificate in Corporate Governance BProc	Legal Leadership Strategy Governance Compliance Public Administration	Development Bank of Southern Africa (DBSA)	9/12
Nangamso Maponya	Trustee	1 April 2017	15 May 2020	N/A	GMP Chartered Banker MSc Finance MA Finance and Investments BCom (Honours) BCom	Leadership Finance Investments Accounting Strategy Governance Compliance	N/A	12/12
Abdullah Ismail	GDHS/Trustee	17 August 2020	N/A	N/A	MAP BCom	Leadership Finance Public Administration Governance	N/A	8/12
Tim Sukazi	Trustee	17 October 2016	15 May 2020	3 December 2020	BProc Certificate in Practical Legal Training LLB LLM	Legal Leadership	N/A	4/12
Zimbini Hill	Trustee	1 February 2018	15 May 2020	10 December 2020	BCom Post-Graduate Diploma, Accountancy MBA	Finance Marketing	N/A	8/12
Clifford Motsepe	Trustee	17 October 2016	15 May 2020	5 October 2020	BProc LLB	Legal Leadership	N/A	

17.4 Committees

Table 13: Committees

Committee	No. of Meetings Held	No. of Members	Name of Members
Audit and Risk Committee	8	6	Ms Nangamso Maponya (Chair) Mr Leon Gert Marincowitz Ms Lindiwe Mthimunye Ms Zimbini Hill Mr Timothy Sukzi Mr Keith Khoza
Human Resource and Social & Ethics Committee	7	6	Ms Sello Morero (Chair) Ms Maseapo Kganedi Mr Douglas Kutumela Ms Lindiwe Mthimunye Mr Clifford Motsepe Mr Simphiwe Dzengwa (CEO)
Fundraising and Investment Committee	5	7	Mr Leon Gert Marincowitz (Chair) Ms Mahlengi Bhengu-Matsiri Ms Nangamso Maponya Mr Keith Khoza Mr Timothy Sukazi Mr Clifford Motsepe Mr Simphiwe Dzengwa (CEO)

17.5 Remuneration of Board Members

Table 14: Board member remuneration

Name	Remuneration R	Other Allowance – Travel and Accommodation R	Other Re-imbursement – Training and Memberships R	Total R
Mahlengi Bhengu-Matsiri	643 679		3 290	646 969
Sello Morero	514 833		3 290	518 123
Douglas Kutumela	376 382		2 240	378 622
Leon Gert Marincowitz	543 899		3 290	547 189
Keith Khoza	150 702		2 240	152 942
Lindiwe Mthimunye	575 842		1 050	576 892
Maseapo Kganedi	247 911		1 050	248 961
Nangamso Maponya	591 797		7 340	599 137
Busisiwe Nzo		16 553		16 553
Tim Sukazi	217 023		1 050	218 073
Zimbini Hill	265 972	4 142	1 050	271 164
Abdullah Ismail			2 240	2 240
Clifford Motsepe	140 629		1 050	141 679
	4 268 669	**20 695**	**29 180**	**4 318 544**

18. Risk Management

The GPF is committed to an enterprise-wide risk management process that is in accordance with the PFMA (No. 1 of 1999), as amended, and other statutes of good governance, such as King IV.

The GPF recognises risk management as an integral part of responsible management and the process is fully outlined in the Risk Management Framework and Policy. During the year, the GPF continued to build on the existing foundation, which, among others activities, included the following:

- Reviewing the Enterprise-Wide Risk Management Policy, framework and procedures;
- Updating risk registers for all departments within the GPF, with measurable management action plans and completion dates;
- Monitoring of the defined risk management plans;
- Continuing with fraud, risk and ethics awareness workshops and business continuity training sessions; and
- Quarterly reporting to the Audit and Risk Committee which independently monitors the Risk Register.

The GPF, through the able and decisive direction of the Board and Audit and Risk Committee, reviewed the Risk Assessment that took place and further enhanced it so that it addresses the constraints highlighted in the entity's Strategic Plan. The risks identified and containment measures were applied across the GPF from a strategic objective down to the operational level and business process levels.

The entity differentiates between the following risks:

- Strategic – risks and uncertainties affected by external and internal events that could impede the GPF's ability to achieve it strategic outcomes.
- Operational – the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. This includes legal risk, but excludes strategic risk and reputational risk.
- Emerging – can be regarded as new risks that may be an imminent threat. These could include possible changes to the regulatory environment, socio-political environment, the internal landscape, or social trends.

Application of the Risk Management Framework is designed to strengthen the achievement of the business strategy, management practices, decision-making and priority setting, and to better respond to stakeholder and customer needs. Moreover, practising integrated risk management is expected to support the desired cultural shift to a risk-smart workforce and environment.

During the year, the GPF saw a gradual improvement in the strategic risks identified. However, it is notable that the COVID-19 pandemic made it challenging to maintain such improvements. Repayments of loans remain a high risk for the GPF to address in the year.

19. Internal Control Unit

Internal control systems are critical in ensuring reliable financial reporting; compliance with laws, regulations and policies; and economical, effective and efficient operations. The GPF has, in line with the PFMA and King IV principles, utilised the internal audit function to provide assurance on the effectiveness of the internal controls.

Although there was not an official internal audit function for half of the year, the GPF used the risk management process tool to identify, assess, control and mitigate any risks on an ongoing basis. Quarterly reports were presented to the Audit and Risk Committee.

The auditor's report on the Annual Financial Statements and the management report of the Auditor-General of South Africa noted some areas of concern and deficiencies in the system of internal control. These will be addressed and rectified in accordance with a strict implementation plan.

20. Internal Audit and Audit and Risk Committees

The Audit and Risk Committee is responsible for ensuring that the GPF's outsourced internal audit function is independent and has the necessary resources, standing, and authority within the GPF to enable it to discharge its duties. The Audit and Risk Committee has considered and recommended the Internal Audit Charter for approval by the Board. The internal auditor's annual audit plan and the three-year risk-based audit plan were reviewed and approved by the committee for implementation.

21. Compliance with Laws and Regulations

Regulatory compliance requires the GPF to continuously analyse its unique requirements and any mandates specific to the organisation and then develop processes to meet these requirements.

In achieving effective compliance within an organisation, the integrated governance roles of key management functions, mainly Legal, Compliance, Risk and Internal Audit must be understood and enabled.

These functions all form part of the 'three lines of defence':

- First line of defence – management assurance;
- Second line of defence – risk management, legal and compliance; and
- Third line of defence – internal audit and other independent assurance providers.

However, business and its operational management also form a critical (if not the most important) line of defence in ensuring a compliant organisation.

Through the Compliance Universe Framework, the organisation has identified existing and emerging legislation relevant to its business to ensure that risks that may arise from the compliance requirements are well understood by the Board and management. The risks that non-compliance with laws and regulations pose are well identified and managed by the organisation so as to avoid possible breaches and contraventions. The latter may lead to penalties and fines, imprisonment, litigation and reputational risk, which may individually and/or collectively have a fundamental impact on the organisation's sustainability as a going concern, not to mention the impact that a lack of good corporate governance at Board and business levels can have on the organisation.

With the Protection of Personal Information Act having come into effect in July 2020, the organisation was ready to comply as of July 2021 as required.

The GPF proactively manages compliance with laws and regulations and is constantly on the look-out for any changes therein affecting its business.

22. Fraud and Corruption

- Fraud represents a significant potential risk to the GPF's assets, service delivery efficiency and reputation. The GPF has a zero tolerance for fraud, corrupt and unethical activities or transactions, whether internal or external to the GPF, and will vigorously pursue and prosecute any parties, by all legal and administrative means available, who engage in such practices or attempt to do so. Various training sessions were conducted to educate the staff on numerous forms of fraud. Training remains a vital means of educating staff to identify fraud and how to report it.
- The GPF is committed to the highest possible standards of openness, transparency, integrity, accountability, anti-bribery and professional ethics. The GPF is committed to supporting the fight against corruption and fraud in promoting good, effective, accountable and transparent governance.
- In this regard the GPF has a Whistleblowing Policy that emphasises that it is the responsibility of every employee and other parties to disclose criminal or any other irregularities, while ensuring the protection of the discloser where disclosures are made in good faith.
- Depending on the official or person under suspicion, cases can be reported to the Risk and Compliance Manager; the Legal, Risk and Compliance Executive; the relevant Executive Manager: Internal Audit; the CEO; the Chairperson of the Audit and Risk Committee; the Chairperson of the Board; and/or the Fraud Hotline. The Anti-Corruption Hotline is administered through the Gauteng Provincial Government.
- The action taken will depend on the nature of the allegations.
- To protect the parties involved and the GPF, initial inquiries are made to decide whether an investigation is appropriate and the form it should take. Some allegations may be resolved by agreed upon action with no need for further investigation.
- Possible actions include, but are not limited to: Internal investigations; reporting to the South African Police Service or other law enforcement authorities; and/or referral to the Audit and Risk Committee.
- To create awareness and for the policy to be sustainable, managers ensure that employees are aware of the policy and procedures. External stakeholders are made aware of the hotline and tipoffs by details thereof being clearly visible on correspondence from the GPF.
- Record of concerns/allegations, status and outcomes are kept in a format that does not endanger the confidentiality thereof.

23. Minimising Conflict of Interest

The GPF has a Conflicts of Interest Policy that provides a guide as to what constitutes a conflict of interest, the processes and procedures that are in place to facilitate compliance, and the consequences of non-compliance.

The purpose of the Conflicts of Interest Policy is to:

- Identify, avoid, and where avoidance is not possible, mitigate and manage the conflicts of interest that may arise;
- Assist all parties in making the right decisions when confronted with conflict of interest issues; and
- Strengthen measures and standards to manage conflict of interest and to implement measures on how to deal with any conflict of interest and receipt of gifts; and ensure that all parties to whom it applies avoid or control any conflict of interest situations that could negatively affect the business of the GPF.

This policy is applicable to trustees, employees, clients and service providers.

In accordance with its Conflicts of Interest Policy, the GPF enjoins its trustees to complete and sign an annual Declaration of Interest.

The GPF ensures that a declaration register is circulated at every Board and Board Committee meeting for the trustees to declare any interests in relation to every matter that is to be discussed at a particular meeting.

No declarations of interest or areas of potential conflict of interest were made by members of the Board on any matters that came before the Board or Board Committee meetings during the year under review. Further, no areas of conflict or potential conflict of interest by the trustees were identified during the period under review. In one instance, a potential conflict of interest was perceived. It related to the appointment of one of the trustees as an Executive Mayor of one of the municipalities in whose areas of jurisdiction the GPF operates. This potential conflict was managed when the relevant trustee submitted his resignation to the Executive Authority within seven days of his appointment as the Executive Mayor.

In terms of the Conflict of Interest Policy and Terms and Conditions of Employment, all GPF employees are required to fill in declarations of interest covering shareholding in private companies, membership of close corporations, directorships held, partnerships and joint ventures, remunerative employment outside of the GPF and any gifts and hospitality received.

All GPF employees made their declarations for the period under review in line with the Conflict of Interest Policy. Any external remunerative work conducted by employees is disclosed and must be approved by the CEO. In the main, the employee declarations indicate that GPF employees do not have outside interests that might pose conflicts of interest with the GPF's business.

Further, the declarations indicate that GPF employees do not use their personal positions or knowledge gained through their employment with the GPF for private or personal advantage, or in such a manner that a conflict or an appearance of a conflict could arise between their private interests and those of the GPF.

The GPF also maintains a monthly gift register for all its employees wherein the employees declare all gifts and hospitality received to the value of R500.00 or below. Any gifts over and above this threshold are politely declined. All clients and service providers were screened for possible conflicts and none were identified.

To create awareness about the Conflicts of Interest Policy, a policy awareness workshop is conducted for staff. The policy is also placed on the GPF website for easy access and reference by external parties.

All GPF employees made their declarations for the period under review in line with the Conflict of Interest Policy.

24. Code of Conduct

The GPF reviewed the Employee Code of Conduct during the year under review to ensure that employees are aware of desirable behaviours aligned with the values of the entity. Employees are required to act with utmost integrity and in compliance with the law when serving the public. All employees have access to the Code of Conduct and are expected to declare their interests when they join the employ of the GPF. Follow-up declarations of interest are made on a monthly basis to ensure that no member of staff conducts business with the public where they have direct or indirect personal interest. Failure to adhere to the Code of Conduct will result in disciplinary action against affected employees.

25. Health, Safety and Environmental Issues

The GPF has an approved Health and Safety Policy and complies with the Occupational Health and Safety Act (No. 35 of 1993), and the Compensation for Occupational Injuries and Diseases Act (No. 120 of 1993) ensuring that it is up to date with the Compensation Fund obligations. The GPF normally participates in corporate building emergency drills that are arranged by the landlord. In the year under review, however, no drills were arranged as employees worked off-site due to pandemic restrictions. The entity has health and safety officials who are trained in emergency evacuation drills and first aid. Employees were tested for COVID-19 and where positive results were returned, the necessary self-isolation protocols were observed. Health and safety officials continue to assist with ensuring compliance with COVID-19 regulations where necessary.

26. Company Secretary

Although the entity is not enjoined by its founding legislation to appoint a Company Secretary, in its endeavour to ensure compliance with good corporate governance, the Board has appointed a Company Secretary to assist it with the implementation of corporate governance in the GPF.

The Company Secretary manages the processes that ensure the organisation complies with company legislation and regulations, and keeps board members informed of their legal responsibilities.

The Company Secretary is responsible for convening board meetings and ensuring the implementation of their decisions. It is also the responsibility of the Company Secretary to communicate with the shareholder on matters dealing with governance and shareholder reporting.

KWEZI ENHLE INVESTMENTS (PTY) LTD – RENTAL HOUSING

27. Audit and Risk Committee Report

We are pleased to present our report for the financial year ended, 31 March 2021.

Audit and Risk Committee responsibilities

The Audit and Risk Committee is established by the Board pursuant to Section 77 of the PFMA, read together with Treasury Regulation 27, which regulates the appointment and duties of the Audit Committee for national and provincial government entities. The Audit and Risk Committee reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, and has regulated its affairs in compliance with this charter. The charter clarifies the requirements for the committee's composition, meeting procedures and matters connected therewith. The committee reports to and is accountable to the Board and operates within the parameters of this charter. The committee has discharged all its responsibilities as contained therein and has also reviewed the appropriateness of accounting policies and practices.

Table 15: Audit and Risk Committee members

Name	Qualifications	Internal or External	Date Appointed	Date Resigned	No. of Meetings Attended
Ms Nangamso Maponya (Chair)	GMP Chartered Banker MSc Finance MA Finance and Investments BCom (Honours) BCom	External	15 May 2020 (Trustee) 5 June 2020 (ARC)	N/A	8/8
Mr Leon Gert Marincowitz	MPhil BA Honours BA	External	15 May 2020 5 June 2020 (ARC)	N/A	7/8
Ms Lindiwe Mthimunye	CA(SA) MCom Post-Graduate Diploma in Tax Law Post-Graduate Diploma in Accounting BCom	External	15 May 2020 5 June 2020 (ARC)	N/A	6/8
Ms Zimbini Hill	BCom Post-Graduate Diploma, Accountancy MBA	External	15 May 2020 5 June 2020 (ARC)	10 December 2020	5/8
Mr Timothy Sukzi	BProc Certificate in Practical Legal Training LLB LLM	External	15 May 2020 5 June 2020 (ARC)	3 December 2020	6/8
Mr Keith Khoza	Master's: Public Administration Post-Graduate Diploma in Management Diploma in Journalism	External	1 November 2020	N/A	2/8

Effectiveness of internal controls

Based on the assessments of internal controls undertaken by the internal auditors during the period under review, and having considered the information, statements, and explanations given by management of the GPF, as well as the discussions with the external auditors, the Audit and Risk Committee is of the opinion that the GPF's systems of internal control are effective and form a sound basis for the preparation of reliable Annual Financial Statements for the 2020/21 financial year.

Internal audit function

The Audit and Risk Committee is responsible for ensuring that the GPF's outsourced internal audit function is independent and has the necessary resources, standing, and authority within the GPF to enable it to discharge its duties. The Audit and Risk Committee has considered and recommended the Internal Audit Charter for approval by the Board. The internal auditor's annual audit plan and the three-year risk-based audit plan were reviewed and approved by the committee for implementation.

External auditors

The Audit and Risk Committee invited the Auditor-General, who is the external auditor of the GPF, to all its meetings during the period under review. The committee is satisfied that it has complied with its legal, regulatory, and other responsibilities, and has reviewed and approved the engagement letter, audit plan, and budget for external audit for the period under review.

Furthermore, the committee has reviewed and discussed the audited Annual Financial Statements with the Auditor-General and the trustees. The committee has reviewed the Auditor-General's management report and management's response thereto. The committee has also reviewed the accounting policies and practices and considered the appropriateness of the accounting policies as well as any changes made.

In-year management and monthly/quarterly reporting

The GPF has submitted four quarterly reports to the Executive Authority.

Evaluation of Financial Statements

The Committee has reviewed the Annual Financial Statements prepared for the year ended 31 March 2021, and the Committee is satisfied that these statements were prepared in accordance with the South African Standards of GRAP issued by the South African Accounting Standards Board, and have complied in all material respects with the requirements of the PFMA.

Auditor's Report

The committee has considered and reviewed the GPF's implementation plan for audit issues raised in the prior year and is satisfied that the matters have been adequately resolved.

We have instructed the GPF's management to develop an implementation plan for all the audit issues raised by the Auditor-General in the current year. We will monitor its implementation throughout the 2021/22 financial year.

The Audit Committee concurs and accepts the conclusions of the external auditor on the Annual Financial Statements and is of the opinion that the audited Financial Statements be accepted and read together with the report of the auditor.

Nangamso Maponya
Chairperson of the Audit and Risk Committee
Gauteng Partnership Fund

Date: 26 August 2021

EVENING SHADE PROPERTIES (PTY) LTD – RENTAL HOUSING

28. B-BBEE Compliance Performance Information

Table 16: Entity information

Name of Sphere of Government/Public Entity/Organ of State:	Gauteng Partnership Fund
Registration Number (If Applicable):	IT2422/02(T)
Physical Address:	82 Grayston Drive, Sandton, 2196
Type of Sphere of Government/Public Entity/Organ of State:	Public Entity
Organisation Industry/Sector	Housing

Table 17: B-BBEE compliance performance information

Criteria	Circle Relevant Answer	Attachment
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law	**No**	Not applicable
Developing and implementing a preferential procurement policy	**No**	Not applicable
Determining qualification criteria for the sale of state-owned enterprises	**No**	Not applicable
Developing criteria for entering into partnerships with the private sector	**No**	Not applicable
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment	**No**	Not applicable

Approved by:

Accounting Authority: Gauteng Partnership Fund

Date: 22 July 2021

ENTREPRENEUR EMPOWERMENT PROPERTY FUND

The GPF contributes to accelerating social transformation. The GPF strives to improve the quality of life for HDIs through the provision of decent shelter that is close to transport, work and other amenities.

STORMSTRONG (PTY) LTD

PART D

HUMAN RESOURCE MANAGEMENT

GPF
GAUTENG
PARTNERSHIP
FUND

29. Overview of Human Resources Matters at the GPF

During the period under review, the Human Capital Management Unit (HCM) focused on several priorities in the human resources (HR) milieu with a view to continuing to be a strategic business partner to the GPF business units. These priorities included, among others, the filling of executive posts as determined by the new organisational structure, the approval of reviewed HR policies by the Board, an organisational employee climate survey, workplace planning and a review of the employee benefits.

30. HR Priorities for the Year Under Review and Their Impact

The HCM facilitated the recruitment, selection and placement of the Chief Investment and Development Officer, the Corporate Services Executive, and the Chief Financial Officer. The Board concluded the process of their appointment in November 2020. The filling of these positions finalised the process of populating the new organisational design with specific reference to strengthening the executive layer and limiting the span of control of the Chief Executive Officer. The recruitment process for executives included the engagement of the services of an executive search company to assist with the assessment of potential candidates.

The Board approved the HR policies, which stabilised compliance within HR operations. An organisational climate survey was conducted to establish an employee satisfaction baseline and develop change management programmes for an organisational culture that is values driven.

The unit facilitated the review of employee benefits. Various financial service providers were invited to make presentations to staff on their employee benefits packages, without cost to the GPF. As this was an employee process, it gave employees an opportunity to influence the choice of the best service provider able to maximise their benefits.

31. Workforce Planning Framework and Key Strategies to Attract and Recruit a Skilled and Capable Workforce

Based on the revised mandate and reviewed strategic plans, the GPF developed functions, roles and competencies required to fulfil the demands of the mandate. The jobs were evaluated and graded, and budgets were allocated. The GPF had planned to fill nine positions, including the three executives, a Supply Chain Manager, an HR Services Specialist, and four Human Resources Officers. Psychometric and competency assessments were conducted to ensure appropriate fit for the job.

32. Employee Performance Framework

The reviewed Employee Performance Framework was approved following the appointment of the Board in May 2020. The framework ensured alignment of key performance areas and indicators with the objectives of the entity and with the National Treasury Performance Framework.

33. Employee Wellness Programmes

Employee wellness activities within the entity focused on combating the scourge of the COVID-19 pandemic. The GPF established a task team to coordinate activities, ensuring the safety and protection of employees and other stakeholders. COVID-19 Management Guidelines were established and approved for implementation. A comprehensive work plan on managing the pandemic was developed, which among others, determined a new way of working, including the development of on- and off-site work schedules, and responding to incidents of infection. A COVID-19 Compliance Officer was appointed to ensure that the entity complied with the Disaster Management Act and related regulations prescribed by the Department of Health in the management of the pandemic.

34. Policy Development

The entity went through a rigorous policy review process by a policy review task team, which included organised labour. The HR policies were presented for review by all the organisational internal stakeholders. The reviewed policies were submitted to the Board for approval. The policies have been packaged into a Human Resource Policy Manual for easy reference by staff.

35. Highlight Achievements

The major highlights of the year under review were the appointment of the Board which facilitated the finalisation of the migration process and the appointment of executives. The reviewed HR policies were approved, which brought stability to the GPF HR compliance environment. The employment contracting regime was reviewed to ensure consistency in employment contracts across the entity. An organisational climate survey was conducted to determine change management priorities towards a supportive organisational climate.

36. Challenges Faced by the Public Entity

The challenges faced by the public entity included the following:

- Working under the COVID-19 pandemic restrictions put a strain on employee safety.
- The uncertainties around procurement processes for personal protective equipment posed a moral dilemma in balancing the prompt protection of employees and complying with procurement procedures.
- Leadership changes within the entity delayed processes for reviewed performance management implementation and resulted in delays in performance contracting.
- The GPF was unable to agree with NEHAWU on matters of salary increases and bonus payments for the financial year 2019/20. This created tensions between the parties during the year under review.

37. Future HR Plans/Goals

The plans for 2021/22 will focus on:

- Continuing with the recruitment drive to ensure that critical and vacant positions are filled with a skilled and talented workforce;
- The implementation of organisational change climate survey recommendations for change management;
- Leadership development;
- The improvement of employment equity compliance levels to make the GPF an inclusive environment;
- The review of job profiles to ensure that these are aligned with changes in the mandate outlined by the Shareholder; and
- The finalisation of the reviewed employee benefit structure.

STORMSTRONG (PTY) LTD

38. Human Resources Oversight Statistics

Table 18: Personnel cost by programme

Programme/Activity/ Objective	Total Expenditure for the Entity R	Personnel Expenditure R	Personnel Expenditure as a % of Total Expenditure	No. of Employees	Average Personnel Cost per Employee R
Office of the CEO	5 240 032.40	5 240 032.40	11.5%	4	1 310 008.10
Company Secretariat	2 570 755.32	2 570 755.32	5.7%	2	1 285 377.66
Corporate Services	11 396 123.55	11 396 123.55	25.1%	13	876 624.89
Finance	12 581 236.80	12 581 236.80	27.7%	17	740 072.75
Investment and Development	13 668 991.40	13 668 991.40	30.1%	14	976 356.53
TOTAL	**45 457 139.47**	**45 457 139.47**	**100%**	**50**	**909 142.79**

Table 19: Personnel cost by salary band

Level	Personnel Expenditure R	% Personnel Expenditure to Total Personnel Cost	No. of Employees	Average Personnel Cost per Employee R
Top Management	6 517 802.46	14%	6	1 086 300.41
Senior Management	8 922 127.04	20%	5	1 784 425.41
Professional qualified	16 633 125.79	37%	12	1 386 093.82
Skilled	12 515 698.15	28%	22	568 895.37
Semi-skilled	857 549.55	2%	3	285 849.85
Unskilled	10 836.48	0%	2	5 418.24
TOTAL	**45 457 139.47**	**100%**	**50**	**909 142.79**

Table 20: Training costs

Programme/Activity/Objective	Training Expenditure R
Bursaries	138 705.90
NQF aligned/skills programmes	-
Non-NQF aligned courses/skills programmes	444 928.36
Internships	92 084.48
Learnerships	-
AET (Adult Education and Training)	-
TOTAL	**675 718.74**

While NQF aligned/skills programme activities were already in the pipeline for implementation, the Entity could not send staff for training due to the lockdown restrictions brought to bear by the pandemic.

Table 21: Employment and vacancies

Programme/Activity/Objective	2019/20 No. of Employees	2019/20 No. of Vacancies	2019/20 Approved Posts	2020/21 No. of Employees	2020/21 Vacancies	2019/20 Approved Posts	Vacancies %
Top Management	2	1	3	3	1	4	25%
Senior Management	5	0	5	5	0	5	0%
Middle Management / Professional qualified	11	1	12	11	1	12	8%
Junior Management/ Skilled	20	0	20	21	5	26	19%
Semi-skilled	3	0	3	3	0	3	0%
Unskilled	2	0	2	0	0	0	0%
Temporary Employees	2	0	2	0	0	0	0%
TOTAL	**45**	**2**	**47**	**43**	**7**	**50**	**14%**

Attempts made to fill posts of senior managers and highly skilled supervisors

The executive positions of Chief Investment and Development Officer, Chief Financial Officer and Corporate Services Executive were filled by 1 December 2020. The GPF reviewed its organisational structure to align with the new mandate by the Shareholder. The migration of staff to the new structure was finalised during the financial year under review. Most of the vacant positions were new and the recruitment drive was informed by the available funds within the financial year. Positions were filled based on salary savings resulting from terminations. The GPF identified critical vacant positions to be filled and budgeted accordingly for the year 2021/22.

Table 22: Employment changes

Salary Band	Employment at Beginning of Period	Terminations	Appointments	Employment at End of the Period
Top Management	2	2	3	3
Senior Management	5	0	0	5
Middle Management / Professional qualified	11	0	0	11
Junior Management/ Skilled	20	0	1	21
Semi-skilled	3	0	0	3
Unskilled	2	2	0	0
TOTAL	**43**	**4**	**4**	**43**

Table 23: Reasons for staff leaving

Reason	Number	% of Total No. of Staff Leaving
Death	0	0,0%
Resignation	2	40,0%
Dismissal	0	0,0%
Retirement	0	0,0%
Ill Health	0	0,0%
Expiry of Contract	3	60,0%
Other	0	0,0%
Total	**5**	**100.0%**

Table 24: Labour relations – misconduct and disciplinary action

Nature of Disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written Warning	1
Dismissal	0
TOTAL	**1**

Equity target and employment equity status

The variances in equity targets were disrupted by terminations. However, during the last quarter of the financial year under review, the Top Management profile was 66.7% female and 33.3% male (three female executives and one male executive). In terms of the entity's Employment Equity Plan targets, all occupational levels were set at 50/50. The recruitment drive for 2021/22 will make good of the plan, which was approved during the last quarter of 2020. The recruitment of people with disabilities will be prioritised to ensure the envisaged 2% representation.

Table 25: Equity targets and employment equity status – Male

	MALE							
	African		Coloured		Indian		White	
Levels	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	2	0	0	0	1	0	0	0
Middle Management / Professional qualified	5	0	2	0	0	0	0	0
Junior Management/ Skilled	7	0	0	0	0	0	0	0
Semi-skilled	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	**14**	**0**	**2**	**0**	**1**	**0**	**0**	**0**

Table 26: Equity targets and employment equity status – Female

	FEMALE							
	African		Coloured		Indian		White	
Levels	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	0	1	0	0	0	0	0
Senior Management	1	0	0	0	0	0	0	1
Middle Management / Professional qualified	4	0	0	0	0	0	0	0
Junior Management/ Skilled	10	0	2	0	0	0	0	2
Semi-skilled	3	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTAL	**20**	**0**	**3**	**0**	**0**	**0**	**0**	**3**

EVENING SHADE PROPERTIES (PTY) LTD – RENTAL HOUSING

ENTREPRENEUR EMPOWERMENT PROPERTY FUND

The GPF contributes to spatial transformation by providing affordable housing in areas where residents would previously not be able to afford property, but need to reside to access work or transport.

CICIMA PROPERTY MANAGEMENT SOLUTIONS (PTY) LTD

PART E

FINANCIAL INFORMATION

Gauteng Partnership Trust

(Registration number IT2422/02)
Trading as Gauteng Partnership Fund
Financial Statements for the year ended 31 March 2021

General Information

Country of incorporation and domicile	South Africa
Contact details	011 685 6600
Nature of business and principal activities	Gauteng Provincial Government's co-funder and enabler of Mega Projects in Gauteng
Registered office	82 Grayston Drive Sandton Johannesburg 2196
Postal address	PO Box 652247 Benmore 2010
Executive authority	Gauteng Department of Human Settlements
Website address	www.gpf.org.za
Bankers	FirstRand Group Limited 15 Troye Street Johannesburg 2001
Auditors	Auditor-General South Africa Registered Auditors 39 Scott Street, Waverley Office Park, Johannesburg
Company registration number	IT2422/02
Attorneys	Poswa Inc. Cliffe Dekker Hofmeyr Lawtons Africa Geldenhuys Malatji

Index

The reports and statements set out below comprise the Financial Statements presented to the provincial legislature:

	Page
Report of the Auditor-General	72
Report of the Trustees	76
Statement of Financial Position	80
Statement of Financial Performance	81
Statement of Changes in Net Assets	82
Statement of Cash Flows	83
Statement of Comparison of Budget and Actual Amounts	84
Accounting Policies	85
Notes to the Annual Financial Statements	106

The Financial Statements set out on pages 80 to 154, which have been prepared on the going concern basis, were approved by the Board on 31 May 2021 and were signed on its behalf by:

Mr D Molokomme
Acting Chief Executive Officer

Ms M Bhengu-Matsiri
Chairperson

Report of the Auditor-General to the Gauteng Provincial Legislature on the Gauteng Partnership Trust trading as the Gauteng Partnership Fund

Report on the audit of the financial statements

Opinion

1. I have audited the annual financial statements of the Gauteng Partnership Fund set out on pages 80 to 154, which comprise the statement of financial position as at 31 March 2021, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Gauteng Partnership Fund as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa 1 of 1999 (PFMA) and the Division of Revenue Act 4 of 2020 (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the public entity in accordance with sections 290 and 291 of the International Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board of Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of accounting authority for the financial statements

6. The board of trustees, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA and Dora, 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.
7. In preparing the annual financial statements, the accounting authority is responsible for assessing the Gauteng Partnership Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following programme presented in the annual performance report of the public entity for the year ended 31 March 2021:

Programme	Page in the annual performance report
Programme 3 – project lending	29

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for programme 3 – project lending.

Other matter

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on pages 26 to 37 for information on the achievement of planned targets for the year and explanations provided for the under-/overachievement of a number of targets.

Adjustment of material misstatements

17. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 3 – project lending. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

18. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the department's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
19. The material findings on compliance with specific matters in key legislation are as follows:

Procurement and contract management

20. Some of the goods and services with a transaction value above R500 000 were procured without inviting competitive bids, as required by treasury regulation 16A6.1.

Other information

21. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected strategic goal presented in the annual performance report that has been specifically reported in this auditor's report.
22. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
23. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected strategic goal presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
24. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

25. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
26. Senior management did not always ensure that sufficient monitoring controls on compliance with laws and regulations were adhered to. This resulted in material non-compliance with laws and regulations relating to supply chain management.

Auditor - General

Johannesburg
31 July 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programme and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
   - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
   - obtain an understanding of internal control relevant to the audit 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 public entity's internal control.
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
   - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern.
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Report of the Trustees

The trustees submit their report for the year ended 31 March 2021.

1. Review of activities

Main business and operations

The GPF's mandate is based on the strategic priorities of the Gauteng Department of Human Settlements (GDHS), to manage Mega City Projects. The mandate is to serve as the GDHS's capital-raising and implementing agent for identified Mega Projects in the province. It is important to emphasise that the capital-raising element involves raising the funds required for the overall mixed-use development of Mega Projects (i.e. for human settlements as well as for social and economic amenities).

The vision of the organisation, namely "To be a partner of choice in catalysing the funding and development of integrated and sustainable human settlements in Gauteng", encapsulates the mandate.

The mandate encapsulates the following four core functions:

1. Raising and managing the capital required for the successful implementation of identified Mega Projects and affordable rental and student accommodation properties in Gauteng;
2. Providing loans to private sector developers for the development of affordable rental and student accommodation projects;
3. Providing project management and development services and serving as a developer of successful turnkey projects on strategic government-owned land; and
4. Portfolio management which includes the collection of funds.

In the year under review the GPF received management fees from the following:

- Futuregrowth Asset Management (Pty) Ltd project management fees to the value of R1 083 750 (March 2020: R1 036 822)
- Aspari (RF) (Pty) Ltd management fees accrued were R858 588 (March 2020:R719 928) and;
- GDHS management fee to the value of R36 855 646 (March 2020:R36 796 112) from the GDHS. (Refer to note 13).

In the year under review the GDHS transferred the following to the GPF:

- Mega Project Programme Funding to the value of R563 582 942 (2020: R735 922 243) and;
- Upgrade of the Informal Settlements Programme to the value of R347 000 000 (2020: Rnil) (Refer to note 2, 8 and 22).

2. Statements of responsibility

The trustees are required to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the GPF 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 Annual Financial Statements.

The Annual Financial Statements are prepared in accordance with the basis of preparation as detailed in note 1 of the accounting policies note to the Annual 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 GPF and place considerable importance on maintaining a strong control environment. To enable the trustees to meet these responsibilities, the trustees set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

The trustees are of the opinion, based on 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 Annual 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.

We draw attention to the fact that at 31 March 2021, the entity had an accumulated surplus (deficit) of R46 688 457 and that the entity's total assets exceed the liabilities by R1 709 870 475.

3. Subsequent events

Subsequent to year-end the MEC appointed two new trustees (Refer to Trustees Report note 7). The Master of the High Court finalisation is awaited.

4. Going concern

The Annual Financial Statements have been prepared on the going concern basis, since the trustees have every reason to believe that the GPF has sufficient resources for the medium-term expenditure period and will continue in operation for the foreseeable future. At the reporting date, GPF's assets were sufficient to meet the trustee's right of indemnity out of the GPF's assets for liabilities incurred on behalf of the GPF.

The trustees will continue to assess the impact of COVID-19 on the going concern due to the uncertainty of the outbreak including how long restrictions will be in place.

Mitigation factors that the entity will be taking to address any going concern uncertainties include:

- monitoring the financial health and quality of assets;
- reducing contractual obligations by accessing the organisation's needs;
- revising of budget estimates; and
- reducing the reliance on government assistance and sourcing alternative of funding.

5. Property, plant, equipment and intangibles

During the year, the GPF purchased office and computer equipment to the value of R1 372 974 (2020: R1 303 834) and office and computer equipment to the value of R38 792 (2020: Rnil) was disposed of.

6. Secretary

Although the GPF is not required to appoint a Company Secretary in terms of the Trust Property Control Act, in its endeavour to comply with good corporate governance principles, the Board of Trustees has appointed a Company Secretary to assist them with the implementation of corporate governance in the GPF.

7. Constitution of the Board of Trustees

The GPF Board consisted of the following:

Name	Date of Appointment/Resignation	Audit and Risk Committee	Funding and Investment Committee	Human Resources and Social and Ethics Committee
M Bhengu-Matsiri (Chairperson)	15 May 2020		✓	
D Morero (Appointed as Deputy Chairperson)	Appointed 1 November 2020			✓
C Motsepe (Resigned as Deputy Chairperson)	Re-appointed 15 May 2020, resigned 3 October 2020		✓	✓
J Cornish	Appointed 25 May 2021			
S Dzengwa (Chief Executive Officer)	Resigned 26 March 2021		✓	✓
Z Hill	Re-appointed 15 May 2020, resigned 10 December 2020	✓	✓	
A Ismail (Ex-officio)	17 August 2020			
K Khoza	Appointed 1 November 2020	✓		
D Kutumela	15 May 2020			✓
M Kganedi	15 May 2020			✓
N Maponya	Re-appointed 15 May 2020	✓	✓	
L Marincowitz	15 May 2020	✓	✓	
K Mbele	Appointed 26 May 2021			
L Mthimunye	Re-appointed 15 May 2020	✓		✓
S Morero	15 May 2020			✓
T Sukazi	Re-appointed 15 May 2020, resigned 3 December 2020	✓	✓	

8. Auditors

Auditor-General South Africa will continue to be the external auditor's with the internal auditor's contract coming to an end in September 2020.

9. Provision for doubtful debts

In the year under review the provision for doubtful debts increased slightly to R18 864 639 (2020: R18 483 553) (Refer note 3).

10. Contingencies

In the year under review, the matter between Makholi Trading CC was still in litigation. The amount being claimed by GPF is R759 223. The timing for receipt cannot be reliably determined. The matter is on-going.

The second matter that still remains in dispute is between the GPF and Arkein Capital (Pty) Ltd where the GPF is claiming R3 591 000. This matter is still being litigated. The service provider has a counter-claim in the amount of R8 500 000. The timing for payment (if any) cannot be reliably determined. The matter is on-going. (Refer to note 26).

The Fund is applying to retain R635 227 751 of its cash and cash equivalents from the Provincial Treasury (Refer to note 26).

11. Irregular, fruitless and wasteful expenditure

In the previous year management discovered irregular expenditure of R11 704 472 during the period that was incurred from the 2018 financial year. The irregular expenditure arose as a result of not following a bid process.

Management has futhermore discovered expenditure relating to fraudulent payments. The GPF Board is in the process of conducting an investigation to quantify the total fraudulent payments and will be instituting criminal charges. (Refer to note 32).

Management is currently in the process of assessing expenditure incurred to determine if this is not irregular. This expenditure has subsequently not been disclosed in line with the irregular expenditure framework.

In the prior year, management discovered fruitless and wasteful expenditure of R21 044 which has been recovered from the official's pay-out. Furthermore, R6 227 was incurred in the prior year for flight arrangements that were cancelled. (Refer to note 32).

The Financial Statements set out on pages 80 to 154, which have been prepared on the going concern basis, were approved by the Board Members on 29 July 2021 and were signed on its behalf by:

Mr D Molokomme	**Ms M Bhengu-Matsiri**
Acting Chief Executive Officer	Chairperson

Statement of Financial Position as at 31 March 2021

Figures in Rand	Note(s)	2021	2020
Assets			
Current assets			
Cash and cash equivalents	2	1 207 279 092	931 649 310
Current-portion loans and receivables from exchange transactions	3	91 823 540	80 232 470
Receivables from exchange transactions	4	8 749 915	11 986 428
Loans and receivables held-for-trade	5	61 952 263	73 832 373
		1 369 804 810	**1 097 700 581**
Non-current assets			
Loans and receivables from exchange transactions	3	917 544 131	871 586 964
Receivables from exchange transactions	4	-	1 105 858
Property, plant and equipment	6	3 435 587	3 916 270
Intangible assets	7	-	52 245
		920 979 718	**876 661 337**
Total net assets		**2 290 784 528**	**1 974 361 918**
Liabilities			
Current liabilities			
Unspent conditional grants	8	262 294 633	296 582 784
Finance lease obligation	9	77 970	34 730
Payables from exchange transactions	10	313 404 153	8 838 219
Provisions	11	5 024 500	5 724 167
		580 801 256	311 179 900
Non-current liabilities			
Finance lease obligation	9	112 797	-
Total liabilities		**580 914 053**	**311 179 900**
Accumulated surplus		1 709 870 475	1 663 182 018

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020
Revenue from exchange transactions			
Interest received from loans and receivables	13	84 028 782	104 537 112
Management fees received	13	38 797 984	42 303 828
Interest received from banks	13	24 401 425	43 304 964
Other income	14	3 156 702	9 176 129
Total revenue		**150 384 893**	**199 322 033**
Expenditure			
Employee related expenses	19	(50 145 105)	(50 405 556)
Depreciation and amortisation	6&7	(1 867 110)	(2 202 581)
Impairment loss on property, plant, equipment and intangible assets	6&7	-	(623)
Finance costs	17	(11 093)	(7 934)
Lease rentals on operating lease		(5 679 829)	(5 294 994)
Increase in provision for doubtful debts	28	(1 140 306)	(2 299 687)
Repairs and maintenance		(1 386 132)	(2 238 385)
General expenses	18	(17 265 530)	(17 826 201)
Total expenditure		**(77 495 105)**	**(80 275 961)**
Operating surplus	15	**72 889 788**	**119 046 072**
Gain on disposal of assets	29	15 217	1 433
Fair value adjustments	16	(8 076 221)	(16 473 811)
Impairment loss of loans and receivables from exchange transactions	3	(18 140 327)	(16 532 136)
		(26 201 331)	**(33 004 514)**
Surplus for the year		**46 688 457**	**86 041 558**

Gauteng Partnership Trust

(Registration number IT2422/02)
Trading as Gauteng Partnership Fund
Financial Statements for the year ended 31 March 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total Net Assets
Balance at 1 April 2019	**1 577 140 460**	**1 577 140 460**
Changes in net assets		
Surplus for the year as restated (Refer to note 34)	86 041 558	86 041 558
Total changes	86 041 558	86 041 558
Balance at 1 April 2020 as restated	**1 663 182 018**	**1 663 182 018**
Changes in net assets		
Surplus for the year	46 688 457	46 688 457
Total changes	46 688 457	46 688 457
Balance at 31 March 2021	**1 709 870 475**	**1 709 870 475**

Statement of Cash Flows

Figures in Rand	Note(s)	2021	2020
Cash flows from operating activities			
Receipts			
Cash receipts – from borrowers		125 462 122	134 667 004
Cash receipts – interest from banks		24 694 029	45 954 076
Management fees received		30 976 362	40 148 849
Government grants received from Gauteng Department of Human Settlements and interest earned		923 346 647	763 355 112
		1 104 479 160	984 125 041
Payments			
Employee costs		(50 719 417)	(46 123 801)
Suppliers		(18 338 788)	(31 720 863)
Finance costs		(11 093)	(7 934)
Payments made to Mega Project contractors and Upgrade of Informal Settlement Programme service providers		(650 793 341)	(848 796 881)
Cash paid to borrowers		(108 318 282)	(172 766 453)
		(828 180 921)	(1 099 415 932)
Net cash flows from operating activities	25	**276 298 239**	**(115 290 891)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(663 229)	(1 303 834)
Actual proceeds received from insurance company/buyer		54 008	900
Net cash flows from investing activities		**(609 221)**	**(1 302 934)**
Cash flows from financing activities			
Finance lease payments		(59 236)	(85 500)
Net increase/(decrease) in cash and cash equivalents		**275 629 782**	**(116 679 325)**
Cash and cash equivalents at the beginning of the year		931 649 310	1 048 328 635
Cash and cash equivalents at the end of the year	2	**1 207 279 092**	**931 649 310**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual	Reference
Statement of Financial Performance						
Expenditure						
Personnel	(64 269 685)	10 823 698	**(53 445 987)**	(50 719 417)	**2 726 570**	Refer to note 27
Repairs and maintenance	(3 052 310)	876 001	**(2 176 309)**	(1 386 132)	**790 177**	Refer to note 27
General expenses	(46 814 122)	23 434 019	**(23 380 103)**	(16 952 656)	**6 427 447**	Refer to note 27
Total expenses	**(114 136 117)**	**35 133 718**	**(79 002 399)**	**(69 058 205)**	**9 944 194**	
Statement of Financial Position						
Assets						
Non-current assets						
Property, plant and equipment	5 055 294	(4 362 703)	**692 591**	663 229	**(29 362)**	Refer to note 27
Total net assets	**5 055 294**	**(4 362 703)**	**692 591**	**663 229**	**(29 362)**	
Net assets	**5 055 294**	**(4 362 703)**	**692 591**	**663 229**	**(29 362)**	
Cash Flow Statement						
Cash flows from operating activities						
Payments						
Employee costs	64 269 685	(10 823 698)	**53 445 987**	50 719 417	**(2 726 570)**	Refer to Statement of Cash Flows
Suppliers	49 866 432	(24 310 020)	**25 556 412**	18 338 788	**(7 217 624)**	Refer to Statement of Cash Flows
	114 136 117	**(35 133 718)**	**79 002 399**	**69 058 205**	**(9 944 194)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	5 055 294	(4 362 703)	**692 591**	663 229	**(29 362)**	Refer to Statement of Cash Flows
Net decrease in cash and cash equivalents	119 191 411	(39 496 421)	**79 694 990**	69 721 434	**(9 973 556)**	Refer to note 27

Accounting Policies

1. Presentation of Financial Statements

The Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (No. 1 of 1999), as amended.

These Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rands.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Financial Statements, is disclosed below.

1) The following GRAP Standards have been applied where applicable in the Annual Financial Statements:

Reference	Topic
GRAP 1	Presentation of Financial Statements (as revised in April 2020)
GRAP 2	Cash Flow Statements (as revised in April 2020)
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors (as revised in April 2020)
GRAP 6	Consolidated and Separate Financial Statements (as revised in April 2020)
GRAP 9	Revenue from Exchange Transactions (as revised in April 2020)
GRAP 13	Leases (as revised in April 2020)
GRAP 14	Events after the Reporting Date (as revised in April 2020)
GRAP 17	Property, Plant and Equipment (as revised in 2020)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets (as revised in 2020)
GRAP 20	Related Party Disclosures (Effective April 2020)
GRAP 21	Impairment of Non-cash-generating Assets (as revised April 2020)
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers) (as revised in April 2020)
GRAP 24	Presentation of Budget Information in Financial Statements (as revised in 2020)
GRAP 25	Employee Benefits (as revised April 2020)
GRAP 31	Intangible Assets (as revised in April 2020)
GRAP 104	Financial Instruments (as revised in April 2020)
GRAP 105	Transfers of Functions between Entities under Common Control (as revised in April 2020)
GRAP 106	Transfers of Functions between Entities not under Common Control (as revised in April 2020)
GRAP 109	Accounting by Principals and Agents (Effective April 2020)

2) Directives issued and applied where applicable:

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 3	Amended Transitional Provisions for High Capacity Municipalities
Directive 4	Amended Transitional Provisions for Medium and Low Capacity Municipalities
Directive 5	Determining the GRAP Reporting Framework
Directive 9	The Application of the Standards of GRAP by Trading Entities
Directive 14	Accounting for Adjustments in Revenue

Accounting Policies (continued)

1. Presentation of Financial Statements (continued)

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

Reference	Topic
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue
IGRAP 3	Determining whether an Arrangement Contains a Lease
IGRAP 11	Consolidation – Special Purpose Entities
IGRAP 12	Jointly Controlled Entities – Non-Monetary Contributions
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 16	Intangible Assets – Website Costs
IGRAP 20	Accounting for adjustments to revenue

4) Effective IFRS and IFRICs that entities may apply, to the extent that they are applicable:

Reference	Topic
IAS 12	Income Taxes

5) Standards of GRAP approved but which are not yet effective, or for which the Minister of Finance has not yet determined an effective date, that entities may consider in formulating an accounting policy (paragraph 12 of this Directive).

Reference	Topic
Guideline	Accounting for Landfill Sites

1.1 Significant judgement and sources of estimation uncertainty

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 judgement is 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 judgements include:

Receivables from exchange transactions

The entity assesses its loans and receivables for impairment at the end of each reporting year. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Financial instruments at fair value

The entity follows the guidance of GRAP 104 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the GPF evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Accounting Policies (continued)

1. Presentation of Financial Statements (continued)

1.1 Significant judgement and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting year. The quoted market price used for financial assets held by the entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting year. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting year.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

Impairment testing

The recoverable amounts of individual assets have been determined based on the higher of the value-in-use calculations and the fair values less costs to sell. These calculations require the use of estimates and assumptions.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value-in-use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including exposure per location and supply and demand, together with economic factors such as inflation, interest rate changes and the country's growth.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are included in notes 3 and 11.

Taxation

The GPF was 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 is applicable for the 2020/21 year. The GPF in not registered for Value Added Tax (VAT) but is in discussions with SARS about being a VAT vendor.

Effective interest rate

The entity used the prime interest rate to discount future cash flows. The GPF then used the effective interest rate to write back the discounted cash flows so that the loan term is equal to the amount initially recognised.

Accounting Policies (continued)

1. Presentation of Financial Statements (continued)

1.1 Significant judgement and sources of estimation uncertainty (continued)

Useful life of property, plant and equipment

The GPF determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on management's experience using the assets. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Useful life of intangible assets

The GPF determines the estimated useful lives and related amortisation charges for intangible assets. This estimate is based on management's experience using the assets. Management will increase the amortisation charge where useful lives are less than previously estimated useful lives.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Costs include costs incurred initially to acquire or construct an item of property, plant and 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 property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. After each quarterly asset count, the GPF assesses property, plant and equipment for impairment. If there are any indications of impairment the GPF estimates the recoverable service amount of the asset. If the asset's carrying value exceeds its recoverable amount, the asset is impaired. In the assessing whether there is any indication that an asset may be impaired, the GPF considers all sources of information. The impairment loss is charged as an expense in the statement of financial performance.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Accounting Policies (continued)

1. Presentation of Financial Statements (continued)

1.2 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight-line	4 to 12 years
Motor vehicles	Straight-line	10 years
Office equipment	Straight-line	2 to 9 years
Computer equipment	Straight-line	2 to 10 years
Leasehold improvements	Straight-line	7 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each year is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

The entity discloses expenditure to repair and maintain property, plant and equipment separately in the notes to the Annual Financial Statements (Refer to note 6).

1.3 Intangible assets

An asset is identifiable if it is either:

- separable, i.e. is capable of being separated or divided from the GPF and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the GPF intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Accounting Policies (continued)

1. Presentation of Financial Statements (continued)

1.3 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer equipment	Straight-line	2 to 5 years

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Accounting Policies (continued)

1. Presentation of Financial Statements (continued)

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The GPF is mainly exposed to interest rate risk. Currency risk transactions are minimal.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Accounting Policies (continued)

1. Presentation of Financial Statements (continued)

1.4 Financial instruments (continued)

When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, pre-payment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest in another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. The obligation will only become due once the pre-specified terms and conditions have been met.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Accounting Policies (continued)

1. Presentation of Financial Statements (continued)

1.4 Financial instruments (continued)

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value; or
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has arranged the following types of financial assets and financial liabilities into the following categories:

Class	Category
Loans and receivables from exchange transactions	Financial asset measured at amortised cost
Financial instruments	Financial asset measured at fair value

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

Initial recognition

The entity recognises a financial asset or a financial liability in the statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Loans and receivables are concessionary loans and are measured initially at fair value by comparing the loan discounted rates given with the market related rates. The discount given is accounted for as a social benefit adjustment loss through surplus or deficit.

Subsequent measurement of financial assets and financial liabilities

Loans and receivables are concessionary loans and are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Accounting Policies (continued)

1. Presentation of Financial Statements (continued)

1.4 Financial instruments (continued)

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.

Loans and receivables from exchange transactions

Loans and receivables are concessionary loans and are initially recognised at fair value by comparing the loan discounted rates given with market related rates. The discount given is accounted for as a social benefit adjustment loss through surplus or deficit.

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.

Loans and receivables held-for-trade

Loans and receivables held-for-trade are instruments incurred principally for the purpose of selling them in the short-term. Loans and receivables held-for-trade are initially and subsequently recognised at cost which approximates fair value. Loans and receivables held-for-trade are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

Impairment and uncollectibility of financial assets

At each end of the reporting year the GPF assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets should be impaired.

For amounts due to the GPF, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default of payments are all considered indicators of impairment.

In the case of equity securities classified as financial assets at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for financial instruments at fair value, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit – is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.
At each end of the reporting year the GPF assesses all financial assets to determine whether there is objective evidence that a financial asset or group of financial assets should be 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 or event 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 years 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

Accounting Policies (continued)

1. Presentation of Financial Statements (continued)

1.4 Financial instruments (continued)

at the date the impairment is reversed, and shall not exceed what the amortised cost would have been had the impairment not been recognised. In determining whether an impairment allowance should be recorded in the statement of financial position, the GPF 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.

When a receivable from exchange transactions is un-collectable, 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 transactions are derecognised or impaired, as well as through the amortisation process.

Impairment losses are reversed when an increase in the financial asset'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 financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as financial instruments at fair value.

Impairment losses are also not subsequently reversed for financial instruments at fair value which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write-off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

When a receivable from an exchange transaction is in litigation the interest on the loan is suspended. Assets past due and that have been renegotiated are impaired.

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.

Impairment of financial assets

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Accounting Policies (continued)

1. Presentation of Financial Statements (continued)

1.4 Financial instruments (continued)

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against interest in surplus or deficit.

Payables from exchange transactions

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 amounts are initially measured at amortised cost and subsequently recorded at fair value.

Loans and receivables held-for-trade

Loans and receivables are classified as held-for-trade if their carrying amount will be recovered principally through a sale transaction rather than through continued use, and management is committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Loans and receivables held-for-trade are measured at cost which approximates the fair value.

Derecognition

Financial instruments are derecognised when the rights to receive cashflows have been fulfilled or the risk and rewards have been transferred. Any surplus or deficit is recognised through surplus or deficit.

Financial assets

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third-party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognises the asset; and
  - recognises any rights and obligations separately created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the year of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing

Accounting Policies (continued)

1. Presentation of Financial Statements (continued)

1.4 Financial instruments (continued)

liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished – i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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 building elements, the GPF assesses the classification of each element separately.

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

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 interest rate at inception of the lease.

Minimum 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 period rate on the remaining balance of the liability.

Accounting Policies (continued)

1. Presentation of Financial Statements (continued)

1.5 Leases (continued)

Operating leases – lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in the statement of financial performance.

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 is recognised as an operating lease asset or liability.

1.6 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-orientated entity.

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

Impairment is a loss in 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 managed with the 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 cost 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:

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

Accounting Policies (continued)

1. Presentation of Financial Statements (continued)

1.7 Conditional grants

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the GPF has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Unspent conditional grant represents the amount of government grants not yet disbursed. (Refer to note 1.13). Grants received as a result of being the principle agent are not recognised as income.

1.8 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees.

Insurance policy

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the year in which the employee renders the related services.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting year in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within 12 months after the end of the reporting year in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the GPF during a reporting year, the GPF recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises the excess as an asset (pre-paid expense) to the extent that the pre-payment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

Accounting Policies (continued)

1. Presentation of Financial Statements (continued)

1.8 Employee benefits (continued)

The expected cost for compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the GPF expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The GPF recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the GPF has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior years.

When an employee has rendered services to the entity during a reporting year, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises the excess as an asset (pre-paid expense) to the extent that the pre-payment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within 12 months after the end of the reporting year in which the employees rendered the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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 expenditure 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.

Accounting Policies (continued)

1. Presentation of Financial Statements (continued)

1.9 Provisions and contingencies (continued)

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 each year 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 surplus/(deficit).

A constructive obligation to restructure arises only when the GPF:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an 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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

1.10 Revenue from exchange transactions

Revenue from exchange transactions is recognised as revenue to the extent that the GPF has complied with any of the criteria or conditions embodied in the agreement. To the extent that the criteria, conditions or obligations have been met, an asset is recognised.

Revenue comprises interest received from loans and receivables from exchange transactions, interest received for favourable bank accounts and project management fees for managing projects.

Interest received is an exchange transaction for loans disbursed to borrowers as per their contractual agreements. Interest derived from these loan amounts approximate equal value to the other party in exchange for the loan given out.

Interest received from exchange transactions is recognised, in surplus or deficit, and is measured using the effective interest rate method.

Contract recovery fees, penalty fees, restructuring fees and moratorium extension fees are capitalised to the loan and repaid over the loan term.

Accounting Policies (continued)

1. Presentation of Financial Statements (continued)

1.11 Revenue from non-exchange transactions

Revenue from non-exchange transactions is recognised as revenue to the extent that the GPF has complied with any of the criteria or conditions embodied in the agreement. To the extent that the criteria, conditions or obligations have been met, an asset is recognised.

GPF revenue from non-exchange transactions comprises government grants.

Non-exchange transactions are defined as transactions where the Trust receives value from another entity without directly giving approximately equal value in exchange.

Revenue is measured at the fair value of the consideration received or receivable.

1.12 Principals/agent arrangement

In reference to GRAP 109, the GPF is an agent that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third-parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third- parties on its behalf and for its own benefit.

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third-parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third-parties are for the benefit of another entity or for its own benefit.

The GPF is the implementing agent for Mega Projects and the Upgrade of Informal Settlements Programme for the Gauteng Provincial Department of Human Settlements. The GPF acts as paymaster for the Mega Projects Programme while the GPF fully implemented the Upgrade of Informal Settlement Programme. The GPF also administers institutional subsidies on behalf of the Gauteng Provincial Department of Human Settlements. As such, funds received for Mega Projects, the Upgrade of Informal Settlements Programme and institutional subsidies during the financial year are accounted for as payables from exchange transactions and the corresponding cash deposits received are accounted for as cash and cash equivalents. (Refer to notes 2 and 8). The GPF does bridging finance for Aspari (RF) (Pty) Ltd and Futuregrowth Asset Management. These funds are treated as loans and receivables held-for-trade as they are expected to be repaid during the year.

Recognition

The GDHS, as a principal, recognises revenue and expenses that arise from transactions with third-parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The GPF, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The GPF recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

Accounting Policies (continued)

1. Presentation of Financial Statements (continued)

1.13 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.14 Irregular 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 (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):

Irregular expenditure that was incurred and identified during the prior 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 prior financial year and which was not condoned by the Provincial 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.

1.15 Budget information

The entity is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which are given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

Accounting Policies (continued)

1. Presentation of Financial Statements (continued)

1.15 Budget information (continued)

The approved budget covers the financial year from 01/04/2020 to 31/03/2021.

The budget for the economic entity includes all the entity's approved budgets under its control.

The Financial Statements and the budget are not on the same basis of accounting therefore a reconciliation has been included with the budgeted amounts for the reporting year that have been included in the statement of comparison of budget and actual amounts.

1.16 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but not the control over those policies.

Management means 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, management in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if the transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's Financial Statements to understand the effect of related party transactions on its Financial Statements.

Accounting Policies (continued)

1. Presentation of Financial Statements (continued)

1.17 Subsequent events

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the Financial Statements to reflect adjusting events after the reporting date once the event occurs.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the Financial Statements.

1.18 Going concern assumptions

The Trustees have every reason to believe that the GPF has adequate resources in place to continue in operation for the foreseeable future due to it being the implementing agent of Mega Projects for the GDHS. The GPF's total assets are valued at R2 290 742 556 (2020: R1 974 361 918). The GPF has a liquidity ratio of 2.3 (2020:1.53) and solvency ratio of 41% (2020: 66%) based on current funds available and current commitments.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash	14 209	3 093
Capital accounts	618 889 394	554 670 654
Gauteng Department of Human Settlements	545 792 822	296 582 784
Current account	42 582 667	80 392 779
	1 207 279 092	**931 649 310**

The fair value of cash equivalents approximates their carrying value as cash equivalents readily convertible to cash.

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
First Rand Group Limited (Ba2)	919 517 492	633 362 061
Absa Group Limited (Ba2)	-	21 311 969
South African Reserve Bank	287 761 600	276 975 280
	1 207 279 092	**931 649 310**

Notes to the Annual Financial Statements (continued)

2. Cash and cash equivalents (continued)

The entity had the following bank accounts

	Bank Statement Balances			Cashbook Balances		
Figures in Rand	**31 March 2021**	**31 March 2020**	**31 March 2019**	**31 March 2021**	**31 March 2020**	**31 March 2019**
Absa capital accounts	-	17 091 597	303 955 863	-	17 091 597	303 955 863
Corporation of Public Deposits capital account	287 761 600	276 975 280	258 521 218	287 761 600	276 975 280	258 521 218
FirstRand Group capital accounts	331 127 794	260 603 777	-	331 127 794	260 603 777	-
FirstRand Group Mega Projects and Upgrade of Informal Settlement Programme	545 792 822	296 582 784	-	545 792 822	296 582 784	-
Absa Mega Projects accounts	-	-	389 939 808	-	-	389 939 808
FirstRand Group operational accounts	42 582 667	80 392 779	-	42 582 667	80 392 779	-
Absa operational accounts	-	-	94 793 431	-	-	94 793 431
Cash on hand	14 209	3 093	12 457	14 209	3 093	12 457
Absa rental deposit call account	-	-	1 105 858	-	-	1 105 858
Total	**1 207 279 092**	**931 649 310**	**1 048 328 635**	**1 207 279 092**	**931 649 310**	**1 048 328 635**

In the year under review the following Absa accounts were closed on 30 December 2020 with balances being transferred to the FNB accounts:

- Absa capital account;
- Absa Mega Projects account; and
- Absa operational account.

The Corporation for Public Deposits and FirstRand capital accounts are the GPF's main accounts, with the Corporation of Public Deposits holding funds for the long-term investing of the GPF's main product offerings R287 761 600 (2020: R276 975 280). The FirstRand capital account holds funds for the short-term for the GPF's main product offerings R331 127 794 (2020: R260 603 777). Included in the capital accounts is R131 695 853 (2020: R198 894 242) for loans that have been approved and committed (Refer to note 21). R313 574 774 (2020: R252 637 260) of the funds is for the GPF's operations budget over the medium-term expenditure framework as the GPF does not receive an a appropriation for its operations.

Notes to the Annual Financial Statements (continued)

2. Cash and cash equivalents (continued)

The FirstRand Group Mega Projects and Upgrade of the Informal Settlement Programme account holds project funding of R545 792 822 (2020: R296 582 783), which is inclusive of interest. These funds are held in terms of the principle agent relationship (Refer to note 22).

The current accounts with a balance of R42 582 667 (2020: R80 392 779) are available for use by the entity for operational costs. Cash at banks earn interest at floating rates based on daily bank deposit rates.

3. Loans and receivables from exchange transactions

2021 Figures in Rand	Emerging Entrepreneur Property Fund	Rental Housing Fund	Social Housing Fund	Student Accommodation	Total
Opening balance	387 661 248	228 436 235	180 905 661	74 583 820	871 586 964
Prior years' loans and receivables held-for-trade reversed	23 207 138	22 128 625	-	28 496 610	73 832 373
Prior years' current portion of loans and receivables reversed	27 270 484	43 617 388	7 819 454	1 525 144	80 232 470
Prior years' provision for bad debts reversed	8 003 954	10 025 950	-	453 649	18 483 553
Advance	19 398 649	42 892 407	2 416 833	46 436 520	111 144 409
Interest earned	31 546 826	16 381 873	10 553 001	7 486 035	65 967 735
Short-term payment received	(16 410 340)	(51 496 056)	(16 362 334)	(38 744 696)	(123 013 426)
Social benefit adjustment	(3 081 496)	(3 242 155)	(396 668)	(1 249 906)	(7 970 225)
Interest amortised using the effective interest rate method	9 915 600	3 954 290	4 119 422	71 735	18 061 047
Impairments	(9 428 050)	(7 277 322)	(1 148 035)	(286 920)	(18 140 327)
Current portion of loans and receivables transferred to current assets	(34 728 928)	(45 777 304)	(9 907 720)	(1 409 588)	(91 823 540)
Loans and receivables held-for-trade	(31 004 870)	(10 022 711)	-	(20 924 682)	(61 952 263)
Provision for bad debts	(8 365 936)	(10 045 054)	-	(453 649)	(18 864 639)
Closing balance	**403 984 279**	**239 576 166**	**177 999 614**	**95 984 072**	**917 544 131**

Notes to the Annual Financial Statements (continued)

3. Loans and receivables from exchange transactions (continued)

In the current year, loans and receivables have been categorised in accordance with various GPF product offerings. Expected credit losses are recorded as provisions for bad debt.

The GPF junior loans and receivables from exchange transaction funding are linked to a Johannesburg Interbank Average Rate (JIBAR). Repayments occur on a monthly and annual basis. The bridging senior loans are prime related. The loan terms vary from 15 to 26 years.

Total loans and receivables from exchange including current term portion

2020 Figures in Rand	Emerging Entrepreneur Property Fund	Rental Housing Fund	Social Housing Fund	Student Accommodation	Total
Opening balance	352 799 762	228 884 422	159 655 716	47 396 612	788 736 512
Prior years' current portion of loans and receivables reversed	25 101 748	30 696 273	6 832 858	1 049 028	63 679 907
Prior years' loans and receivables held-for-trade reversed	28 915 918	2 937 419	-	-	31 853 337
Prior years' provision for bad debts reversed	11 623 835	9 987 031	-	-	21 610 866
Advance	60 602 310	37 198 264	45 464 046	53 368 756	196 633 376
Interest earned	38 635 964	25 946 762	14 962 845	8 661 279	88 206 850
Short-term payment received	(61 731 624)	(41 483 205)	(21 401 120)	(4 136 117)	(128 752 066)
Social benefit adjustment	(5 701 580)	(2 641 430)	(6 603 376)	(1 474 094)	(16 420 480)
Interest amortised using the effective interest rate method	7 952 274	4 251 184	3 795 261	331 543	16 330 262
Impairments	(10 844 715)	(5 167 692)	(381 945)	(137 784)	(16 532 136)
Current portion of loans and receivables transferred to current assets	(27 270 484)	(43 617 388)	(7 819 454)	(1 525 144)	(80 232 470)
Loans and receivables held-for-trade	(23 207 138)	(22 128 625)	-	(28 496 610)	(73 832 373)
Provision for bad debts	(8 003 954)	(10 025 950)	-	(453 649)	(18 483 553)
Bad debts	(1 211 068)	-	-	-	(1 211 068)
Closing balance	**387 661 248**	**214 837 065**	**194 504 831**	**74 583 820**	**871 586 964**

Notes to the Annual Financial Statements (continued)

3. Loans and receivables from exchange transactions (continued)

Figures in Rand	2021	2020
Reconciliation of expected credit losses/provisions for bad debts		
Opening balance	18 483 553	21 610 865
Increase/decrease in provision for bad debts	381 086	(3 127 312)
Balance as at year end	**18 864 639**	**18 483 553**
Total loans and receivables from exchange including current term portion		
Non-current assets	917 544 131	871 586 964
Current assets	91 823 540	80 232 470
	1 009 367 671	**951 819 434**

4. Receivables from exchange transactions

Sundry debtors – Aspari (RF) (Pty) Ltd	855 815	1 529 808
Sundry debtors – Clients	1 219 096	-
Sundry debtor – Futuregrowth Asset Management (Pty) Ltd	493 670	675 828
Bank interest outstanding	125 685	418 289
Lease deposit – non-current	-	1 105 858
Lease deposit – current term	1 105 858	-
Employee debtors	36 196	-
Other receivables	3 591 000	4 350 223
Pre-payments	1 019 555	5 012 280
Sundry debtor – Sedibeng Water (salaries)	303 040	-
	8 749 915	**13 092 286**
Non-current assets	-	1 105 858
Current assets	8 749 915	11 986 428
	8 749 915	**13 092 286**

Notes to the Annual Financial Statements (continued)

4. Receivables from exchange transactions (continued)

Current

Sundry debtors as above are as a result of:

- Aspari (RF) Ltd – which are management fees owed for the bridging of loans as per contractual agreement.
- Clients – these are fees owed by clients related to management fees, cancellation fees and legal fees payable to the GPF by borrowers.
- Futuregrowth Asset Management – these are fees owed to GPF as per contractual agreement.

These amounts are non-interest-bearing and are expected to be received in the subsequent year.

Bank interest outstanding is interest owed by banks. These amounts are non-interest-bearing and are expected to be received in the subsequent year.

Lease deposit is for the guarantee held by FirstRand Bank for the building lease deposit. The guarantee earns interest at prime-related rates and will be released in April 2021 and thus has been transferred to current term.

Staff debtors accrual consists of amounts paid in excess and leave days owed to the GPF by employees. The outstanding leave debtors will be settled in the subsequent year.

Other receivables – relates to amounts owed by Arkein Capital (Pty) Ltd and Makholi Trading CC. The amount to Makholi Trading CC has been provided for in the current year as the probability of collection is low. The amounts are reconciled as follows:

Figures in Rand	2021	2020
Reconciliation of other receivables		
Opening balance	4 350 222	3 591 000
Additions	-	759 222
Provision for bad debts	(759 222)	-
	3 591 000	**4 350 222**

Pre-payment expenses consist of licence fees, memberships, bursaries and training that have been pre-paid.

Shared expense accrual relates to the salary of the CEO seconded to Sedibeng Water (2020: Rnil). These amounts are non-interest-bearing and are expected to be received during the next financial year.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Fair value of trade and other receivables

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

Notes to the Annual Financial Statements (continued)

5. Loans and receivables held-for-trade

Figures in Rand	2021	2020
Loans and receivables held-for-trade		
Bixowize (Pty) Ltd – Erf 278, Primrose Hill	8 332 991	5 975 233
Bravo Enterprise and Projects (Pty) Ltd – Erf 231, Kempton Park located on 26 Kempton	8 289 989	6 997 826
Cicima Property Management Solutions (Pty) Ltd – Erf 1686, Benoni	10 018 241	7 365 898
Hectofield (Pty) Ltd – Erf 644, Pretoria North	1 363 417	1 363 417
Korema Property Group (Pty) Ltd – Erf 436 & 437, Bellevue East, Jhb	103 100	103 100
Nelisa Properties (Pty) Ltd – Erf 388, Windsor, Randburg	1 397 345	-
Property Best Investment (Pty) Ltd – Erf 3834, Eersterus, Ext 6	-	2 874 696
Property Kalcha (Pty) Ltd – Portion 1&2 of Erf 1871 Albertville, Randburg	366 814	366 814
Sheran Investment (Pty) Ltd – Klippoortjie Agricultural Lofts	-	1 611 049
Simelani Business Solutions (Pty) Ltd – Erf 2682, Kempton Park	403 766	403 766
Stormstrong (Pty) Ltd – Erf 299 Windsor, Randburg	729 208	631 084
Watershed Properties (Pty) Ltd – Portion 202 of farm 265, Ruimsig, Ext 102	20 924 681	28 496 610
Yin's Construction and Property Development (Pty) Ltd – Erf 1583 Cloverdene	10 022 711	17 642 880
	61 952 263	**73 832 373**

Loans and receivables held-for-trade comprise senior bridging loans that will be repaid by senior funders. These amounts bear interest at prime-related rates. Held-for-trade instruments are initially recognised at cost which approximates fair value. These loans will be sold at their cost. Of the R61 952 263, R31 004 871 (2020: R23 207 137) (Refer to note 22) is attributable to Aspari (RF) (Pty) Ltd and R30 947 392 (2020: R50 625 235) is attributable to Futuregrowth Asset Management (Pty) Ltd. In the year under review the GPF received R71 032 825 from Futuregrowth Asset Management (Pty) Ltd and nothing from Aspari (RF) (Pty) Ltd as yet.

Notes to the Annual Financial Statements (continued)

6. Property, plant and equipment

	2021			2020		
Figures in Rand	Cost	Accumulated Depreciation and Accumulated Impairment	Carrying Value	Cost	Accumulated Depreciation and Accumulated Impairment	Carrying Value
Furniture and fixtures	1 660 413	(1 113 215)	547 198	1 660 413	(939 173)	721 240
Motor vehicles	161 076	(160 664)	412	161 076	(160 252)	824
Office equipment	2 303 565	(1 698 438)	605 127	2 301 748	(1 787 999)	513 749
Computer equipment	6 072 158	(4 027 098)	2 045 060	5 290 544	(3 131 024)	2 159 520
Leasehold improvements	5 261 300	(5 023 510)	237 790	5 261 300	(4 740 363)	520 937
Total	**15 458 512**	**(12 022 925)**	**3 435 587**	**14 675 081**	**(10 758 811)**	**3 916 270**

Reconciliation of property, plant and equipment – 2021

Figures in Rand	Opening Balance	Additions	Disposals	Depreciation	Impairment Loss	Impairment Reversal	Total
Furniture and fixtures	721 240	-	-	(174 042)	-	-	547 198
Motor vehicles	824	-	-	(412)	-	-	412
Office equipment	513 749	546 475	(7 498)	(447 599)	-	-	605 127
Computer equipment	2 159 520	826 499	(31 294)	(909 665)	-	-	2 045 060
Leasehold improvements	520 937	-	-	(283 147)	-	-	237 790
	3 916 270	**1 372 974**	**(38 792)**	**(1 814 865)**	**-**	**-**	**3 435 587**

Reconciliation of property, plant and equipment – 2020

Figures in Rand	Opening Balance	Additions	Depreciation	Impairment Loss	Total
Furniture and fixtures	890 340	6 325	(175 425)	-	721 240
Motor vehicles	1 236	-	(412)	-	824
Office equipment	420 530	403 305	(310 079)	(7)	513 749
Computer equipment	2 063 522	905 160	(809 162)	-	2 159 520
Leasehold improvements	1 349 833	-	(828 896)	-	520 937
	4 725 461	**1 314 790**	**(2 123 974)**	**(7)**	**3 916 270**

Notes to the Annual Financial Statements (continued)

6. Property, plant and equipment (continued)

Pledged as security

No assets were pledged as security.

Furniture and fixtures, office equipment, computer equipment and leasehold improvements have been subjected to a change in estimate (Refer to note 34).

Figures in Rand	2021	2020
Gain from disposal of property, plant and equipment – included in operating surplus		
Computer equipment	15 217	1 433
Assets subject to finance lease (Net carrying amount)		
Office equipment	186 514	30 557
Property, plant and equipment fully depreciated and still in use (Gross carrying amount)		
Computer equipment	16	16
Repairs incurred with respect to property, plant and equipment carried at cost		
Repairs and maintenance furniture and fixtures	-	14 040
Repairs and maintenance computer equipment	65 849	105 704
Repairs and maintenance office equipment	-	105 500
Repairs and maintenance motor vehicles	-	75
	65 849	**225 319**

Notes to the Annual Financial Statements (continued)

7. Intangible assets

	2021			2020		
Figures in Rand	Cost	Accumulated Amortisation and Accumulated Impairment	Carrying Value	Cost	Accumulated Amortisation and Accumulated Impairment	Carrying Value
Computer software, other	232 477	(232 477)	-	232 477	(180 232)	52 245

Reconciliation of intangible assets – 2021

Figures in Rand	Opening balance	Amortisation	Total
Computer software, other	52 245	(52 245)	-

Reconciliation of intangible assets – 2020

Figures in Rand	Opening Balance	Amortisation	Impairment Loss	Total
Computer software, other	131 468	(78 607)	(616)	52 245

8. Unspent conditional grants

Figures in Rand	2021	2020
Movement during the year		
Balance at the beginning	296 582 784	389 510 785
Transfers from the Gauteng Department of Housing	901 907 924	735 922 243
Funds used	(650 790 026)	(848 793 800)
Interest earned	12 763 723	19 946 601
Bank charges	(3 320)	(3 045)
Payable still to be transferred of the Upgrade of Informal Settlement Programme budget to the Housing Development Agency (Refer to note 10)	(298 166 452)	-
	262 294 633	**296 582 784**

Notes to the Annual Financial Statements (continued)

8. Unspent conditional grants (continued)

Unspent government grants from the Gauteng Department of Human Settlements – represents grants funding and interest accrued. This is Mega Project and Upgrade of Informal Settlement Programme grant funding which was received during the current year. Monies are held in terms of a principal agent memorandum of agreement to assist the department in expediting payments for the Upgrade of Informal Settlement Programme and Mega Projects. The balance remaining is due to delays in construction as a result of the COVID-19 pandemic. These amounts are deferred to the subsequent year as these are multi-year projects. (Refer to note 22).

9. Finance lease obligation

Figures in Rand	2021	2020
Minimum lease payments due		
- within one year	88 854	35 625
- in second to fifth year inclusive	118 471	-
	207 325	35 625
less: future finance charges	(16 558)	(895)
Present value of minimum lease payments	**190 767**	**34 730**
Present value of minimum lease payments due		
- within one year	77 970	34 730
- in second to fifth year inclusive	112 797	-
	190 767	**34 730**
Non-current liabilities	112 797	-
Current liabilities	77 970	34 730
	190 767	**34 730**

The GPF entered into a transversal contract for four printers with effect from August 2020. The leases are linked to prime lending rate with no escalation and comes to an end in July 2023.

The GPF's obligations under finance leases are secured by the lessor's title over the leased assets. The photocopiers under the finance leases are currently depreciated over the lease term of three years.

GPF GAUTENG PARTNERSHIP FUND
Catalyst for delivering sustainable human settlements

Notes to the Annual Financial Statements (continued)

10. Payables from exchange transactions as restated

Figures in Rand	2021	2020
Accruals salary-related	404 753	272 090
Gauteng Department of Human Settlements overpayment	7 306 270	7 306 270
Housing Development Agency	298 166 452	-
Payables – Aspari (RF) (Pty) Ltd	2 706 969	650 933
Trade and other payables	4 819 709	608 926
	313 404 153	**8 838 219**

Salary-related accruals relate to payments to employees that resigned or their contract terms ended. These are non-interest bearing and are normally settled on 30-day terms. The prior period has been restated. (Refer to note 34).

The Housing Development Agency relates to the transfer of the Upgrade of Informal Settlement Programme budget to the agency in terms of a memorandum of agreement signed. These are non-interest bearing and are normally settled on 30-day terms.

Payables to the Gauteng Department of Human Settlements are for management fees that were overpaid to the GPF in the prior year. These are non-interest bearing and will be paid during the year.

Payables to Aspari (RF) (Pty) Ltd are monies collected by the GPF on behalf of the senior funder (Aspari (RF) (Pty) Ltd). These are non-interest bearing and will be fully paid in the subsequent year.

Trade and other payables mainly comprise third-party payments to suppliers. These payables are normally settled on 30-day terms.

11. Provisions

Reconciliation of provisions – 2021

Figures in Rand	Opening Balance	Additions	Utilised During the Year	Total
Provision for leave pay	2 257 476	1 451 813	(2 257 476)	1 451 813
Provision for bonuses	3 466 691	105 996	-	3 572 687
	5 724 167	**1 557 809**	**(2 257 476)**	**5 024 500**

Notes to the Annual Financial Statements (continued)

11. Provisions (continued)

Reconciliation of provisions – 2020

Figures in Rand	Opening Balance	Additions	Utilised During the Year	Reversed During the Year	Total
Provision for leave pay	1 048 493	2 257 476	(1 048 493)	-	2 257 476
Provision for bonuses	4 603 913	3 466 691	(4 330 985)	(272 928)	3 466 691
	5 652 406	**5 724 167**	**(5 379 478)**	**(272 928)**	**5 724 167**

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. The timing and payout of this provision is uncertain.

Provision for performance bonuses is based on management's best estimate of expenditure required to settle the present obligation. The timing and payout of this provision is uncertain.

12. Operating lease liability

Figures in Rand	2021	2020
Current liabilities	-	-

Operating lease rentals represents rentals payable by the GPF to Acucap Management Services (Pty) Ltd for office premises. The lease expired on 31 March 2021 and had an escalation of 8% annually. Approval has been saught for a new three-year lease effective 1 April 2021.

Minimum lease payments		
Within one year	-	4 431 560

Notes to the Annual Financial Statements (continued)

Figures in Rand	2021	2020
13. Revenue		
Revenue from exchange transactions – Interest received from banks	24 401 425	43 304 964
Revenue from exchange transactions – Interest received from loans and receivables	84 028 782	104 537 112
Revenue from exchange transactions – Other management fees	38 797 984	42 303 828
	147 228 191	**190 145 904**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Mega Projects management fees	28 180 646	36 796 112
Futuregrowth Asset Management (Pty) Ltd fees	1 083 750	1 036 822
Aspari (RF) (Pty) Ltd management fees	858 588	719 928
Ekurhuleni Metropolitan Municipality Management fees received	-	3 750 966
Upgrade of Informal Settlement Programme management fee	8 675 000	-
	38 797 984	**42 303 828**
14. Other income		
Contract recovery costs	1 990 000	420 000
Discount received for assets purchased	116 702	-
Decrease in provision for doubtful debts	-	4 215 929
Moratorium extension fee	1 050 000	1 127 300
Penalty fees charged	-	3 412 900
	3 156 702	**9 176 129**
15. Operating surplus		
Operating surplus of R72 889 788 (As restated 2020: R119 046 072) for the year is stated after accounting for the following:		
External audit fee	1 491 593	1 220 084
Internal audit fee	1 074 643	708 592
	2 566 236	**1 928 676**

Notes to the Annual Financial Statements (continued)

15. Operating surplus (continued)

Figures in Rand	2021	2020
Operating lease charges		
Premises		
- Contractual amounts	4 409 559	4 103 296
- Utilities	1 232 512	1 185 879
Office equipment		
- Contractual amounts	37 758	5 819
	5 679 829	**5 294 994**
Profit on sale of assets	15 217	1 433
Scrapping and impairment of fixed assets	-	623
Amortisation on intangible assets	52 245	78 607
Depreciation property, plant and equipment	1 814 865	2 123 974
Employee costs	50 145 105	50 405 556

16. Fair value adjustments

Provisions for bonuses	(105 996)	(53 331)
Social benefit on loans and receivables	(7 970 225)	(16 420 480)
	(8 076 221)	**(16 473 811)**

17. Finance costs

Finance lease	11 093	7 934

Finance cost comprises interest amortised for the finance lease.

Notes to the Annual Financial Statements (continued)

Figures in Rand	2021	2020
18. General expenses		
Auditor's remuneration	2 566 236	1 928 677
Bank charges	33 955	52 850
Consulting and professional fees	6 995 194	10 155 452
Entertainment	15 026	144 758
Insurance	175 195	525 538
Marketing	268 186	1 059 746
Magazines, books and subscriptions	91 197	231 727
Fuel and oil	-	12 851
Postage and courier	223	816
Printing and stationery	52 456	307 259
Corporate social investment	-	31 121
Security	1 692 797	1 297 703
Telephone and fax	1 228 593	922 153
Training	594 346	543 135
Travel	106 835	566 057
Off-site storage	32 391	46 358
Penalty fees reversed	3 412 900	-
	17 265 530	**17 826 201**
19. Employee related expenses as restated (Refer to note 34)		
Basic	44 636 174	41 828 109
Bonus	-	3 572 687
Medical aid – company contributions	2 270 334	2 067 502
Life cover	431 428	342 185
Retirement annuity	2 807 169	2 595 073
	50 145 105	**50 405 556**

Notes to the Annual Financial Statements (continued)

20. Taxation

No provision has been made for the year as the GPF 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 is applicable for the current financial year.

21. Commitments

Commitments – 2021

Figures in Rand	Emerging Entrepreneur Property Fund	Rental Housing Fund	Social Housing Fund	Student Accommodation	Total
Opening balance	39 948 764	51 722 025	11 392 127	95 831 326	198 894 242
Additions	1 573 300	15 226 607	-	50 468 832	67 268 739
Draw-downs	(11 279 542)	(19 257 222)	(2 416 833)	(18 358 226)	(51 311 823)
Cancellations	(2 234 196)	(15 192 584)	-	(65 017 798)	(82 444 578)
Other	(610 727)	(450 000)	350 000	-	(710 727)
Closing balance 2021	**27 397 599**	**32 048 826**	**9 325 294**	**62 924 134**	**131 695 853**

Commitments – 2020

Figures in Rand	Emerging Entrepreneur Property Fund	Rental Housing Fund	Social Housing Fund	Student Accommodation	Total
Opening balance	81 355 829	73 121 805	42 328 189	106 498 218	303 304 041
Additions	35 740 144	23 475 075	-	32 039 319	91 254 538
Draw-downs	(33 716 248)	(13 896 386)	(20 077 343)	-	(67 689 977)
Cancellations	(43 430 961)	(30 978 469)	(10 858 719)	(42 706 211)	(127 974 360)
Closing balance 2020	**39 948 764**	**51 722 025**	**11 392 127**	**95 831 326**	**198 894 242**

Loan commitments are recognised at the date the GPF Board approves the funding. The origination date is the date the first draw-down is made. The commitments reduce as draw-downs become effective. Commitments are cancelled when the terms of the contract have been breached.

Notes to the Annual Financial Statements (continued)

22. Related parties

The GPF is a related party to all departments under the Gauteng Department of Human Settlements by virtue of being under control of the same MEC.

Relationships

Government entities (Provincial)	
Controlling entity	Gauteng Department of Human Settlements
Mega Project implementation management fees	Ekurhuleni Metropolitan Municipality
Senior finance partners	Aspari (RF) (Pty) Ltd
Entities under common control of the Gauteng Department of Human Settlements	Gauteng Housing Fund

Related party balances

Figures in Rand	2021	2020
Gauteng Department of Human Settlements		
Mega Project management fee	28 180 646	36 796 112
Upgrade of the Informal Settlement Programme management fee	8 675 000	-
The GPF has received a management fee for being the implementation agent for the department (Refer to note 13).		
Balances included in unspent conditional grant regarding related parties		
Subsidies programme	9 438 647	9 124 097
Mega Projects Programme	240 317 148	287 458 687
Upgrade of the Informal Settlements Programme	12 538 838	-
Payable fees received in advance for the Mega Projects Programme	7 306 270	7 306 270

Principle agent transactions

Figures in Rand	Mega Projects Programme	Upgrade of the Informal Settlements Programme	Total
Payments	619 364 561	31 425 464	650 790 025

Notes to the Annual Financial Statements (continued)

22. Related parties (continued)

Figures in Rand	2021	2020
Public sector – management fees received		
Aspari (RF) (Pty) Ltd	858 588	719 928
Ekurhuleni Metropolitan Municipality management fee received	-	3 750 966
	858 588	**4 470 894**

In the prior year the GPF received management fees for the management of senior funding for Aspari (RF) (Pty) Ltd and management fees for Mega Projects implementation from Ekurhuleni Metropolitan Municipality (Refer to note 13).

Figures in Rand	2021	2020
Amounts included in payables in loans and receivables held-for-trade		
Aspari (RF) (Pty) Ltd	31 004 871	23 207 137

The GPF has concluded agreements with Aspari (RF) (Pty) Ltd wherein the aforementioned provides senior funding for the Emerging Entrepreneur Fund.

Figures in Rand	2021	2020
Private sector funding		
Futuregrowth Asset Management (Pty) Ltd	1 083 750	1 036 822

The GPF has concluded agreements with Futuregrowth Asset Management wherein the aforementioned provides senior funding for the Rental Housing Projects (Refer to notes 5 and 13).

Notes to the Annual Financial Statements (continued)

22. Related parties (continued)

Related party transactions

Figures in Rand	2021	2020
Non-Executive trustees board fees		
M Bhengu-Matsiri (Chairperson) (Appointed 15 May 2020)	643 679	-
C Motsepe (Resigned 3 October 2020)	140 629	240 002
D Kutumela	376 382	-
Z Hill (Resigned 10 December 2020)	265 972	266 607
R Kalidass	-	687 025
M Kganedi	247 911	93 470
N Maponya	591 797	501 891
K Khoza (Appointed 1 November 2020)	150 702	-
G Makhubo (Resigned on 5 December 2019)	-	312 046
P Mphahlele	-	361 701
L Mthimunye	575 842	534 201
B Nzo	-	379 075
T Sukazi (Resigned 3 December 2020)	217 023	276 295
L Marincowitz (Appointed 15 May 2020)	543 899	-
S Morero (Appointed 15 May 2020 and as Deputy Chairperson from 1 November 2020)	514 833	-
	4 268 669	**3 652 313**

Notes to the Annual Financial Statements (continued)

22. Related parties (continued)

Other allowances

Figures in Rand	Travel and Accommodation 2021	Training and Memberships 2021	Travel and Accommodation 2020	Training and Memberships 2020
M Bhengu-Matsiri	-	3 290	-	-
R Kalidass	-	-	10 170	12 247
D Kutumela	-	2 240	-	-
K Khoza	-	2 240	-	-
Z Hill	4 142	1 050	36 092	12 247
A Ismail	-	2 240	-	-
M Kganedi	-	1 050	-	-
N Maponya	-	7 340	-	-
L Mthimunye	-	1 050	-	-
B Nzo	16 553	-	66 870	12 247
T Sukazi	-	1 050	-	-
L Marincowitz	-	3 290	-	-
P Mphahlele	-	-	13 737	12 247
C Motsepe	-	1 050	-	-
S Morero	-	3 290	-	-
	20 695	**29 180**	**126 869**	**48 988**

During the year three trustees resigned and three new trustees were appointed. A new Deputy Chairperson was also appointed. Mr A Ismail was appointed on 17 August 2020 as the shareholder representative, however, the trustee is not remunerated.

Notes to the Annual Financial Statements (continued)

22. Related parties (continued)

Figures in Rand	2021	2020
Executive Management – Chief Executive Officer – S Dzengwa (Seconded to another Agency effective August 2020 to December 2020, resigned 26 March 2021)		
Basic	2 656 936	2 656 936
Retirement annuity contribution, medical aid and life cover	246 823	248 564
	2 903 759	**2 905 500**
Executive Management – Acting Chief Executive Officer – D Molokomme (Appointed September 2020)		
Basic	441 067	-
Executive Management – Chief Financial Officer – K Govender (Employment contract expired)		
Basic	-	2 088 910
Performance bonus	-	311 513
Retirement annuity contribution, medical aid and life cover	-	195 151
	-	**2 595 574**
Executive Management – Acting Chief Financial Officer – T Rasalanavho (Appointed January 2020 to November 2020)		
Basic	770 544	177 423
Executive Management – Chief Financial Officer – N Genuka (Appointed December 2020)		
Basic	591 999	-
Retirement annuity contribution, medical aid and life cover	55 019	-
	647 018	**-**

Notes to the Annual Financial Statements (continued)

22. Related parties (continued)

Figures in Rand	2021	2020
Executive Management – Chief Investment Officer – V Mashiane (Resigned August 2020)		
Basic	937 141	2 249 139
Performance bonus	-	379 430
Retirement annuity contribution, medical aid and life cover	265 856	213 534
	1 202 997	**2 842 103**
Executive Management – Chief Investment and Development Officer – L Manenzhe (Appointed December 2020)		
Basic	591 999	-
Retirement annuity contribution, medical aid and life cover	47 241	-
	639 240	**-**
Executive Management – Corporate Services Executive – A Clark (Appointed December 2020)		
Basic	511 347	-
Retirement annuity contribution, medical aid and life cover	45 250	-
	556 597	**-**

Notes to the Annual Financial Statements (continued)

23. Financial risk management and objective

Objective

The GPF's principal financial instruments comprise financial instruments at fair value, loans and receivables from exchange transactions, cash and cash equivalents, and receivables from exchange transactions. The non-financial liabilities are a finance lease and provisions. The main purpose of the financial instruments at fair value, 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 GPF. The receivables from exchange transactions, payables from exchange transactions, finance lease and obligations arise directly from the GPF's operations.

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

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

Liquidity risk

Liquidity risk is the risk arising from default of the counterparty. The GPF manages liquidity risk by granting of loans to borrowers for affordable housing through proper management of working capital, capital expenditure and actual vs forecast cash flows and its cash management policy. The objective of managing liquidity risk is to safeguard the GPF assets whilst still fulfilling the GPF mandate. The GPF manages liquidity risk through regular monitoring of financial assets. The forecast cash flows consider the maturity of 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 year end. Liquidity risk is currently 17% (2020: 27%). Liquidity risk is calculated by dividing the financial and non-financial liabilities by the financial assets as per the table shown below:

Financial assets – 2021

Figures in Rand	Due or Due no 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
Loans and receivables from exchange transactions	6 349 593	13 231 030	72 896 467	506 272 637	889 030 357	1 487 780 084
Cash and cash equivalents	1 207 279 092	-	-	-	-	1 207 279 092
Receivables from exchange transactions	8 749 915	-	-	-	-	8 749 915
	1 222 378 600	**13 231 030**	**72 896 467**	**506 272 637**	**889 030 357**	**2 703 809 091**

Notes to the Annual Financial Statements (continued)

23. Financial risk management and objective (continued)

Financial and non-financial liabilities – 2021

Figures in Rand	Due or Due no 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	(306 097 883)	-	-	-	-	(306 097 883)
Non-financial liabilities						
Finance lease	(7 404)	(14 809)	(66 640)	(118 471)	-	(207 324)
Gauteng Department of Human Settlements	(7 306 270)	-	-	-	-	(7 306 270)
Provisions	(5 024 500)	-	-	-	-	(5 024 500)
Commitments	(131 695 853)	-	-	-	-	(131 695 853)
	(450 131 910)	(14 809)	(66 640)	(118 471)	-	(450 331 830)
	772 246 690	**13 216 221**	**72 829 827**	**506 154 166**	**889 030 357**	**2 253 477 261**

Financial assets – 2020

Figures in Rand	Due or Due no 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
Loans and receivables from exchange transactions	6 121 845	12 198 787	80 066 412	564 117 441	300 731 000	963 235 485
Cash and cash equivalents	931 649 310	-	-	-	-	931 649 310
Receivables from exchange transactions	11 986 428	-	1 105 858	-	-	13 092 286
	949 757 583	**12 198 787**	**81 172 270**	**564 117 441**	**300 731 000**	**1 907 977 081**

Notes to the Annual Financial Statements (continued)

23. Financial risk management and objective (continued)

Financial and non-financial liabilities – 2020

Figures in Rand	Due or Due no 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	(8 838 219)	-	-	-	-	(8 838 219)
Non-financial liabilities						
Finance lease	(7 125)	(14 250)	(14 250)	-	-	(35 625)
Gauteng Department of Human Settlements	(296 582 783)	-	-	-	-	(296 582 783)
Provisions	(5 724 167)	-	-	-	-	(5 724 167)
Commitments	(198 894 242)	-	-	-	-	(198 894 242)
	(510 046 536)	(14 250)	(14 250)	-	-	(510 075 036)
	439 711 047	**12 184 537**	**80 052 162**	**565 223 299**	**300 731 000**	**1 397 902 045**

The GPF's exposure to the risk of changes in market interest rate relates primarily to the GPF's loans and receivables from exchange transactions with floating interest rates. 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 GPF's exposure to interest rate risk arises from increases in the rate that could give rise to unexpected changes in cash flows.

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 GPF's surplus (through the impact of floating rate loans). The effect on surplus has been determined by calculating an increase or decrease of 175 basis points on the current interest rates of the receivables from exchange transaction and interest received from banks. Management considers a range of 175 basis points increase or decrease to be reasonable for the analysis. There is no impact on the GPF's net assets.

Notes to the Annual Financial Statements (continued)

23. Financial risk management and objective (continued)

Year	Effect on Surplus (R'000)	Increase/ Decrease in Basis Points
2021		
Effect of increase in basis points on surplus	1 581	175
Effect of a decrease in basis points on surplus	(1 581)	(175)
2020		
Effect of increase in basis points on surplus	1 314	100
Effect of a decrease in basis points on surplus	(1 314)	(100)
	-	-

Credit risk

Credit risk is the risk of economic loss should any of the GPF's clients or market counterparties fail to fulfil their contractual obligations and is mainly prevalent in the GPF's development financing and lending operations as a result of potential counterparty defaults on loan repayments.

Management of credit risk

The GPF as a finance institution, faces a unique challenge in maintaining a sustainable balance between maximising development returns and minimising financial loss in its lending operations. As a result, the performance of the GPF is, to a large extent, dependent on its ability to take credit risks responsibly in exchange for appropriate rewards and to manage the resultant exposure to credit risk effectively in the pursuance of its corporate mandate. The GPF meets its credit risk management objectives through an enterprise-wide framework of credit risk oversight, governance and assurance, encompassing:

- an integrated system of internal credit risk ratings, pricing and mitigation guided by its risk appetite; and
- a rigorous standard for the measurement, monitoring and control of credit risk exposures in the credit portfolios.

As a leveraged institution, prudence requires the GPF to maintain adequate levels of capital to cover expected losses. For this reason the GPF developed a risk model as industry best practice. The key variables in the GPF's quantitative assessment of expected loss are:

- Probability of default (PD), which determines the likelihood that the client will not be able to meet its debt repayments based on creditworthiness;
- Exposure at default (EAD), which calculates the size of exposure and thus potential loss at the point of default; and
- Loss-given default (LGD), which estimates the portion of exposure that is expected not to be recovered in the event of default.

Notes to the Annual Financial Statements (continued)

23. Financial risk management and objective (continued)

The GPF has developed a credit risk rating model, in line with GRAP 104, for loans and receivables from exchange transactions to calculate credit risk ratings as a basis for assigning a PD. The credit risk rating model is subjected to validation and review before implementation. The model is subjected to performance monitoring and validation by the Board as a part of governance requirements. The principal objective for this is to ensure that assumptions used in model development are still appropriate and to ensure that any deficiencies are identified early and that the models produce the most accurate quantitative assessment of the credit risk to which the GPF is exposed, from the level of individual facilities up to the total portfolio.

As part of model reviews, these models are calibrated to performance along with functional improvements to cater appropriately for the asset classes being measured. A key element of GPF's internal risk rating and pricing model is the PD rating scale as shown below. This scale was developed to distinguish meaningful differences in the PD risk throughout the risk range. The banding estimates are derived from internal data, which is based on the performance of the GPF's loan book and are in line with GRAP 104.

The credit risk models (PD, LGD, and EAD) are for all major portfolios of the GPF's loan book namely:

- Emerging Entrepreneur Fund
- Rental housing fund
- Social housing fund
- Student accommodation

Credit risk models were developed in 2020 to align with GRAP 104 requirements. This is required to be carried out on a three-year cycle for governance purposes and approved by the Risk Committee as well as the Investment Committee.

The requirement to comply with GRAP 104 in 2018/19 called for further enhancements of the outputs of the credit risk models. The new versions of the models are more adaptable and predictive. The models were recalibrated to current performance of the GPF's loan book. 12-month PDs and LGDs, as well as lifetime measures, enable the calculation of lifetime expected credit losses (ECL) applicable to stage 2 classification loans contributing to the portfolio impairment. The results using the GRAP 104 compliant models for the calculation of ECL are included in the impairment of the loan book for the year ended 31 March 2021 Financial Statements. Further enhancements to the outputs of credit risk models for the purposes of GRAP 104 compliance will be subject to the review process that governs the credit risk models.

Credit risk mitigation

In addition to pricing for risk, the GPF uses collateral and guarantees to enhance the quality of credit and/or reduce the expected losses in its lending portfolio. The amount and type of credit risk mitigation depends on the asset quality and nature of each transaction. The main type of collateral taken comprises mortgage bonds over the underlying properties. The GPF uses various forms of specialised legal agreements such as guarantees and similar legal contracts in support of credit extension, where necessary.

At portfolio level:

- Limits are established within the GPF's risk appetite to monitor and control the aggregate amount of risk that the GPF is taking on; and
- Overall performance of portfolios is measured and reported on a quarterly basis in terms of standard KPIs.

Notes to the Annual Financial Statements (continued)

23. Financial risk management and objective (continued)

Maximum exposure

The GPF prepares quarterly financial reports. These results are crucial for internal decision-making. Consequently, it is imperative that the asset portfolio be comprehensively reviewed and significant risk indicators impacting the valuations and impairments be reflected timeously and adequately in the financial results. As a result, quarterly reviews are conducted on the loans and equities portfolio. The finance team reviews the accounting implications of credit risk and investment-specific factors within the portfolio on a monthly basis. This ensures that the effect of the changes in the quarterly financial results and quarterly Financial Statements are reported on protectively and timeously. These reviews are conducted as part of and complementary to the Investment Committee process. The following factors are reviewed:

- Local economic factors;
- Observable and unobservable market factors;
- Asset-specific factors affecting portfolio impairment levels; and
- Fair values and discount rates with the objective of ensuring that risk in the asset portfolio is adequately, fairly and timeously reflected in the GPF's results.

The reviews include assessment of the impairment triggers and reversals within the asset portfolio, and review of performance of the equity portfolio on a regular basis with the asset managers. The following table sets out the maximum exposure on financial instruments within the scope of IFRS 9's impairment model to credit risk as well as the impact of collateral and other credit enhancements on 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 GPF is exposed to credit risk in respect of its financial instruments at fair value: debt instruments, receivables from non-exchange transactions, 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 institution's management capacity and project feasibility. The method for measuring credit risk and is the ongoing monitoring of financial assets. The Gauteng Partnership Fund's credit risk exposure arises from default of the counterparty and is R18 864 639 (2020: R18 483 553) (Refer to note 3), with a maximum exposure of R2 287 348 941 (2020: R1 969 287 545) equal to the carrying amount of loans and receivables from exchange transactions, cash and cash equivalents and receivables from exchange transactions.

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

Credit risk – 2021

Class of Financial Instrument	Credit risk Exposure	Collateral	Expected Credit Losses
Loans and receivables from exchange transactions	1 009 367 671	Mortgage bond held by the Gauteng Partnership Fund	18 864 639
Receivables from exchange transactions	8 749 915	-	-
Cash and cash equivalents	1 207 279 092		
Loans and receivables held-for-trade	61 952 263		
	2 287 348 941		

Notes to the Annual Financial Statements (continued)

23. Financial risk management and objective (continued)

Credit quality analysis

Credit Bracket	Default Rate	Probability of Default	% of Loan Book
Current loans not greater than two months instalments in arrears	Low risk	5%	2%
Loans in default greater than two months but not more than four months instalments	Medium risk	15%	3%
Loans in default over four months instalments in arrears	High risk	85%	51%

21% of the loans are in default and are to be litigated.

Collateral held and other credit enhancements

The GPF holds collateral, which it is entitled to sell in the case of default by the owner of the collateral. The amount and type of collateral held for the exposure depends on an assessment of the credit risk of the counterparty. Guidelines have been implemented regarding the acceptability of the types of collateral. The value of collaterals are determined with reference to the realisable value of security under forced-sale conditions. Because of the GPF's mandate, it does not routinely update the valuation of collateral held against all loans. Valuation of collateral is updated when the credit risk of the loan is materially different from inception of the loan (i.e. when it moves from current to default over 180 days, or from default to non-performing. The loan is then monitored more closely).

The following types of collateral are held in respect of the above loans:

- guarantees;
- cession of debtors/rent/other income; and
- mortgages.

The following table sets out the principal types of collateral held against different types of financial assets:

Credit Bracket	Probability of Default	Value of Collateral
Current loans not greater than two months instalments in arrears	Low risk	20 940 164
Loans in default greater than two months but not more than four months instalments	Medium risk	35 663 679
Loans in default over four months instalments in arrears	High risk	635 711 913
		692 315 756

Expected credit losses

The amount of ECL is measured as the probability weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original EIR. The cash shortfall is the difference between all contractual cash flows that are due to the GPF and all the cash flows that the GPF expects to receive.

Notes to the Annual Financial Statements (continued)

23. Financial risk management and objective (continued)

Because ECLs consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due.

Assessments of clients

The GPF assesses credit risk on loans on an individual basis using all relevant information about the loan and the borrower. The GPF individually assesses significantly large exposures. 56% of the loan book is made up of loans that have been classified as non-performing. Further, any recoveries post write-off are accounted for in the statement of financial performance as bad debts recovered.

12-Month ECLs

This represents the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. Loans/portions of loans classified as low risk fall in this category.

Lifetime ECLs

Lifetime ECLs are the expected credit losses that result from all possible default events over the expected life of a financial instrument. Expected life is estimated by considering cash flows taking into account all contractual terms of the financial instrument (for example, pre-payment, extension, call and similar options).

The maximum period to consider when measuring ECLs is the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice.

There is a presumption that the expected life of a financial instrument can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the expected life of a financial instrument, the entity shall use the remaining contractual term (maturity) of the financial instrument.

A collective assessment of impairment takes into account data from the loan portfolio such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios, etc. Loans that are in default or in arrears over 180 days fall in this category.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the GPF considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the GPF's historical experience and expert credit assessment and including forward-looking information.

- The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing: the remaining lifetime PD as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in pre-payment expectations).

Credit impaired

For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the Effective Interest Rate (EIR) to the amortised cost (net of provisions for doubtful debt) rather than the gross carrying amount. Unrecognised interest when a credit impaired financial asset is subsequently paid in full or is no longer credit impaired is recognised as a reversal of impairment losses.

Notes to the Annual Financial Statements (continued)

23. Financial risk management and objective (continued)

Definition of default and credit impaired assets

In order to determine whether financial assets are credit impaired, the GPF considers:

- Loans in the GPF's litigation process;
- Distressed restructuring of credit obligations;
- Obligor's bankruptcy or similar protection such as business rescue; and
- The borrower is insolvent.

Missed payment concerns any amount due under the contract (interest, principal, fee or other amount) that has not been paid in full at the date when it was due. An exposure should be considered past due from the first day of missed payment, even when the amount of the exposure or the past due amount, as applicable, is not considered material. The default definition has been applied consistently to model of a PD, EAD and LGD throughout the GPF's ECL calculations.

In estimating the ECLs, the GPF has considered the base-case scenario, which simulates the most expected economic conditions for the GPF's loan portfolio given current economic state, i.e. conditions similar to what is known at year-end. The best-case scenario represents the most favourable economic conditions for the performance of GPF's loan book. The worst-case scenario represents unfavourable economic conditions for the performance of the GPF's loan book.

Measurement of ECLs

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss-given default (LGD); and
- Exposure at default (EAD).

These parameters are generally derived from internally developed models and other historical data. They are adjusted to reflect forward-looking information as described above. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures.

These models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated pre-payment rates. LGD is the magnitude of the likely loss if there is a default. The GPF estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis. EAD represents the expected exposure in the event of a default. The GPF derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques. As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the GPF measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the GPF considers a longer period. The maximum contractual period extends to the date at which the GPF has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Notes to the Annual Financial Statements (continued)

23. Financial risk management and objective (continued)

In the current year, there have been changes in the probability weighting applied to the scenarios in determining the ECLs. There have been changes in the assumptions used, however, there have been no changes in the estimation techniques used to measure the ECL.

Credit Bracket	Default Rate Description	PD	2021	2020
Current loans not greater than two months instalments in arrears	Low risk	5%	2%	10%
Loans in default greater than two months but not more than four months instalments	Medium risk	15%	3%	0%
Loans in default over four instalments in arrears	High risk	85%	51%	26%

24. Financial and non-financial instruments

2021 Figures in Rand	Loans and Receivables	Other Assets	Other Liabilities	Non-financial Instruments at Amortised Cost	Total
Financial assets					
Loans and receivables from exchange transactions	1 009 367 671	-	-	-	1 009 367 671
Loans and receivables held-for-trade	61 952 263	-	-	-	61 952 263
Receivables from exchange transactions	-	8 749 915	-	-	8 749 915
Cash and cash equivalents	-	1 207 279 092	-	-	1 207 279 092
Non-financial assets					
Property, plant and equipment	-	-	-	3 435 587	3 435 587
Financial liabilities					
Payables from exchange transactions	-	-	(313 404 153)	-	(313 404 153)
Non-financial liabilities					
Finance lease	-	-	-	(190 767)	(190 767)
Unspent conditional grants and receipts	-	-	-	(262 294 633)	(262 294 633)
Provisions	-	-	-	(5 024 500)	(5 024 500)
	1 071 319 934	**1 216 029 007**	**(313 404 153)**	**(264 074 313)**	**1 709 870 475**

Notes to the Annual Financial Statements (continued)

24. Financial and non-financial instruments (continued)

2020 Figures in Rand	Loans and Receivables	Other Assets	Other Liabilities	Non-financial Instruments at Amortised Cost	Total
Financial assets					
Loans and receivables from exchange transactions	951 819 434	-	-	-	951 819 434
Loans and receivables held-for-trade	73 832 373	-	-	-	73 832 373
Receivables from exchange transactions	-	13 092 286	-	-	13 092 286
Cash and cash equivalents	-	931 649 310	-	-	931 649 310
Non-financial assets					
Intangible assets	-	-	-	52 245	52 245
Property, plant and equipment	-	-	-	3 916 270	3 916 270
Financial liabilities					
Payables from exchange transactions as restated	-	-	(8 838 219)	-	(8 838 219)
Non-financial liabilities					
Finance lease	-	-	-	(34 730)	(34 730)
Unspent conditional grants and receipts	-	-	-	(296 582 784)	(296 582 784)
Provisions	-	-	-	(5 724 167)	(5 724 167)
	1 025 651 807	**944 741 596**	**(8 838 219)**	**(298 373 166)**	**1 663 182 018**

The above table illustrates the categorisation of financial instruments. The GPF uses Level 2 valuation techniques to initially recognise:

- The fair value of loans and receivables from exchange transactions, which have been determined by discounting future cash flows over the period of the loan at the prime rate at date of inception thereof. Subsequently the loans are recognised at amortised cost.
- The fair value of finance leases, which 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 7% for printers (which is the prime rate at date of inception).

Notes to the Annual Financial Statements (continued)

24. Financial and non-financial instruments (continued)

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

Figures in Rand	2021	2020
Financial assets		
Loans and receivables from exchange transactions	1 009 367 671	951 819 434
Receivables from exchange transactions	8 749 915	13 092 286
Cash and cash equivalents	1 207 279 092	931 649 310
Loans and receivables held-for-trade	61 952 263	73 832 373
	2 287 348 941	**1 970 393 403**
Financial liabilities		
Non-financial liabilities – Finance lease obligation	190 767	34 730
Finance liabilities – Payables from exchange transactions as restated	313 404 153	8 838 219
	313 594 920	**8 872 949**

Figures in Rand	Valuation Technique – Market Observable Inputs	Valuation Technique Combination for Market and Non-market Observable Inputs	2021	Valuation Technique – Market Observable inputs	Valuation Technique Combination for Market and Non-market Observable inputs	2020
Fair value of financial instruments						
Loans and receivables held-for-trade	-	61 952 263	61 952 263	-	73 832 373	73 832 373
Loans and receivables from exchange transactions	-	1 009 367 671	1 009 367 671	-	951 819 434	951 819 434
	-	**1 071 319 934**	**1 071 319 934**	**-**	**1 025 651 807**	**1 025 651 807**

Notes to the Annual Financial Statements (continued)

24. Financial and non-financial instruments (continued)

Figures in Rand	Valuation Technique – Market Observable inputs	Valuation Technique Combination for Market and Non-market Observable Inputs	2021	Valuation Technique – Market Observable inputs	Valuation Technique Combination for Market and Non-market Observable Inputs	2020
Non-financial liabilities						
Finance lease	-	190 767	190 767	-	34 730	34 730
	-	**190 767**	**190 767**	**-**	**34 730**	**34 730**

Fair value hierarchy

The GRAP fair value hierarchy has 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 year-end, the GPF used Level 2 to measure its loans and receivables from exchange transaction at fair value: Level 2 techniques include:

- all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly, such as interest rates. Fair values are determined by discounting the future contractual cash flows of loans and receivables using the market rate (prime interest rate). The effective interest rate method is used to write back the discounted cashflows. The changes to JIBAR affect the effective interest rate.

The fair value of loans and receivables from exchange transactions 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 7% and 10.25% for printers (which is the prime rate at date of inception).

Notes to the Annual Financial Statements (continued)

25. Net cash outflow from operating activities as restated

Figures in Rand	2021	2020
Surplus	46 688 457	86 041 559
Adjustments for:		
Depreciation and amortisation	1 867 110	2 202 581
Gain on sale of property, plant and equipment	(15 217)	(1 433)
Impairment loss	18 140 327	16 532 136
Fair value adjustments	8 076 221	16 473 811
Finance costs – Finance leases	11 093	7 934
Scrapping and impairment loss on fixed assets	-	623
Increase in provisions	(699 667)	71 761
Non-cash fees earned	(3 156 702)	(5 831 640)
Increase in provision for doubtful debts	1 140 306	2 299 686
Changes in working capital:		
(Decrease)/increase in receivables from exchange transactions	(3 236 512)	22 179 476
Increase in payables from exchange transactions	304 565 934	6 041 941
Decrease in unspent grants	(34 288 151)	(92 928 001)
Increase in loans and receivables from exchange transactions	(57 548 237)	(99 403 016)
Decrease/(increase) in loans and receivables held-for-trade	11 880 110	(41 979 036)
Difference in interest calculated and interest capitalised	(17 126 833)	(26 999 273)
	276 298 239	**(115 290 891)**

Notes to the Annual Financial Statements (continued)

26. Contingencies

Contingent liabilities and assets

Contingent liabilities

The GPF operates in a legal and regulatory risk environment. As a result the GPF is involved in disputes and legal proceedings that arise in the ordinary course of business.

Arkein Capital (Pty) Ltd has lodged a claim against the GPF to the value of R8 500 000, which has resulted as a contingent liability as the matter is currently being defended in court. The outcome of this matter is uncertain.

The Fund is applying to retain R635 227 751 of its cash and cash equivalents from the Provincial Treasury (Refer to note 26).

Contingent assets

In the year under review the GPF continued to be engaged in litigation with Arkein Capital (Pty) Ltd. The court had reached a judgement for Arkein to repay GPF a total of R3 591 000 (Refer to note 4), this being reflected as an asset in the entity's books.

In the year under review the GPF continued to be engaged in litigation with Makholi Trading CC. There is uncertainty on the money being collectable (Refer to note 4).

Salary increments are still under negotiation between the Board and management.

27. Budget comparison

Comparison between budget and actual amounts at year-end

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 for the year. The organisation spent 87% of its budget of R79 694 990 which equates to R69 721 434 and this is on a cash basis. The under-spending was a result of vacancies and the COVID-19 pandemic that affected the housing sector and most other entities dramatically.

28. Increase in provision for doubtful debts

Figures in Rand	2021	2020
Loans and receivables from exchange transactions		
Clarewater (Pty) Ltd – Erf 1509, Discovery, Roodepoort	168 534	596 046
Clidet No. 1024 (Pty) Ltd – 44 Wanderers	-	1 211 068
Comocap (Pty) Ltd – 88 Relly Street	19 101	38 924
DNM Estate (Pty) Ltd – Erf 517 and 518, City and Suburban	12 401	-
Landopoint (Pty) Ltd – Erf 905, 906 and 907, Kenilworth	91 032	-
Shukumani Trading Enterprise (Pty) Ltd – Erf 550 Bertrams	90 016	-
Xylo Trading 253 (Pty) Ltd – Portion 3 of Erf 2834, Ga-Rankuwa Unit 2	-	453 649
Makholi Trading CC	759 222	-
	1 140 306	**2 299 687**

Notes to the Annual Financial Statements (continued)

28. Increase in provision for doubtful debts (continued)

The loan to Clarewater (Pty) Ltd – Erf 1509, Discovery, Roodepoort was provided for as a doubtful debt due to breach of contract. Management has provided for a total loss of R3 867 345 due to the increase in provision of R168 534. The GPF has instituted legal proceedings against the borrower.

The loan to Clidet No. 1024 (Pty) Ltd – 44 Wanderers was settled with a short-fall of R1 211 068 (Refer to note 30).

The loan to Comocap (Pty) Ltd – 88 Relly Street was provided for as a doubtful debt due to breach of contract and the company being in business rescue. Management has provided for a total loss of R1 608 147 due to the increase in provision of R19 101. The GPF has instituted legal proceedings against the borrower.

The loan to DNM Estate (Pty) Ltd – Erf 517 & 518, City and Suburban was provided for as a doubtful debt due to breach of contract in the prior year. Management has provided for a total loss of R1 940 250 due to the increase in provision of R12 401. The GPF has instituted legal proceedings against the borrower.

The loan to Landopoint (Pty) Ltd – Erf 905, 906 and 907, Kenilworth was provided for as a doubtful debt due to breach of contract. Management has provided for a total loss of R302 797 due to an increase in provision of R91 032. The GPF has instituted legal proceedings against the borrower.

The loan to Shukumani Trading Enterprise (Pty) Ltd – Erf 550 Bertrams was provided for as a doubtful debt due to breach of contract. Management has provided for a total loss of R2 255 544 due to an increase in provision of R90 016. The GPF has instituted legal proceedings against the borrower.

The loan to Xylo Trading 253 (Pty) Ltd – Portion 3 of Erf 2834, Ga-Rankuwa Unit 2 was provided for as a doubtful debt due to breach of contract. Management has provided for a loss of R453 649. The GPF has instituted legal proceedings against the borrower.

The sundry debtor, Makholi Trading CC has been provided for as the debt is in litigation. Management has provided for a loss of R759 223 (Refer to note 4).

29. Gain on disposal of assets

Figures in Rand	2021	2020
Gain on disposal of assets	15 217	1 433

Gain on disposal of assets relates to computer equipment and office equipment disposed of during the prior year (Refer to note 6).

30. Bad debts written off

Figures in Rand	2021	2020
Clidet No. 1024 (Pty) Ltd – 44 Wanderers	-	1 211 068

In the prior year, the loan to Clidet No. 1024 (Pty) Ltd – 44 Wanderers was settled with a short-fall of R1 211 068 (Refer to notes 3 and 28).

Notes to the Annual Financial Statements (continued)

31. Subsequent events

Subsequent to year-end the MEC appointed new trustees (Refer to Trustees Report note 7).

32. Fruitless and wasteful expenditure

Figures in Rand	2021	2020
Opening balance	27 321	-
Add: Fruitless and wasteful expenditure prior year	-	27 321
Less: Amounts recovered not through condonation	(21 044)	-
	6 277	**27 321**

33. Irregular expenditure

The prior year expenditure relates to a flight that was cancelled and the overpayment of salary-related expense for an employee who resigned. The salary-related expense was recovered from the employee's leave pay due.

Figures in Rand	2021	2020
Opening balance	11 704 448	-
Prior period error	(781 653)	-
As restated	10 922 795	-
Add: Irregular expenditure – prior year	1 505 923	4 664 044
Add: Irregular expenditure – current year	23 210 510	7 040 404
Less: Amounts condoned	-	-
	35 639 228	**11 704 448**

Notes to the Annual Financial Statements (continued)

33. Irregular expenditure (continued)

Details of current and prior year irregular expenditure

Incident	Disciplinary Steps Taken/ Criminal Proceeding	Amount
SCM process flagged as irregular in previous year's assessment for recurring service.	Awaiting finalisation	53 387
Already flagged as irregular expenditure on payment voucher. Contract had an automatic renewal and would only be cancelled if there were no outstanding invoices.	Awaiting finalisation	151 674
SCM processes not followed. No quotations received or tender issued.	Awaiting finalisation	19 661
No bid documents, only invoices on file.	Awaiting finalisation	31 829
Various POs exceeded the R500 000 threshold.	Awaiting finalisation	130 124
SCM processes not followed in obtaining quotations as HR sourced the quotations. Three quotes not obtained.	Awaiting finalisation	21 298
Extension of contract above the 15% threshold.	Awaiting finalisation	31 567
SCM processes not followed in obtaining quotes as well as the tax affairs of the supplier not being in order. No SBD documents or CSD on file.	Awaiting finalisation	4 695
Numerous POs in excess of R500 000 were issued over the course of the contract. Tender processes should have been followed otherwise it is a case of splitting of quotes.	Awaiting finalisation	510 265
Poswa	Awaiting finalisation	120 625
Assessed as irregular expenditure in the prior year (three quotations not obtained). Recurring service. Only invoices attached.	Awaiting finalisation	1 466
No supporting documents.	Awaiting finalisation	40 733
No bid documents.	Awaiting finalisation	1 584 182
Three quotations were not obtained. No reason supplied for deviation. No SBD documents. No appointment letter.	Awaiting finalisation	65 435
Ernest & Young	Awaiting finalisation	98 900
Extension of insurance while waiting for next tender. Single memo approved by Rayman, not the CEO.	Awaiting finalisation	4 841
The expenditure was identified as irregular based on the claim that the lowest quote from AIA for R188 000 was neither considered nor included on the scorecard wherein 4 Chakras quoted R383 400. The vouchers supplied for verification cannot be tested for this claim as the AIA quote was again not included. We revert to the previous assessment result.	Awaiting finalisation	206 300

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Notes to the Annual Financial Statements (continued)

33. Irregular expenditure (continued)

Incident	Disciplinary Steps Taken/ Criminal Proceeding	Amount
A motivation was made to continue to appoint Crown Records due to their outstanding performance thereby disregarding SCM processes where RFQs should have been made. There is no basis in law to indefinitely appoint the same service provider and thereby close out potential suppliers. The expenditure remains irregular.	Awaiting finalisation	50 123
Two quotes were received but the unsuccessful one was not filed. No proof of RFQ sent out. No deviation approval filed.	Awaiting finalisation	264 587
National Treasury Practice Note No. 8 of 2007/2008 stipulates that if it is not possible to obtain at least three (3) written price quotations, the reasons should be recorded and approved by the accounting officer/authority or his/her delegate. In the case of this RFQ only two quotations were obtained and this fact was stated on the scorecard by the SCM officer but was not signed/approved by the Supply Chain Manager or another delegated official. The expenditure is irregular.	Awaiting finalisation	30 357
National Treasury Practice Note No. 8 of 2007/2008 stipulates that if it is not possible to obtain at least three (3) written price quotations, the reasons should be recorded and approved by the accounting officer/authority or his/her delegate. Here, the reasons were not explicitly stated although the scorecard is sufficiently completed by the SCM officer and approved by the Supply Chain Manager. A case can possibly be made, with sufficient supporting information, that having an immediate permanent placement would have made better financial sense. Three quotations should have been obtained.	Awaiting finalisation	144 934
No proof is supplied of three quotations having been obtained. No approved reasons supplied for obtaining one quote as appears to be the case. The SCM Checklist confirms all requirements but marks the "Deviation Memo/Scoring" as Not Applicable yet, based on the amounts paid out, tender processes should have been followed as the award was over R500 000.	Awaiting finalisation	297 022
We could not determine if the quotations were submitted two days after the closing date because the emails requesting suppliers to submit quotations were not attached but we can confirm that the scorecards were dated 4 April 2018 as well as the CSD confirmations, which is eight (8) working days after the closing date. Therefore the expenditure will remain as irregular as a result of counter supporting documentation not being supplied.	Awaiting finalisation	291 338

Notes to the Annual Financial Statements (continued)

33. Irregular expenditure (continued)

Incident	Disciplinary Steps Taken/ Criminal Proceeding	Amount
A memo dated 06/09/2018 compiled by Xolani Mkwanazi (SCM Officer) and approved by Faizel Rayman (Supply Chain Manager) requesting approval for a purchase over R2 000 with only one quotation. Sekgwari, who had previously been appointed on a quotation basis, was said to be ideally placed to facilitate the GPF staff overall strategic planning session as appointing another provider would require them to first familiarise themselves with Sekgwari's reports and methodology. In our view, adequate planning would have expanded to initial quotation as this is a likely case of piloting of quotes. The GPF staff would essentially meet to discuss the results of the initial appointment, yet this was not the reason for deviating from inviting competitive bids and should have been recorded and approved by the accounting officer/authority or his/her delegate. In this instance approval was granted by the Supply Chain Manager.	Awaiting finalisation	597 368
Only one quote assessed with the other two stated as not responding. No reasons supplied. No approval to use one quote.	Awaiting finalisation	280 000
One quotation assessed. The other two on the scorecard are either non-responsive or not accepted on functionality. No approved deviation signed. Sufficient information not supplied to verify the claims that email exchanges occurred to negotiate the price in line with the internal budget.	Awaiting finalisation	149 822
Indaba Global Travel	Awaiting finalisation	16 392
Liquid Telecom	Awaiting finalisation	149 095
Mfanayana Trading Enterprises	Awaiting finalisation	1 324 109
SCM processes were not followed in the appointment. No advert was issued nor were three quotations obtained. Sufficient reasons and approval as to why SCM processes were not followed should be attached.	Awaiting finalisation	413 470
Sido Consulting Engineers	Awaiting finalisation	319 240
Three quotations were not obtained. Two were assessed and approval to continue with the procurement was granted by the Supply Chain Manager.	Awaiting finalisation	295 429
The documents supplied do not allow us to verify the claims against the expenditure. The quotes from each supplier are not attached, nor the respective dates of submission.	Awaiting finalisation	33 617
Threshold Project Managers	Awaiting finalisation	259 600

Notes to the Annual Financial Statements (continued)

33. Irregular expenditure (continued)

Incident	Disciplinary Steps Taken/ Criminal Proceeding	Amount
Request for quotations sent out on 15/04/2019 closing on 16/04/2019 to Zwide ka Langa and Inspect Assets. No evidence on file to show when the RFQ was sent out to Threshold, the winning quote.	Awaiting finalisation	243 996
Three quotations were not obtained and assessed. The lowest was passed over due to complaints of poor work by end-user. The complaint is taken at face value and passed over without sufficient confirmation from contract management. Sufficient authorisation not obtained to appoint the second lowest.	Awaiting finalisation	57 000
No scorecard or quotes filed from other bidders. Unless proof of three quotations is supplied the expenditure is irregular.	Awaiting finalisation	2 479
Three responses were received - the winning bidder on 11 December 2018 which was the closing date but the other two submitted their quotations on 13 December 2018 which is after the closing date. No memo indicating if the deadline was extended. Furthermore the winning bidder did not attach the B-BBEE certificate.	Awaiting finalisation	42 251
The scorecard lists the three suppliers from which quotes were sourced but Avanti Gifts is assessed as non-responsive. The same scorecard stipulates that if a quote is non-responsive/non-compliant reasons must be provided on a separate page. No such reasons were supplied, however it would appear that efforts to obtain three quotes were made and the evaluation of the two was sufficiently approved by the Supply Chain Manager (a delegated official). No proof of the other assessed quotation or proof of RFQ is on file. The expenditure is irregular.	Awaiting finalisation	22 819
Only two quotes were obtained and reasons were not supplied. The cheapest quote was not selected and reasons are not on file.	Awaiting finalisation	49 249
Two quotes were obtained although five RFQs were issued as per the scorecard. The quotes are, however, not included on the voucher. The scorecard is properly compiled and signed although no reasons are supplied for the non-responsive quotes on a separate page as required. Unless the written quotes are furnished, the expenditure is irregular.	Awaiting finalisation	8 625
Three quotations not obtained. Only two assessed. Sufficient approval for a deviation not received.	Awaiting finalisation	50 086

Notes to the Annual Financial Statements (continued)

33. Irregular expenditure (continued)

Incident	Disciplinary Steps Taken/ Criminal Proceeding	Amount
National Treasury Practice Note No. 8 of 2007/2008 Paragraph 3.3.3 states that if it is not possible to obtain at least three (3) written price quotations, the reasons should be recorded and approved by the accounting officer/authority or his/her delegate. Three quotations noted on the scorecard were apparently requested but only two received. No reasons were supplied as to why three quotations could not be obtained. The expenditure is irregular.	Awaiting finalisation	23 000
National Treasury Practice Note No. 8 of 2007/2008 Paragraph 3.3.3 states that if it is not possible to obtain at least three (3) written price quotations, the reasons should be recorded and approved by the accounting officer/authority or his/her delegate. Three quotations noted on the scorecard were apparently requested but only two received. No reasons were supplied as to why three quotations could not be obtained. The expenditure is irregular.	Awaiting finalisation	53 750
Three quotes not obtained. The CEO (Simphiwe Dzengwa) and CFO (Komathie Govender) approved a Memo recommending Africa Pride Mount Grace Country House as the venue for the event despite the scorecard assessing it as not functionally accepted. Irene Country Lodge got the award instead. No information regarding the alleged fraudulent refund has been supplied for our review.	Awaiting finalisation	85 793
In as much as the lowest quote (Party Hire Services: R82 812.00) was passed over owing to them not being registered on the CSD and CIPC, one quickly notes how the recommended quote is almost double the former (M&M Hiring: R155 511.05). Section 21 of the SCM Policy stipulates that if the price offered by a tenderer scoring the highest points is not market related, GPF may not award the contract or should rather negotiate a market-related price or cancel. We take this to apply also to quotations as in this case, where price should have been negotiated downwards because the next comparable quote is 50% less than the recommended quote.	Awaiting finalisation	155 511
Based on the date of the email from Abich Consulting on 20/05/19 at 11:05am and email exchanges with VMQ Property Services, it is evident that the RFQ was sent out at least four (4) days prior. Two quotes were obtained. The scorecard stipulates that if a quote is non-responsive/non-compliant reasons must be provided on a separate page. No reasons were supplied, however, it would appear that efforts to obtain three quotes were made and the evaluation of the two was sufficiently approved by the Supply Chain Manger (a delegated official). A deviation approval should have been sought.	Awaiting finalisation	364 000

Notes to the Annual Financial Statements (continued)

33. Irregular expenditure (continued)

Incident	Disciplinary Steps Taken/ Criminal Proceeding	Amount
Supporting documents not submitted.	Awaiting finalisation	127 500
The scorecard lists the three suppliers from which quotes where sourced but Bhujani Trade Mark (Pty) Ltd is assessed as non-responsive. The same scorecard stipulates that if a quote is non-responsive/non-compliant reasons must be provided on a separate page. No reasons were supplied, however, it would appear that efforts to obtain three quotes were made and the evaluation of the two was sufficiently approved by the Supply Chain Manager. It is recommended that proof of quote sourcing be retained to validate the non-responsive claim. A deviation approval should have been obtained.	Awaiting finalisation	45 000
Supporting documents not submitted.	Awaiting finalisation	304 046
According to the scorecard, four service providers responded to the RFQ but the only filed quotation is of the wining supplier: OnPoint PR (Pty) Ltd.	Awaiting finalisation	461 224
Supporting documents not submitted.	Awaiting finalisation	450 000
Evaluation report or BEC and BAC reports not attached.	Awaiting finalisation	1 986 532
GPF was granted permission by the Housing Development Agency (HDA) to participate in their recruitment consulting panel when GPF was seeking to recruit a Human Resources Manager. Email correspondence dated 06/06/2018 on file suggests that other suppliers were notified that due to non-submission of their quote another recruitment agency had been appointed. This is despite another email dated 12/06/18 being sent out to a different supplier requesting a proposal. The expenditure is irregular.	Awaiting finalisation	150 927
		12 677 273

Notes to the Annual Financial Statements (continued)

34. Change in estimate

Property, plant and equipment

The useful life of computer equipment and office equipment have been re-estimated as the current condition is good. The effect of this change is an increase in surplus as follows:

Figures in Rand	Net Book Value Derived Using Original Estimate	Net Book Value Derived Using Amended Estimate	Increase in Surplus from Change in Estimate
Property, plant and equipment			
Furniture and fixtures	546 668	547 198	530
Office equipment	597 849	605 127	7 277
Computer equipment	2 019 049	2 045 060	26 011
Leasehold improvements	9 364	237 791	228 427
	3 172 930	**3 435 176**	**262 245**

(Refer to note 6).

Notes to the Annual Financial Statements (continued)

35. Prior period errors

In the previous financial year, the GPF did not accrue for salary-related accruals for employees.

The correction of the error(s) results in adjustments as follows:

Figures in Rand	2020
Statement of financial position	
Payables from exchange transactions	8 743 552
Add: Additional accruals	94 667
Balance as restated (Refer to note 10)	8 839 219
Statement of financial performance	
Employee related expenses	50 310 889
Add: Additional accruals	94 667
Balance restated (Refer to note 19)	50 405 556
Statement of changes in net assets	
Surplus for the year previously stated	86 136 225
Less: Additional accruals	(94 667)
Balance as restated (Refer to statement of changes in net assets)	86 041 558

In the prior year the reconciliation of net cash outflow from operating activities (note 25), non-cash fees were erroneously added back as opposed to being deducted and an increase in provision for doubtful debts was erroneously deducted. The impact of this was as follows:

Reconciliation of net cash outflows	
Non-cash fees	(5 831 640)
Non-cash fees	5 831 640
Increase in provision for doubtful debt	2 299 686
Increase in provision for doubtful debt	(2 299 686)
	-

Notes to the Annual Financial Statements (continued)

35. Prior period errors (continued)

In the prior year the irregular expenditure disclosure was overstated as the expenditure was not fully assessed. R781 653 is not deemed as irregular. The impact of this reduces the opening balance as follows:

Figures in Rand	2020
Irregular expenditure	
Opening balance from prior year	11 704 448
Less: Errors identified in 2019/20	(781 653)
	10 922 795

Notes

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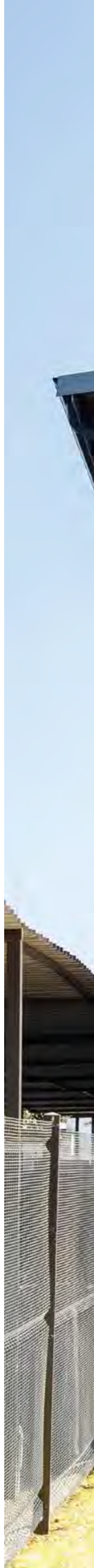

KHWEZI ENHLE INVESTMENT (PTY) LTD – RENTAL HOUSING

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