Western Cape Government

Human Settlements

Annual Report 2012/13

Western Cape Housing Development Fund

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Western Cape Housing Development Fund

The Western Cape Housing Development Fund (WCHDF) is a statutory body established under the Western Cape Housing Development Act, 1999, (Act No. 6 of 1999).

The WCHDF is an unlisted Public Entity in terms of Section 47 (2) of the Public Finance Management Act, 1999, (Act No. 1 of 1999) and is administered by the Western Cape Provincial Government, Department of Human Settlements.

The mission of the WCHDF is to provide for the facilitation of a sustainable housing process; for this purpose to lay down general principles applicable to housing development in all spheres of government, to define the functions of national, provincial and local governments in respect of housing development and the financing of national housing programmes.

Western Cape Housing Development Fund

PART 1: GENERAL INFORMATION

1. General Information

1.1 Submission of the Annual Report to the Executive Authority

I have the honour of submitting the 2012/13 Annual report of the Western Cape Housing Development Fund (WCHDF) in terms of the Public Finance Management Act (PFMA), Act 1 of 1999 (as amended by Act 29 of 1999).

Accounting Officer
Date: 30 August 2013

1.2 Introduction by the Head of the Department/Accounting Officer

The National Housing Fund was created in terms of the Housing Act, No.4 of 1966 to fund housing projects in the form of soft loans to municipalities/local authorities and these loans were redeemable over a 30 year period.

With the introduction of the Tri-Cameral Parliamentary System in 1983, four additional Funds and statutory bodies were established in addition to the National Housing Fund and necessitated the transfer of properties.

Prior to 1994, the Housing Arrangements Act, 1993 was promulgated which led to the creation of the South African Housing Fund and simultaneously abolished all the five former Funds and statutory bodies. With the promulgation of the Housing Act, 1997, (Act 7 of 1997), the South African Housing Development Board was established.

Western Cape Housing Development Fund

Although the Western Cape Housing Development Amendment Act, 2005, (Act 2 of 2005) provide for the abolition of the Western Cape Housing Development Board (WCHDB), the Western Cape Housing Development Fund (WCHDF) continued to exist as an unlisted public entity being administered by the Western Cape Provincial Department of Human Settlements.

Further to the above, Minmec also made a decision in 2002 to disestablish the South African Housing Fund (SAHF) and Provincial Housing Funds (PHF), but the legislative processes are still in progress which provide for the disestablishment of such statutory bodies.

Legal Services of the National Department of Human Settlements, informed the Provincial Human Settlement Departments that the status quo with regards to the Housing Amendment Bill still remains. Legal Services of the National Department of Human Settlements is unable to finalise the Bill, without the policy on Human Settlements that should give guidance as to whether the Department amends or repeal the current Housing Act. The processing of developing a policy in this regard falls within the scope of the Department's policy section. The National Department of Human Settlements is unable to proceed with the tabling of the Bill before the finalisation of the White Paper on Human Settlements that will in turn inform the contents of the Bill.

The WCHDF prepared its financial statements for the 2012/13 financial year in accordance with the GRAP reporting framework.

In conclusion, the Auditor-General of South Africa has issued a qualified opinion on the financial statements of the WCHDF for the 2012/13 financial year and identified a number of shortcomings in the internal controls of the entity:

- The Fund did not apply their valuation policy to measure Property, Plant and Equipment at the fair value of expected service potential derived from these assets as required in accordance with Standards of Generally Recognised Accounting Practice;
- The Fund did not take appropriate steps to ensure the accuracy of the Property, Plant and Equipment note disclosure and also land has been classified incorrectly as buildings;
- Assets were incorrectly classified in the asset register, which resulted in the incorrect valuation of assets;
- The Fund's records were not adequately maintained and the accounting system is primarily a cash based system which requires significant effort by management at

year end to convert transactions to the accrual basis to ensure that the financial statements comply to the GRAP accounting framework.

An action plan to comply with the GRAP standards as per key audit findings was implemented and progress against it, will be presented to the Standing Committees on Public Accounts (SCOPA) and Human Settlements' Audit Committee and Provincial Treasury. The Member of the Executive Committee (MEC) of Human Settlements and the Accounting Officer were closely involved to ensure compliance to GRAP.

The Department appointed a consultant with extensive experience on the GRAP standards to do high level review of the financial statements.

The number of anomalies within the asset register necessitated a completely new approach than anticipated. These errors initiated an expansion exercise that would require a detail review of assets and related revaluation reserve movements for each class of assets. Another matter of concern was the split of the site and the building to determine the depreciation of the properties, but the Fund could manage to implement a workable plan to disclose the useful lives of the properties accordingly. The Fund also managed to compile a fully GRAP compliant Asset Register with the assistance of the City of Cape Town who provided the Fund with the 2009 Valuation Roll.

The owner and administrator of the National Debtor System, the National Department of Human Settlements already indicated that no funding will be made available to enhance/upgrade the system.

Furthermore the Fund's accounting system is maintained on a cash basis (using the Basic Accounting System (BAS) of the Department, while the financial statements are prepared on an accrual basis of accounting.

The Fund strives to finalise the standardisation of the Property Register and the Debtors Book by March 2014, at which stage, subjected to expected amendments to the housing legislation, the Fund will be closed and the remaining assets of the Fund will be transferred to the books of the Department of Human Settlements.

The Fund has not reported against predetermined objectives as it is reported upon in the annual report of the Department of Human Settlements.

PART 2: REPORT OF THE AUDIT COMMITTEE

2. Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2013.

Audit Committee Members and Attendance

In terms of Cabinet Resolution 55/2007, the Department of Human Settlements is served by the Social Cluster Audit Committee. The Audit Committee consists of the members listed below and should meet at least 4 times per annum as per its approved terms of reference. During the financial year under review, 8 meetings were held.

Name of Member	Number of Meetings Attended
Mr R Kingwill (Chairperson)	8
Mr Z Hoosain (Resigned 30 November 2012)	6
Mr M Burton	8
Mr L van der Merwe	8
Ms J Gunther (Appointed 01 January 2013)	2
Mr F Barnard (Appointed 01 January 2013)	2

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1) (a) of the PFMA and Treasury Regulation 27.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Effectiveness of Internal Control

We have reviewed the reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the Management Report of the Auditor-General of South Africa (AGSA).

Western Cape Housing Development Fund

The Fund is a dormant entity and aspects of control relating to the Fund are evaluated in the activities of the parent department, the Department of Human Settlements. Significant control deficiencies were highlighted in the following internal audit reports:

- Consulting engagement on the Governance Action Plan for the Western Cape Housing Development Fund.

Enterprise Risk Management for the entity continues to be driven by the parent department.

We have reviewed and concur with management's acceptance of the AGSA's management report. We can confirm there are no unresolved issues.

The Fund does not prepare in-year management reports or quarterly performance reports as the fund is a dormant entity and therefore reports on its activity via the parent department.

We have fulfilled our mandate with regards to the annual financial statements as mentioned below.

Evaluation of Financial Statements

The Audit Committee has:

- reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report, with the AGSA and the Accounting Officer;
- reviewed the AGSA's Management Report and Management's response thereto;
- reviewed changes to accounting policies and practices as reported in the Annual Financial Statements;
- reviewed the Department's processes for compliance with legal and regulatory provisions;
- reviewed the information on predetermined objectives as reported in the annual report;
- reviewed material adjustments resulting from the audit of the Department and
- reviewed and where appropriate recommended changes to the interim financial statements as presented by the Department for the six months ending 30 September 2012

The Audit Committee concurs and accepts the AGSA's opinion regarding the Annual Financial Statements, and proposes that the Audited Annual Financial Statements be accepted and read together with the report of the AGSA.

Western Cape Housing Development Fund

Internal Audit

In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and Management with reasonable assurance that the internal controls are adequate and effective. This is achieved by a risk based internal audit plan, Internal Audit assessing the adequacy of controls mitigating the risks and the audit committee monitoring implementation of corrective actions.

The Fund however, is a dormant entity and aspects of control relating to the Fund are evaluated in the activities of the parent department, the Department of Human Settlements. The following internal audits were approved and completed during the year under review:

- Human Settlements Planning
- Human Settlements Implementation
- Consulting engagement on Strategic Support
- Consulting engagement on the Governance Action Plan for the Western Cape Housing Development Fund.

The Audit Committee remains concerned that further audit coverage is required to cover a significant percentage of high risk areas. The Audit Committee will encourage increased assurance over significant risks by overseeing the implementation of combined assurance principles.

Auditor General's Report

We have reviewed the department's implementation plan for audit issues raised in the prior year on a quarterly basis. The Audit Committee has met with the AGSA to ensure that there are no unresolved issues that emanated from the regulatory audit. Corrective actions on the detailed findings emanating from the current regulatory audit will be monitored by the Audit Committee on a quarterly basis.

Appreciation

The Audit Committee wishes to express its appreciation to the Management of the Department, the Auditor-General South Africa, Provincial Enterprise Risk Management Unit, Forensic Unit and the Internal Audit Unit for the co-operation and information they have provided to enable us to compile this report.

RDKingwill

Mr R Kingwill
Chairperson of the Social Cluster Audit Committee
August 2013

Western Cape Housing Development Fund

PART 3: ANNUAL FINANCIAL STATEMENTS

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2013

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Western Cape Housing Development Fund

REPORT OF THE AUDITOR-GENERAL TO WESTERN CAPE PROVINCIAL PARLIAMENT ON THE WESTERN CAPE HOUSING DEVELOPMENT FUND

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Western Cape Housing Development Fund set out on pages 21 to 71 which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Western Cape Housing Development Act, 1999 (Act No.6 of 1999) (WCHDA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

Property plant and equipment

4. The fund did not apply their valuation policy to measure Property Plant and Equipment at the fair value of expected service potential derived from these assets as required in accordance with Standards of Generally Recognised Accounting Practice, GRAP 17, *Property, plant and equipment*. Properties identified as open spaces and road remainders, not having service potential were valued incorrectly. Consequently, property, plant and equipment and the revaluation reserve are overstated by R279 759 797.

Opinion

5. In my opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Western Cape Housing Development Fund as at 31 March 2013 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the WCHDA.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

7. As disclosed in note 22 to the financial statements, the corresponding figures for 31 March 2012 have been restated as a result of errors discovered during the 2012-13 financial year in the financial statements of the Western Cape Housing Development Fund, and for the year ended, 31 March 2012.

Going concern

8. As disclosed in note 26 of the financial statements, a national decision was made to de-establish the Provincial Housing Funds. However the legislative changes to the National Housing Act, 1997 (Act no. 107 of 1997) have not yet been enacted to allow for

the de-establishment of the Fund. The functions of the Housing Fund will be transferred to Department of Human Settlements in March 2014.

Material Impairments

9. Material losses to the amount of R10 215 000 as disclosed in note 16 to the financial statements were reported by the Western Cape Housing Development Fund as a result of a write-off of irrecoverable debt.

   As disclosed in note 4 to the financial statements, material impairments to the amount of R193 663 000 were incurred as a result of provision for doubtful debts.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Predetermined objectives

11. I was unable to conduct the audit of performance against predetermined objectives as the fund is not required to prepare a report on its performance against predetermined objectives. The fund does not fall within the ambit of the PFMA and the entity-specific legislation does not require reporting on performance against predetermined objectives.

Compliance with laws and regulations

12. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

Financial statements

13. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and/or supported by full and proper records as required by section 14(1) (g) and) (h) of the WCHDA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected which resulted in the financial statements receiving a qualified audit opinion.

Internal control

14. I considered internal control relevant to my audit of the financial statements and compliance with laws and regulations. The matters reported below, under the fundamentals of internal control, are limited to the significant deficiencies that resulted in the basis for qualified opinion and the findings on compliance with laws and regulations are included in this report.

Financial and performance management

15. Management did not implement review processes to ensure that the information used to record properties in the asset register is valid and accurate. The credibility of title deed information obtained from the deeds office relating to properties was not verified on a regular basis. As a result, a number of assets were incorrectly classified in the asset register, which resulted in the incorrect valuation of assets.

16. Management did not implement adequate monthly processes and review of information in the financial statements to prevent or detect material misstatements identified in the financial statements. The fund's records were not adequately maintained and the accounting system is primarily a cash based system which requires significant effort by management at year end to convert transactions to the accrual basis to ensure that the financial statements comply with the GRAP accounting framework.

Cape Town

31 July 2013

Auditor-General

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Western Cape Housing Development Fund

Report of the Accounting Officer

Report by the Accounting Officer to the Executive Authority and the Provincial Parliament of the Western Cape.

The Western Cape Housing Development Fund (WCHDF) was established in terms of section 13 of the Western Cape Housing Development Act, 1999, (Act 6 of 1999) and in accordance with section 14(1)(f) and (g) of the Act, the Fund is compelled to compile and submit financial statements. In terms of section 12(2)(b) of the Housing Act, 1997, (Act 107 of 1997) and section 13(5) of the Western Cape Housing Development Act, 1999, the Head of the Provincial Department of Human Settlements is the Accounting Officer of the Fund. In terms of section 55(1) (b) of the Public Finance Management Act, 1999, (Act 1 of 1999) (as amended by Act No. 29 of 1999) (PFMA), the preparation of the Annual Financial Statements of the WCHDF and all other information presented in this report are the responsibility of the Head of the Department/ Accounting officer.

In accordance with schedule 3 of the PFMA, the WCHDF never existed as a public entity; however the Western Cape Housing Development Fund existed in terms of section 13 of the Western Cape Housing Development Act 1999, and therefore in accordance with section 12(2) (d) of the Housing Act 1997, is compelled to compile financial statements. In light of the aforementioned, Treasury was notified in terms of section 47(2) of the PFMA that the WCHDF is an unlisted public entity.

In accordance with section 14(1)(h)(i) of the Western Cape Housing Development Act, 1999, (Act 6 of 1999) and section 55(1)(b) of The Public Finance Management Act, 1999, (Act 1 of 1999) (as amended by Act No. 29 of 1999), the WCHDF is compelled to compile GRAP financial statements.

Legal Services of the National Department of Human Settlements informed the Provincial Human Settlement Departments that a draft Housing Amendment Bill has been finalised and consulted upon with all stakeholders, including provinces. One of the objectives of the Bill is to align the Housing Act, 1997, No. 7 of 1997 with the new mandate of the National Department of Human Settlements following the transition from Housing to Human Settlements. The National Department of Human Settlements is unable to proceed with the tabling of the Bill before the finalisation of the White Paper on Human

Settlements that will in turn inform the contents of the Bill. Any new developments will be reported to the Standing Committee on Public Accounts (SCOPA).

For the financial year under review the Audit Committee and the Internal Audit function were in operation throughout the financial year and substantially fulfilled its responsibilities as set out in Section 77 of the Public Finance Management Act, 1999, (Act 1 of 1999) (as amended by Act No. 29 of 1999) (PFMA) and the Treasury Regulation 27.1.8 and 27.2 respectively.

The assets, i.e. debtors and immovable properties that are reflected in the annual financial statements of the Fund were inherited over the years from various government authorities in terms of the Housing Act. This acquisition did not happen in a single event, but occurred subsequent to various amendments in housing legislation since 1993.

These assets have subsequently been restated and reflected at their related market values.

The past financial year saw significant inroads in rectifying the accounts of the Fund as well as promoting homeownership. The Department continued with the implementation of the Enhanced Extended Discount Benefit Scheme (EEDBS) programme. The programme made it possible, subject to certain qualifying criteria, for outstanding debt to be defrayed by a subsidy as well as any additional outstanding balance to be written off. This enables many debtors to take transfer of the units, which was not possible previously.

In addition to the debtors, a number of adjustments were made to the immovable property register to reflect properties where the risks and rewards of ownership rest with the Fund. These adjustments resulted in properties that do not belong to the Fund, being removed from the property register. Properties that do belong to the Fund have been added to the Immovable Asset Register. The Fund has made significant progress during the financial year under review. Some of the corrections include the following:

- Depreciation was accounted for and restated for the prior years;
- all properties now possess an erf number and a corresponding title deed number; and

the amended Immovable Property Valuation Policy is currently in line with the accounting policy.

The Department is committed to deal with the assets in a strategic and responsible manner. In this regard a Devolution Action Plan has been approved during December 2012 which sets out the priorities and timeframes within which the devolution and disposal of the properties will take place. The Department is also continuing with its efforts to ensure that its data and financial records of the WCHDF are GRAP compliant. In this regard an operational plan has been drafted and approved by the Executive Committee of the Department. These two plans are being implemented by dedicated teams and overseen by the Executive Committee to ensure that the plans are duly executed and that the objectives are achieved.

The following data reflects the actions taken with respect to the rectification process and the sales campaign:

	CASES	AMOUNT
SALES CAMPAIGN REBATE	**508**	**(R 14,051,530.16)**
Rebate: Sales	167	(R 3,827,116.29)
Rebate: Loans	341	(R 10,224,413.87)

WRITE OFF	**654**	**(R 10,215,085.36)**
Write off: Loans	380	(R 7,624,757.56)
Write off: Rentals	52	(R 643,302.26)
Write off: Sales	222	(R 1,947,025.54)

PROPERTIES	**1 964**	**(R 297,253,367)**
Restatement of the values as a result of an objection and appeal process with the City of Cape Town	144	(R 305,212,040)
Properties added, which were not included in the prior years	141	R 175,689,596
Devolved properties	1 679	(R 167,730,923)

Notes:

Western Cape Housing Development Fund

Report of the Accounting Officer (continued)

1. The total sales campaign figure includes the Enhanced Extended Discount Benefit Scheme (EEDBS) and the accompanying write-off in terms of the policy.
2. The total write-off figure includes write-off cases that can be ascribed to the implementation of the action plan to sanitise the Fund's debtors' books. The momentum achieved in the previous year through this action plan was maintained in the financial year under review thus permitting the achievement of targets set for the reduction of the debt.
3. The credit balances have been reduced from R 1, 8 million to R1, 4 million. The credits consist of debtors that pay in advance, unallocated receipts and erroneous negative balances in accounts inherited from the period prior to 2004.
4. The Housing Fund is currently conducting door to door visits for all the debtors as a means of verifying valid debtors and also identifies debtors that qualify for the Enhanced Extended Discount Benefit scheme (EEDBS).

The National Department of Human Settlements has confirmed that all programme errors are in the process of being rectified and the reports used for the reconciliation process can therefore be considered as reliable.

The reconciliation process for the 2012/13 financial year was performed on a monthly basis. Due to the programme changes and a new reconciliation report that was created by the programmers, discrepancies were easily identified and resolved. The reconciliation for the 2012/13 financial year was completed successfully.

The Fund is working closely with the National Department to ensure that the actions of the respective Departments are aligned and that problems are resolved timeously. The Fund aims to finalise the sanitisation of the property register and the debtors' books by March 2014, at which stage, subject to the expected amendments to the housing legislation, the Western Cape Housing Development Fund (WCHDF) will be closed and the remaining assets of the Fund will be transferred to the books of the Department or devolved to municipalities.

The Department places a very high emphasis on good governance and is striving towards a clean audit. The Department has a good partner relationship with Internal Audit and the Audit Committee to ensure that all the shortcomings identified by the AGSA are addressed

Report of the Accounting Officer (continued)

and resolved. Regular financial, non-financial and governance reports are submitted to the MEC, Standing Committees, management and the Audit Committee. The quarterly meetings between the AGSA, management and the MEC also ensure that the Executive Authority is alerted to any key control shortcomings that might lead to audit risks.

The Fund embarked on the following processes to address the 2011/12 financial year audit findings:

- To determine the root causes of the audit findings with the assistance by Internal Audit at the Department of the Premier;
- Compiled action plans in accordance with the Governance Action Plan;
- Regular monitoring and updating of the Governance Action Plan, which included on-going reporting to the Accounting Officer and the Provincial Minister;
- Quarterly reporting to Provincial Treasury and the Audit Committee;
- Quality review of Annual Financial Statements by consultants (Altimax).

The WCHDF is an unlisted entity within the Department and as such all expenditure related to assets is expensed under Programme 4: Housing Asset/Property Management of the Department of Human Settlements. The income that is derived from the assets and debtors was accounted as departmental revenue and subsequently paid over to the Provincial Revenue Fund and is appropriated in the budget of Vote 8: Human Settlements, partly funding the management of the assets.

The WCHDF transactions in respect of assets and income (loans, sales and rentals) were processed via the National Debtor System Database, which interfaces into the Department's Basic Accounting System (BAS).

The employees of the Directorates: Asset and Financial Management within the Department of Human Settlements administer the Fund. The National Debtor System is a sub-system that captures all transactions related to debtors and properties that interface into BAS.

No SCOPA RESOLUTIONS were passed for the 2011/12 financial year.

Western Cape Housing Development Fund

Report of the Accounting Officer (continued)

The annual financial statements as set out on pages 21 to 71 have been prepared in accordance with the Standards of Generally Accounting Practice (GRAP), as applicable to the WCHDF and the Rules of the Fund and are approved by the Head of Department of the Department of Human Settlements as the Accounting Officer and are certified to the best of my knowledge to be true and fair.

HEAD OF DEPARTMENT/ACCOUNTING OFFICER
DATE: 31 July 2013

Western Cape Housing Development Fund

Statement of Financial Position (SPO) for the year ended 31 March 2013

	Notes	2013 R'000	2012 R'000
Assets			
Non-current Assets			
Property, plant and equipment	**3**	3 290 604	3 740 566
Loans receivable	**4**	-	479
		3 290 604	**3 741 045**
Current Assets			
Trade receivables from other exchange transactions	**5**	7 050	5 554
Other receivables	**6**	13 207	7 823
Loans receivables	**4**	4 848	6 897
		25 105	**20 274**
Total Assets		**3 315 709**	**3 761 319**
Liabilities			
Current Liabilities			
Trade and other payables from other exchange transactions	**8**	11 743	3 003
Total Liabilities		**11 743**	**3 003**
TOTAL NET ASSETS		**3 303 966**	**3 758 316**
Net Assets			
Reserves		3 785 016	4 064 894
Accumulated surplus		(481 050)	(306 578)
		3 303 966	**3 758 316**

Western Cape Housing Development Fund

Statement of Financial Performance (SPR) for the year ended 31 March 2013

	Notes	2013 R'000	2012 R'000
Revenue			
Administration Fees received	**10**	96	-
Interest Received	**10**	5 116	29 103
Rental Income	**10**	3 391	3 006
Total Revenue		**8 603**	**32 109**
Other Income:			
Provision for impairment	**13**	18 708	32 405
Revenue from Department of Human Settlements	**14**	63 044	50 805
Total Other Income		**81 752**	**83 210**
Total Income		**90 355**	**115 319**
Less expenditure			
Audit Fees	**15**	1 957	1 664
Bad Debt Written off	**16**	10 215	19 811
Employee Cost	**17**	18 902	17 660
Depreciation	**3**	170 162	207 326
Goods and Services	**19**	42 185	31 482
Loss on Disposal of properties	**12**	279 891	355 740
Rebates and Subsidies	**20**	14 201	37 000
Recoverable Expenditure		2	-
Total Expenses		**537 515**	**670 683**
Surplus/(deficit) for the year		**(447 160)**	**(555 364)**

Western Cape Housing Development Fund

Statement of Changes in Net Assets for the year ended 31 March 2013

	Note	Revaluation Reserve R'000	Accumulated Surplus R'000	Total Net Assets R'000
Opening balance as previously reported		**5 034 264**	**9 153**	**5 043 417**
Prior year error	**22**	(42 664)	(160 938)	(203 602)
Revaluation reserve		(42 664)	-	(42 664)
Loans Receivable – Gross Amount		-	(106 131)	(106 131)
Loans Receivable – Impairment		-	106 131	106 131
Amount due by the Department		-	2 367	2 367
Other Receivables (release to retained earnings)		-	(119 315)	(119 315)
Depreciation			845	845
Property, Plant and Equipment		-	(44 835)	(44 835)
Balance at 01 April 2011 as restated		**4 991 600**	**(151 785)**	**4 839 815**
As previously reported		5 034 264	9 153	5 043 417
Prior year error	**22**	(42 664)	(160 938)	(203 602)
Revaluation adjustment		(532 081)	5 417	(526 664)
As previously reported		(22 816)	5 417	(17 399)
Prior year error - Omissions	**22**	(226 869)	-	(226 869)
Prior year error – Objection and Appeal Adjustment	**22**	(282 396)	-	(282 396)
Surplus/(deficit) for the year		-	(555 363)	(555 363)
As previously reported		-	(507 311)	(507 311)
Prior year error	**22**	-	(48 052)	(48 052)
Movement		-	528	528
As previously reported		-	528	528
Prior year error	**22**	-	-	-
Release of reserve		(394 625)	394 625	-
As previously reported		(376 802)	376 802	-
Prior year error		(17 823)	17 823	-
Balance at 01 April 2012 restated		**4 064 894**	**(306 578)**	**3 758 316**
Revaluation adjustment		-	-	-
Surplus/(deficit) for the year		-	(447 160)	(447 160)
Movement			633	633
Release of Reserve		(279 878)	279 878	-
Other Receivables			(7 823)	(7 823)
Balance at 31 March 2013		**3 785 016**	**(481 050)**	**3 303 966**

Western Cape Housing Development Fund

Cash Flow Statement for the year ended 31 March 2013

	Notes	2013	2012
		R'000	**R'000**
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Revenue		10 484	14 469
Other Receipts		57 659	164 664
		68 143	**179 133**
Payments			
Employee Costs		(18 902)	(17 660)
Suppliers		(33 445)	(35 050)
Other Payments		(16 160)	(38 664)
		(68 507)	**(91 374)**
NET CASH FLOW FROM OPERATING ACTIVITIES	**21**	**(364)**	**87 759**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		(90)	628
Increase(Decrease) in Loans Receivable		8 275	30 928
Increase(Decrease) in Reserve		-	-
Increase(Decrease) in Accumulated Surplus		-	-
Increase(Decrease) in Accumulated Surplus		(7 821)	(119 315)
Net CASH FLOW FROM INVESTING ACTIVITIES		**364**	**(87 759)**
CASH FLOW FROM FINANCING ACTIVITIES		-	-
NET CASH FLOW FROM FINANCING ACTIVITIES		**-**	**-**
Net Increase/(Decrease) in cash and cash equivalents		**-**	**-**
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at the end of year		**-**	**-**

Western Cape Housing Development Fund

Notes to the Financial Statements for the year ended 31 March 2013

Statement of Accounting Policies

1 Presentation of Financial Statements

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

These annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies are disclosed below.
These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand.

1.2 Going concern assumption

These annual financial statements are prepared on the basis that the Fund will remain a going concern for the foreseeable future, although a national decision was made to de-establish the Provincial Housing Funds, however the legislative changes to the National Housing Act, 1997 (Act no. 107 of 1997) have not been enacted to allow for the de-establishment of the Fund.

1.3 Significant judgments 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 annual financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the annual financial statements.

Significant judgments include:

Trade and other receivables

The Fund assesses its trade and other receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, the Fund makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Impairment testing

The recoverable (service) amounts of individual assets and cash-generating units have been determined based on the higher value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is possible that the assumption may change which may then impact our estimates and may then require a material adjustment to the carrying value of tangible assets.

The Fund reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared for expected future cash flows for each group of assets.

Useful lives of property, plant and equipment and intangible assets

The Fund's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and intangible assets. This estimate is based on the condition and use of the individual assets, in order to determine the remaining period over which the asset can and will be used.

Allowance for impairment

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Property, plant and equipment

The Fund's primary property portfolio is held to provide a social service and which also generates cash inflows. The Fund holds a large housing stock used to provide housing to the low income families at below market rental. In this situation, the property is held to provide housing services rather than for rentals or capital appreciation and rental revenue generated is incidental to the purposes for which the property is held.

As per guidance provided in GRAP 16: Investment property; such property is not considered an investment property nor inventories and would be accounted for in accordance with the Standard of GRAP on property, plant and equipment.

Initial recognition

Property, plant and equipment are tangible non-current 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 period.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other cost attributable to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Fund. Trade discounts and rebates are deducted in arriving at cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an item of property, plant and equipment is acquired at no cost, or for nominal cost, its cost is its fair value as at date of acquisition. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired non-monetary asset's fair value is not determinable, it's deemed cost is the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Subsequent measurement – Revaluation model

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Management considers the latest municipal values as a reliable basis as compared to fair value.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Depreciation

Subsequent to initial measurement property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual values. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

	Years
Land	0
Buildings	30 - 70
Office equipment	3 – 7
Furniture and fittings	7 - 10

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

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

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

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

De-recognition

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.5 Financial Instruments

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

Financial assets

A financial asset:

- Cash;
- a residual interest of another Fund; or
- a contractual right to:
    - a contractual right to;
    - exchange financial assets or financial liabilities with another Fund under conditions that are potentially favourable to the Fund.

Financial liabilities

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

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

Classification

The Fund has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Statement of Accounting Policies (continued)

Class	Category
Loans and receivables	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The Fund has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables	Financial liability measured at amortised cost

Initial recognition

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

The Fund recognises financial assets using trade date accounting.

Initial measurement

The Fund measures a financial asset and financial liability at amortised cost initially at its fair value, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement

The Fund measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.
- Financial instruments at fair value.
- Financial instrument at cost.

Statement of Accounting Policies (continued)

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

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.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Fund establishes fair value by using valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Fund uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on Fund-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a Fund calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Statement of Accounting Policies (continued)

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The Fund assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the Fund, significant financial difficulties of the debtor and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been, had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

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.

Derecognition

Financial Assets

The Fund derecognises financial assets using trade date accounting.

The Fund derecognises a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- The Fund transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- The Fund, 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 restriction on the transfer. In this case, the Fund:
  - ❖ Derecognise the asset; and
  - ❖ Recognise separately any rights and obligations 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 period of the transfer.

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

The difference between the carrying amount of a financial liability (or a 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 Fund 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).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the Fund currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.6 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.

Operating leases – lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as an income and the contractual payments are recognised as an operating lease asset or liability.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rent is recognised separately as revenue in the period in which they are received.

Income for leases is disclosed under revenue in the statement of financial performance.

Finance leases – lessor

The Fund recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the Fund's net investment in the finance lease.

1.7 Impairment of cash-generating assets

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

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

Statement of Accounting Policies (continued)

Identification

The Fund assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the Fund estimates the recoverable amount of the asset.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

Irrespective of whether there is any indication of impairment, the Fund also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually, by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the Fund estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the Fund applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Recognition and measurement (cash-generating unit)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Fund determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Reversal of impairment loss

The Fund assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Fund estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

1.8 Impairment of non-cash-generating assets

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

Identification

The Fund assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the Fund estimates the recoverable service amount of the asset.

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

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

Irrespective of whether there is any indication of impairment, the Fund also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approaches:

Depreciated replacement cost approach

The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition.

The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The Fund assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Fund estimates the recoverable service amount of that asset.

Statement of Accounting Policies (continued)

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.9 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

When an employee has rendered service to the Fund during a reporting period, the Fund 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 Fund recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, 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.

The expected cost of 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 Fund measures the expected cost of accumulating compensated absences as the additional amount that the Fund expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

1.10 Provisions

Provisions are recognised when:

- the Fund 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.

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

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

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

Provisions are not recognised for future operating.

1.11 Contingencies

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund.

A contingent liability is defined as a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events not wholly within the control of the Fund; or a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised.

1.12 Revenue from exchange transactions

Exchange transactions are transactions in which one Fund receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another Fund in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Interest, royalties and dividends

Revenue arising from the use by others or Fund assets yielding interest, royalties and dividends are recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the Fund; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Fund has transferred to the purchaser, the significant risks and rewards of ownership of the goods;
- the Fund retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Fund; and
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

1.13 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a Fund either receives value from another Fund without directly giving approximately equal value in exchange, or gives value to another Fund without directly receiving approximately equal value in exchange.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting fund.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Fund satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Fund 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.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the Fund.

When, as a result of a non-exchange transaction, the Fund recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Gifts and donations, including goods and services in-kind

Gifts and donations, including goods in-kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the Fund and the fair value of the assets can be measured reliably.

Services in-kind are not recognized.

Revenue from the Department of Human Settlements

Revenue from the Department is assistance by the Department in the form of transfer of resources in return for compliance with conditions relating to operating activities. Revenue is recognised on a systematic basis over periods necessary to match them with the related costs.

Transfers

Apart from services in kind, which are not recognised, the Fund recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.15 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure incurred in contravention of, or that is not in accordance with:

- a requirement of the PFMA (Act No. 29 of 1999); or
- a requirement of the State Tender Board Act (Act No. 86 of 1986), or any regulations made in terms of the Act; or
- a requirement in any provincial legislation providing for procurement procedures in that provincial government.

All expenditure relating to irregular 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.

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure that 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.

1.17 Related parties

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

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

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

1.18 Budget Information

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

The approved budget covers the fiscal period from 01 April 2012 to 31 March 2013.

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and the reconciliation between the statement of financial performance and the budget for the reporting period have been included in the Statement of comparison of budget and actual amounts.

2. New Standards and interpretations

Standards and interpretations effective and adopted in the current year

In the current year, the Fund has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/Interpretations	Effective date: Years beginning on or after
GRAP 23: Revenue from Non-Exchange Transactions	1 April 2012
GRAP 24: Presentation of Budget Information in the Financial Statements	1 April 2012

Standards and Interpretations early adopted

The Fund has chosen not to early adopt any standards and/or interpretations:

Standards and interpretations issued, but not effective

The Fund has not applied the following standards and interpretations, which have been published and are mandatory for the Fund's accounting periods beginning on or after 01 April 2013 or later periods:

Standard/Interpretations	Effective date: Years beginning on or after
GRAP 1 (as revised 2012): Presentation of Financial Statements	1 April 2013
GRAP 3 (as revised 2012): Accounting policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 13 (as revised 2012): Leases	1 April 2013
GRAP 16 (as revised 2012): Investment Property	1 April 2013
GRAP 17 (as revised 2012): Property, Plant and Equipment	1 April 2013
GRAP 20: Related Parties	1 April 2013
GRAP 25: Employee benefits	1 April 2013
GRAP 105: Transfers of functions between entities under Common control	1 April 2014
GRAP 106: Transfers of functions between entities not under Common control	1 April 2014
GRAP 107: Mergers	1 April 2014
IGRAP 1: (as revised 2012): Applying the probability test on initial recognition of revenue	1 April 2013

Standards and interpretations issued, not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the Fund's accounting periods beginning on or after 01 April 2013 or later periods but are not relevant to its operations:

Standard/Interpretations	Effective date: Years beginning on or after
GRAP 18: SEGMENT REPORTING	No effective date

3. **Property, plant and equipment**

	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
2013	**R'000**	**R'000**	**R'000**
Land	2 032 700	-	2 032 700
Buildings	1 635 392	(377 488)	1 257 904
	3 668 092	**(377 488)**	**3 290 604**
2012			
Land	2 240 046	-	2 240 046
Buildings	1 707 846	(207 326)	1 500 520
	3 947 892	**(207 326)**	**3 740 566**

Reconciliation of property, plant and equipment 2013	**Opening Balance**	**Additions**	**Disposals**
Land	2 240 046	**-**	(207 346)
Buildings	1 500 520	**-**	(72 454)
	3 740 566	**-**	**(279 800)**

Reconciliation of property, plant and equipment 2012	**Revaluations**	**Depreciation**	**Total**
Land	**-**	**-**	**2 032 700**
Buildings	**-**	(170 162)	**1 257 904**
	-	**(170 162)**	**3 290 604**

2012

Reconciliation of property, plant and equipment 2012

	Opening Balance	Additions	Disposals
Land	2 975 934	-	(252 650)
Buildings	1 877 475	-	(120 786)
	4 853 409	**-**	**(373 436)**

Reconciliation of property, plant and equipment 2012	**Revaluations**	**Depreciation**	**Total**
Land	(483 238)	-	2 240 046
Buildings	(48 843)	(207 326)	1 500 520
	(532 081)	**(207 326)**	**3 740 566**

	2013	2012
	R'000	R'000

Assets subject to finance lease (Net carrying amount)

None of the property, plant and equipment has been pledged as security for liabilities or contingent liabilities.

Revaluations

The effective date of the revaluations was 31 March 2011. Land and buildings are revalued at Municipal and Accounting Officer's values.

Land and buildings are re-valued every three years with reference to the municipal valuation roll values. The next revaluation is due 01 April 2014.

Deemed cost

As a result of applying Directive 7 in the previous financial year, all properties in the asset register was valued using deemed cost.

Deemed cost was determined using fair value.

4. Loans receivable

	2013 R'000	2012 R'000
Gross investment	190 147	210 430
Impairment	(185 299)	(203 054)
	4 848	**7 376**
Non-current assets	-	479
Current assets	4 848	6 897
	4 848	**7 376**

None of the trade and other receivables has been pledged as security for liabilities or contingent liabilities.

	2013	2012
	R'000	R'000

Credit quality of Loans receivables

The credit quality of Loans receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

Fair value of Loans receivables		
Loans receivables	4 233	5 391
Sales	615	1 985
	4 848	**7 376**

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus advances, plus or minus the cumulative amortization 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.

Loans receivables past due but not impaired

Loans receivables which are less than four months past due are not considered to be impaired. At 31 March no Loans receivables were past due but not impaired.

The ageing of amounts past due but not impaired cannot reliably be determined.

Loans receivables impaired

As of 31 March 2013, Loans receivables of R 190,146,597.00 (2012: R 210,430,151.00) were impaired and provided for.

The amount of the provision was R 185,298,694.00 (2012: R 203,054,306.00).

Default on payment is considered in determining if a receivable is impaired.

The ageing of amounts impaired cannot reliably be determined.

Reconciliation of provision for impairment		
Opening balance	203 054	235 459
Provision for impairments	(17 755)	(32 405)
Closing balance	**185 299**	**203 054**

	2013	2012
	R'000	R'000

Credit risk exposure

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The Fund does not hold any collateral as security over Loans receivables

5. Trade receivables from exchange transactions

	2013 R'000	2012 R'000
Rentals	14 414	13 870
Impairment	(7 364)	(8 316)
Closing balance	**7 050**	**5 554**

The Fund does not hold any collateral as security.

None of the trade and other receivables has been pledged as security for liabilities or contingent liabilities.

Credit quality of trade and other receivables

The credit quality of Loans receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than four months past due are not considered to be impaired. At no accounts were past due but not impaired.

The ageing of amounts past due but not impaired cannot reliably be determined.

Trade and other receivables impaired

As of 31 March 2013, trade and other receivables of R 14,413,780.00

(2012: R 13,870,404.00) were impaired and provided for.

The amount of the provision was R 7,363,953.00 (2012: R 8,316,399) as of 31 March 2013.

Default on payment is considered in determining if a receivable is impaired.

The ageing of amounts impaired cannot reliably be determined.

	2013 R'000	2012 R'000
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	8 317	9 525
Provision for impairments	(953)	(1 208)
Closing balance	**7 364**	**8 317**

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit.

6. Other receivables

	2013 R'000	2012 R'000
The Department of Human Settlements	13 231	7 765
Amounts refundable to trade receivables post 1990	(24)	58
Closing balance	**13 207**	**7 823**
Reconciliation of Department of Human Settlements		
Opening balance	7 765	2 377
Current year movement	256	(2 677)
Instalments received from receivables	5 210	8 065
Closing balance	**13 231**	**7 765**

The nature of the other receivables relates to amounts that are due from the Department of Human Settlements for rentals and other income collected on behalf of the Fund as the Fund does not have its own bank account.

7. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

	Financial instruments at amortised cost	Total
2013		
Trade receivables from exchange transactions	7 050	7 050
Other receivables	13 207	13 207
Loans receivable	4 848	4 848
Closing balance	**25 105**	**25 105**

	Financial instruments at amortised cost	Total
2012		
Trade receivables from exchange transactions	5 554	5 554
Other receivables	7 823	7 823
Loans receivable	7 376	7 376
Closing balance	**20 753**	**20 753**

	2013 R'000	2012 R'000
8. Trade and other payables from exchange transactions		
Accruals: Goods and Services	10 625	2 020
Amounts refundable to trade receivables	1 118	983
Amounts refundable to trade receivables post 1990	-	-
Closing balance	**11 743**	**3 003**

	Financial instruments at amortised cost	Total
9. Financial liabilities by category		
2013		
Trade and other payables from exchange transactions	11 743	11 743
Closing balance	**11 743**	**11 743**
2012		
Trade and other payables from exchange transactions	3 003	3 003
Closing balance	**3 003**	**3 003**

	2013 R'000	2012 R'000

10. Revenue

	2013 R'000	2012 R'000
Administration fees received	96	-
Interest received	5 116	29 103
Rental income	3 391	3 006
Closing balance	**8 603**	**32 109**

The amount included in revenue arising from exchange transactions are as follows:

	2013 R'000	2012 R'000
Administration fees received	96	-
Interest received	5 116	29 103
Rental income	3 391	3 006
Closing balance	**8 603**	**32 109**

Rental received relate to low income tenant rentals through the housing scheme as set out in the Housing Act.

Interest received relate to interest accrued from the Loans receivable.

11. Other income

	2013 R'000	2012 R'000
Profit on disposal of properties	-	-
Provision for impairment	18 708	32 405
Revenue from Department of Human Settlements	63 044	50 805
Closing balance	**81 752**	**83 210**

The amount included in other arising from exchange transactions are as follows:

	2013 R'000	2012 R'000
Profit in disposal of properties	-	-
Provision for impairment	18 708	32 405
Closing balance	**18 708**	**32 405**

	2013 R'000	2012 R'000
The amount included in other arising from non-exchange transactions are as follows:		
Revenue from Department of Human Settlements	63 044	50 805
Closing balance:	**63 044**	**50 805**

12. Disposal of properties

	2013 R'000	2012 R'000
Disposal of properties consist out of:		
(Profit)/Loss on disposal of properties	153 095	9 601
Loss on properties devolved	126 796	346 139
Closing balance	**279 891**	**355 740**

13. Provision for impairment

	2013 R'000	2012 R'000
Loans receivable	17 755	30 842
Trade receivables from exchange transactions	953	1 563
Closing balance	**18 708**	**32 405**

14. Revenue from Department of Human Settlements

	2013 R'000	2012 R'000
Received	63 044	50 805
Closing balance:	**63 044**	**50 805**

Income recognised in lieu of the expenditure incurred by the Department on behalf of the Fund.

15 Audit fees

	2013 R'000	2012 R'000
Auditors remuneration	1 957	1 664
Closing balance:	**1 957**	**1 664**

16. Bad debts written off

	2013 R'000	2012 R'000
Receivables	10 215	19 811
Post office Suspense Account	-	-
Inter Departmental Transfer Suspense Accounts	-	-
Closing balance	**10 215**	**19 811**

	2013 R'000	2012 R'000

The Inter Department Transfer Suspense Accounts were created on the National Debtor Database to receive money from debtors staying in one province, but paying for properties in a different province and where after these monies will be paid to the province to whom it was due to. This was all done programmatically by the National Debtors System (NDS).

17. Employee Cost

	2013 R'000	2012 R'000
Salaries and wages	**16 609**	**15 446**
Basic salary	12 973	11 592
Compensative/Circumstantial other	207	1
Capital Remuneration	25	-
Housing allowance	495	439
Leave Discounting	-	-
Non pensionable allowance other	910	880
Overtime	920	1 337
Performance Award - Other	46	26
Performance bonus	153	229
Periodic payments	-	94
Service Based Other	15	23
Service Bonus	865	825
Employer Contributions	**2 293**	**2 214**
Bargaining Council	4	4
Medical	882	900
Pension	1 407	1 310
Closing balance	**18 902**	**17 660**

18 Bad debts written off

Bad debt written off transactions are processed when all necessary steps have been are finalized.

An approval to write off the debt signed by the senior management is further followed by investigation of the correct amount.

Western Cape Housing Development Fund

Notes to the Financial Statements for the year ended 31 March 2013

		2013 R'000	2012 R'000
19.	**Goods and services**		
	Business & Advisory Services: Financial Management	237	391
	Business & Advisory Services: Valuator	134	73
	Contractors: Tracing Agents & Debt Collection	65	-
	Information &Planning: Land & Quantity Survey	4	-
	Information &Planning: Geo Information Service	10	
	Legal Advice: Private Firm	509	223
	Legal Advice: State Attorney	290	380
	Maintenance & Repairs: Land Developed	(83)	11 610
	Maintenance & Repairs: Land Undeveloped	-	1 000
	Municipal Accounts	29 829	13 922
	Municipal Charges	4 259	2 371
	Property Deeds	737	853
	State Attorney: Conveyance	710	648
	State Attorney: Messenger of the Court	-	11
	Contractors: Maintenance and Repairs	4 707	-
	Property Payments: Management Fee	4	-
	Security Services	773	-
	Closing balance	**42 185**	**31 482**
20.	**Rebates and subsidies**		
	Discount benefit scheme	13 988	36 836
	Phasing out programme	213	164
	Closing balance	**14 201**	**37 000**

		2013 R'000	2012 R'000
21.	**Cash generated from operations**		
	Surplus/(deficit) for the year	(447 160)	(555 364)
	Adjust for:		
	Interest received	(5 116)	(29 103)
	Profit on disposal of properties	-	-
	Provision for impairment	(18 708)	(32 405)
	Bad debts written off	10 215	19 811
	Depreciation	170 162	207 326
	Loss on disposal of properties	279 891	355 740
	Changes in working capital:		
	Trade receivables from exchange transactions	6 997	11 463
	Other receivables	(5 385)	113 859
	Trade and other payables from exchange transactions	8 740	(3 568)
	Net cash flow from operating activities	**(364)**	**(87 759)**

22.	**Prior period errors**	
	Summary of prior period errors	
	Adjustment affecting the statement of changes in net assets	
	Adjustment against opening accumulated surplus at 31 March 2011	715 231
	Movement in accumulated surplus for 2011/12 year	-
	Closing balance	**715 231**
	Adjustments affecting the statement of financial position	
	Property, plant and equipment	(644 013)
	Loans receivables	317
	Trade and other receivables from exchange transactions	(198)
	Other receivables	(117 379)
	Trade and other payables from exchange transactions	356
	Closing balance	**(760 917)**

	2013 R'000	2012 R'000
Adjustments affecting the statement of financial performance		
Administration fees received		-
Interest received		77
Rental income		183
Profit on disposal of properties		-
Provision for impairment		(650)
Revenue from Department of Human Settlements		347
Audit fees		-
Bad debts written off		-
Compensation of employees		-
Depreciation		30 273
Goods and services		-
Loss on disposal of properties		17 823
Rebates and subsidies		-
Amount due by the Department		(2 367)
Miscellaneous expenditure		-
Closing balance		**45 686**

22.1 Interest accrued

Interest accrued for 2013 included interest raisings and Induplum interest relating to prior years. An adjustment of R 106,055 million was processed to accumulated surplus as the opening balance adjustment:

Adjustments affecting the statement of changes in net assets:		
Opening accumulated surplus at 31 March 2011		**106 055**
Adjustments affecting the statement of financial position:		-
Loans and Sales Receivables		**106 055**

		2013 R'000	2012 R'000
22.2	**Recoverable Expenses**		
	Correction of recoverable expenses capitalised incorrectly levied against the receivable accounts.		
	Correct recoverable expenses such as rates and taxes that were incorrectly levied against the receivable accounts. The comparative statements for 2009/10 have been restated. The effect of the restatement is summarized below:		
	Adjustments affecting the statement of changes in net assets:		
	Adjustment against opening Accumulated surplus at 31 March 2010		12
	Movement in Accumulated Surplus for 2010/11		(10)
			2
	Adjustments affecting the statement of financial position:		
	Increase in Loan Receivables		(10)
			(10)
	Adjustments affecting the statement of financial performance		
	Decrease in Miscellaneous expenditure		10
			10

	2013	2012
	R'000	R'000

22.3 Property, Plant and Equipment

Revaluation Reserve

Restatement of the opening balances as a result of an objection and appeal of the City of Cape Town values as per the 2009 Valuation Roll, which was only effected in the current financial year. These values should have reflected on the original Valuation Roll, i.e. before GRAP was implemented.

	2013 R'000	2012 R'000
Adjustments affecting the statement of changes in net assets:		
Adjustment against opening Accumulated surplus at 31 March 2010		305 623
Movement in Accumulated Surplus for 2010/11		**305 623**
Adjustments affecting the statement of financial position:		
Revaluation Reserve (release)		305 623
		305 623
Adjustments affecting the statement of financial performance:		
Loss on Disposal		17 823
		17 823

Correction of prior year error: Properties that were not on the prior year asset register was picked up by the download this year.

	2013 R'000	2012 R'000
Adjustments affecting the statement of changes in net assets:		
Revaluation Reserve		(173 870)
		(173 870)

Western Cape Housing Development Fund

Notes to the Financial Statements for the year ended 31 March 2013

	2013	2012
	R'000	R'000
Correction of prior year error: As a result of reclassification of the property type, i.e. from dwelling to another type or vis a versa. Additional depreciation has to be passed to correct the opening balance, i.e. to restate it.		
Adjustments affecting the statement of changes in net assets:		
Accumulated Depreciation		89 670
		89 670
Correction of prior year error of properties that were supposed to have been sold in the prior year and reflected as sold in the current year. The devolution portion of this is reflected and is portion of R 10 722 500 is on a separate line item. The opening balance is restated with that amount.		
Adjustments affecting the statement of changes in net assets:		
Devolved Properties		16 508
		16 508
Correction of prior year error. Properties that were sold in the current year that was supposed to have been recognized in the prior year. This is to restate the opening balances.		
Adjustments affecting the statement of changes in net assets:		
Properties sold		1 315
		1 315
		239 246

Western Cape Housing Development Fund

Notes to the Financial Statements for the year ended 31 March 2013

	2013 R'000	2012 R'000
Property, Plant and Equipment		
Property, plant and equipment was overstated due to depreciation calculated on properties that were incorrectly classified as dwellings. This is a correction to reverse the depreciation initially accounted for.		
Adjustments affecting the statement of changes in net assets:		
Depreciation		**845**

22.4 Amount due to the Department

An amount for accruals for 2011 was not included from the Department of Human Settlements and therefore the correction was processed to account for the revenue.

	2013 R'000	2012 R'000
Adjustments affecting the statement of financial performance		
Revenue from the Human Settlements		**2 367**

22.5 Other receivables

An amount of R 119,315 million was included in other receivables as owing by the Department of Human Settlements. Debtors make payments to the Human Settlements' bank account and the amount is paid over the Treasury each year. The amount is then released to retained earnings as the debtor amount would not be paid over to the Housing Fund.

	2013 R'000	2012 R'000
Adjustments affecting the statement of changes in net assets:		
Release to Retained Earnings		119 315
		119 315
Adjustments affecting the cash flow statement:		
Cash flow from investing activities		(119 315)
		-

	2013	2012
	R'000	R'000

23 Related party

Department of Human Settlements

The Department of Human Settlements is the controlling department of the Fund.

Transactions:

Revenue from Department of Human Settlements - Refer to note 11:	**63 044**	**50 805**

Balances:

The Department of Human Settlements - Refer to note 6:	**13 231**	**7 765**

24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

25. Risk management

25.1 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk.

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for the measuring and managing risk, and the Fund's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Accounting Authority has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund's risk management policies are established to identify and analyse the risk faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regular to reflect changes in market conditions and the Fund's activities. The Fund, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Fund's Audit Committee overseas how management monitors compliance with the Fund's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Fund. The Fund's Audit committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Audit committee.

	2013	2012
	R'000	R'000

25.2 Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's receivables from customers.

Trade receivables and Loans receivables

The Fund's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The demographics of the Fund's customer base have less of an influence on credit risk. Geographically there is no concentration of risk.

The Fund establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables and Loans receivables. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Trade receivables from exchange transactions	14 414	13 870
Other receivables	13 207	7 823
Loans receivable	190 147	210 430
Closing balance	**217 768**	**232 123**

25.3 Interest rate risk

The Fund's interest rate risk arises from trade receivables and Loans receivables. Credit issued at variable rates expose the Fund to cash flow interest rate risk.

Credit issued at fixed rates expose the Fund to fair value interest rate risk

25.4 Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

		2013 R'000	2012 R'000
	R'000	**R'000**	**R'000**
	Less than 1 year	**Between 1 and 2 years**	**Total**
2013			
Trade and other payables:	**11 743**	**-**	**11 743**
2012			
Trade and other payables	**3 003**	**-**	**3 003**

26. Going concern

The annual financial statements are prepared on the basis that the Fund will remain a going concern for the foreseeable future, although a national decision was made to de-establish the Provincial Housing Funds, however the legislative changes to the National Housing Act, 1997 (Act no.107 of 1997) have not yet been enacted to allow for the de-establishment of the Fund.

The Fund is dormant as far as its operations and activities are concerned and it does not engage in its own operations.

The Fund aims to finalise the sanitisation of the properties meaning to transfer, delete and devolve the properties and phasing out of the debtor book by promoting ownership by March 2014, at which stage, subjected to the expected amendments to the housing legislation, the Fund will be closed and the remaining assets of the Fund will be transferred to the books of the Department or devolved to municipalities/local authorities.

Furthermore there are no factors that are contrary to our evaluation. There is no intention for the Fund to be liquidated or cease operations.

There is no significant doubt that the Fund will continue to exist at this stage. The Statement of Financial Position continues to reflect a positive net asset current ratio and the Property Portfolio of the Fund amount to R2.5 billion (2012: R2.5 billion).

There is no legislation that the Fund will not continue in the foreseeable future.

	2013	2012
	R'000	R'000

27. Events after reporting period

The executive management is not aware of any other matter or circumstance since the financial year ended 31 March 2013 and the date of this report, or legislated, or otherwise dealt with in the financial statements, which significantly affects the financial position of the Fund and the results of its operations.

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