



Annual Report
2015-2016

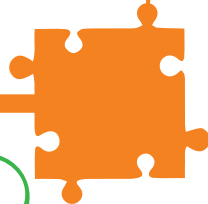


An Agency of the
Department of Human Settlements



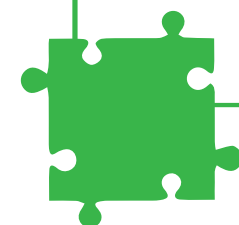
Vision

Vibrant communities living on well-located land



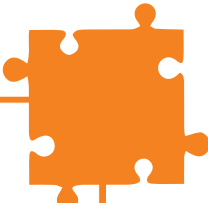
Mission

Building partnerships to create integrated sustainable human settlements

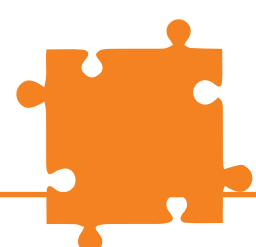


Objectives


The HDA was established to address the land acquisition and assembly process so as to accelerate housing delivery and human settlements. The specific functions of the Agency are set out in section 7 of the Act



Identify, acquire, hold, develop and release well-located land and buildings



Provide project management support and housing development services



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MESSAGE FROM THE CHAIRPERSON



Mr Mavuso Msimang

CHAIRPERSON'S OVERVIEW

The 2015/16 financial year was a busy period for the Housing Development Agency (HDA), both on the project implementation and management front, as well as at an institutional level.

An important highlight was the welcoming of our new Chief Executive Officer (CEO), Mr Pascal Moloi in October 2015, whom we have entrusted with the refocusing of the HDA. Our Board is confident that Mr Moloi brings with him much needed administrative and strategic leadership skills to charter the HDA into its second phase of development.

The HDA is going through exciting times with its repositioning as the state's developer. Our Board took a decision to bring on board a suitably qualified service provider to look into the implications of changing the HDA's role and determine institutional changes that were needed to fulfil this role. We are pleased to say that by the end of the financial year the business case was approved by the Board and we are steaming ahead with the related consultations.

At a programme performance level, we have established a state-of-the-art online Master Spatial Plan system that will enable not only the HDA, but the department at both national and provincial levels to have access to credible, real time information on all human settlements projects. This system is also available for use by municipalities and other related government departments. We commend the HDA on the work done.

As indicated during the United Nations (UN) Habitat III Thematic Meeting held in South Africa in April 2016, we remain the best case study on informal settlements upgrading in the world. This assertion became clear during the deliberations that we cannot be complacent – we still have much to do to provide the people of South Africa with sustainable, vibrant and integrated human settlements and restore their human dignity.

With the finalisation and announcement of the catalytic projects, the work being undertaken on informal settlements upgrading and the acceleration of delivery, we are pleased that we are beginning to transform spatial planning in South Africa.

“HDA remains the best case study on informal settlements upgrading in the world”

“Mr Moloi brings with him much needed administrative and strategic leadership skills to charter the HDA”

MESSAGE FROM THE CHAIRPERSON


.....continued

All these brilliant plans and projects rely on our ability and capability to secure strategic land and property. For the 2015/16 financial year, we set ourselves a target of 3 000 hectares (ha) and have achieved this target despite many challenges.

We continue with our project implementation role in our flagship human settlements projects, the N2 Gateway in Cape Town, and delivered 1 756 units by the end of the reporting period. Zanemvula in the Eastern Cape, which is now part of the Nelson Mandela Bay Metro (NMBM) Human Integrated Settlements Programme, continues to present us with challenges, but we are pleased that we were able to deliver 1 035 units together with NMBM. Our flagship projects in Gauteng have also seen us deliver 205 units during the period under review.

Our efforts on keeping a clean audit and running an efficient and high performance driven Agency continues to yield results. We maintained a clean record on all governance matters and I commend the management of our organisation.

Our focus for the 2016/17 financial year will be on the implementation of the catalytic projects, community and public engagement as we reposition and market the HDA as the government developer.



Mr Mavuso Msimang
Chairperson



HDA BOARD MEMBERS



Mavuso Msimang
Chairperson
(Non- Exec)



Pravin Singh
Board Member
(Non- Exec)



Pascal Molo
Chief Executive Officer
(Exec)



Rooksana Moola
Chief Financial Officer
(Exec)



Thuthuka Songelwa
Board Member
(Non - Exec)



Maanda Mutheiwana
Board Member
(Non- Exec)



Nkosi Vilakazi
(Non- Exec)

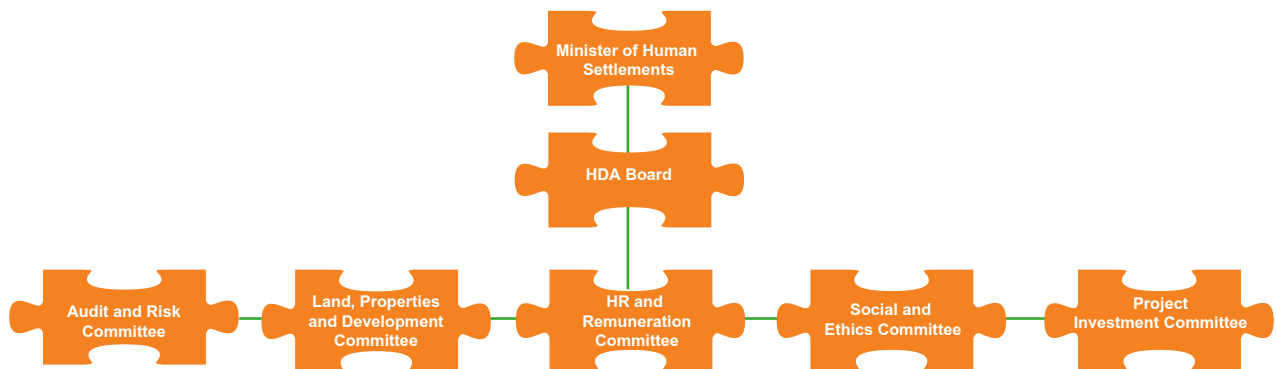


Leona Archary
Board Member
(Non- Exec)



George Seitsho
(Non- Exec)

Reporting Structure of the HDA



OVERVIEW OF THE HDA

What is the HDA?

The HDA came into being on 23 September 2008, in terms of the Housing Development Agency Act No. 23 of 2008.

The HDA promotes sustainable communities by making well-located land and buildings available for the development of housing and human settlements. As an organ of state, the HDA is accountable through its Board to the Minister of Human Settlements.

Objectives of the HDA

The HDA was established to facilitate and expedite the development of large-scale, integrated and sustainable human settlements. Its primary functions are:

- Land assembly and land holding focusing on state-owned land and land linked to potential or actual large scale, integrated, sustainable human settlements
- Project delivery (including direct and indirect project delivery) of large scale, integrated, sustainable human settlements
- Identify, hold, develop and release state, communal and privately owned land for residential and community purposes and for the creation of sustainable human settlements

In order to achieve the objectives, the Agency must:

- Ensure that residential and community developments are sustainable, viable and appropriately located
- Ensure that job creation is optimised in the process of residential and community development
- Introduce and manage a land inventory and information system
- Ensure that community participation takes place

What are the functions of the HDA?

In terms of section 7 (1) of the HDA Act, the HDA must:

- Develop a development plan to be approved by the Minister in consultation with the relevant authorities in the provinces and municipalities
- Develop strategic plans with regard to the identification and acquisition of state, privately and communally owned land which is suitable for residential and community development
- Prepare necessary documentation for consideration and approval by the relevant authorities as may be required in terms of any other applicable law
- Monitor progress of the development of land and landed property acquired for the purposes of creating sustainable human settlements
- Enhance the capacity of organs of state including skills transfer to enable them to meet the demand for housing delivery
- Ensure that there is collaboration and intergovernmental and integrated alignment for housing development services
- Identify, acquire, hold, develop and release state, private and communal land for residential and community development
- Undertake such project management services as may be necessary, including assistance relating to approvals required for housing development
- Contract with an organ of state for the purpose of acquiring available land for residential housing and community development for the creation of sustainable human settlements



OVERVIEW OF THE HDA

...continued

- Assist organs of state in dealing with housing developments that have not been completed within the anticipated project period
- Assist organs of state with the upgrading of informal settlements
- Assist organs of state in respect of emergency housing solutions

In terms of the HDA Act, the Minister may, in consultation with the Board authorise the Agency to perform any additional function that is consistent with the Act. Accordingly, the Minister can direct the Agency to conclude land assembly and/or project management agreements with organs of state, in consultation with the relevant Members of the Executive Council (MECs).

How does the HDA work?

Strategic goals of the HDA

Provide land and housing development support services to our partners to achieve key national strategic priorities relating to human settlements.

Develop and lead a national sector-wide land assembly strategy and programmes for sustainable human settlements in partnership with organs of state and other key sector stakeholders.

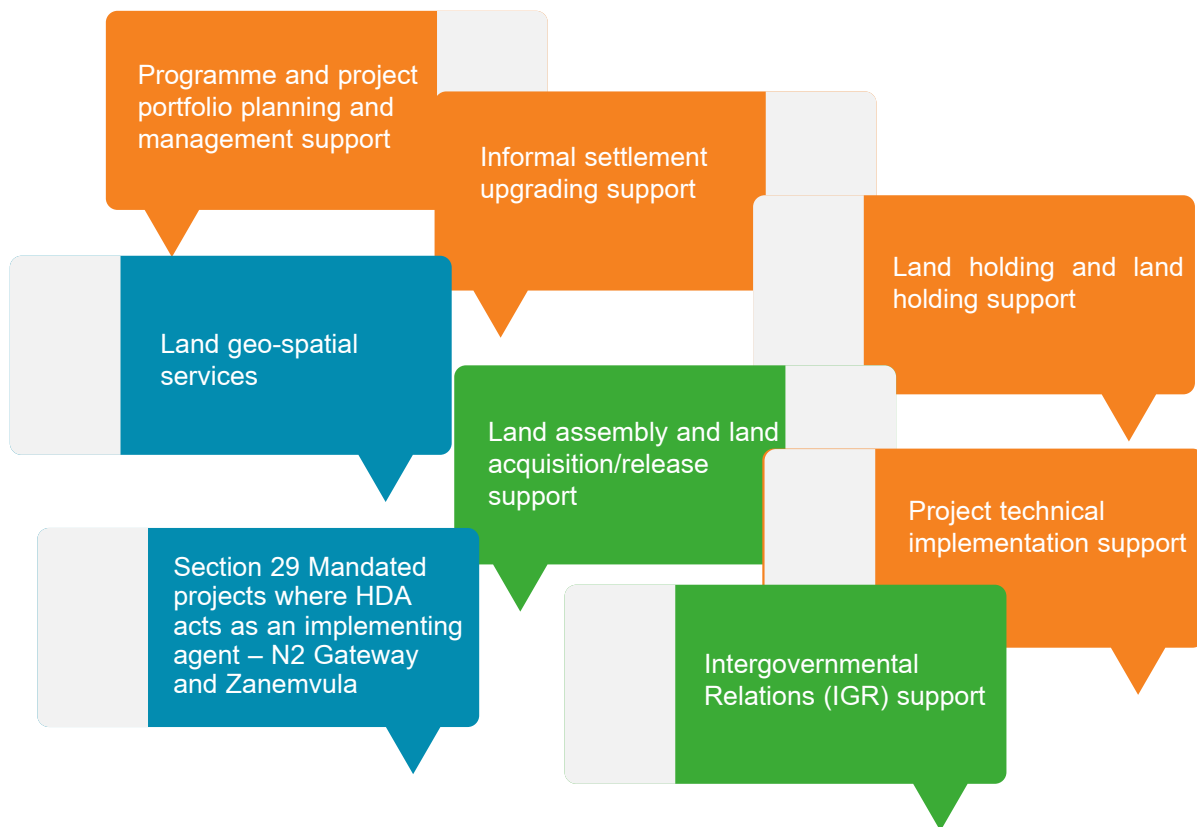
The Agency provides project delivery services in the form of land acquisition and management, project structuring, project planning, capacity assembly, as well as the management of projects. The type of assistance provided is negotiated and expressed through an Implementation Protocol (IP). Intergovernmental agreements are structured between the HDA and the respective organ of state with a view to ensuring that there is collaboration and intergovernmental and integrated alignment for housing development services.

In general, the agreement outlines the framework of cooperation, the areas of activity in both land and building acquisitions, management and project management, and the institutional arrangements, for example, the establishment of a steering committee.

OVERVIEW OF THE HDA

...continued

Specific project-based agreements are then formulated to guide the overall agreement covering the following key services provided by the HDA:



How is the HDA funded?

In terms of the HDA Act, the Agency can be funded as follows:

- Monies appropriated by Parliament through the National Department of Human Settlements (NDHS)
- Fees for services provided to provinces and municipalities based on cost recovery
- Interest on investments
- Subsidies and grants from organs of state
- Proceeds from the sale of land and property

CHIEF EXECUTIVE OFFICER'S REPORT



Mr Pascal Moloi

Having joined the HDA in October 2015 and then being mandated to reposition the Agency from being a project support and facilitator to a fully-fledged state developer, was a clarion call. We had to change the wheels on a moving car but remain focused on the road ahead.

We first needed to stabilise the existing work being done by the organisation by dealing with land that is required for human settlements development, data information and intelligence gathering, acquisition and the release of suitable land. Furthermore, we had to manage challenging requests to facilitate and manage projects in different cities, for example, the Lwandle land invasion, Nelson Mandela Metro and Gauteng interventions.

Whilst that was happening at an incredibly fast rate, the mandate to reposition the HDA as the state developer required us to firstly establish a business case for the repositioning of the Agency. We have been meticulously working on this since November 2015 and finally culminated in a Board decision in March 2016.

This led us into the organisational restructuring process which was undertaken and envisaged to be finalised by the second quarter of the 2016/17 financial year. In essence, this process has led us to identifying the need and pivotal capacity, competencies and skills needed for the organisation to move into the developer role.

Why reposition the HDA as a developer? The responsibility has always been allocated in terms of the HDA Act. We have played a significant role in all our functions since our establishment in 2008, bar the developer one.

“the organisational restructuring process which was envisaged to be finalised by the second quarter of the 2016/17 financial year”

The objective is to reposition the HDA into an effective public sector human settlements development agency. In this regard, the HDA will act as the project developer on behalf of government to drive delivery undertaking the following key functions:

- Accessing land for human settlements projects
- Packaging of human settlements projects
- Establishing delivery partnerships with the private sector
- Mobilising, coordinating and investing funds on behalf of the public sector
- Facilitating the resolution of blockages
- Monitoring the implementation of human settlements projects

In respect of the above, it was critical for us to define what it means to be a developer as opposed to just being a project management or implementing agent.

“Implementing agent” means that the state entity or business enterprise is responsible for the implementation of the priority housing

CHIEF EXECUTIVE OFFICER'S REPORT

development area plan, and this is given effect by the HDA Act. Similarly, project managers have the responsibility for planning, procurement and execution of a project (cost, time, scope and quality). This has been the HDA's role for the reporting period.

The repositioning process will see the Agency move completely into the developer role as a core function. Developers are responsible for conceptualising, funding, planning, coordination, management of the entire value chain in property development, converting plans, needs and ideas into property, adding value and taking risk. This can include the acquisition of land, planning/designing, financing and construction, selling or managing. Developers typically work with many different counterparts along each step of this process, including architects, planners, engineers, surveyors, contractors, other developers and more.

“ The Agency has cumulatively achieved

3559.1712 hectares this financial year and 7257.4705 hectares in the current MTSF period against the 10 000 hectares MTSF target ”

This means that the HDA will significantly expand its current role to include project packaging, project approval and securing of funding, project implementation and closure. This will charter the HDA into new waters and will indeed begin to spatially transform South Africa. The benefits cannot be just about spar tail transformation and sustainable human settlements; we also have the responsibility to contribute in the transformation of the construction and human settlements development industry. Our efforts need to benefit black developers and Africans in particular, increase the participation of women owned businesses, attract and encourage young people to grow in the industry, interrupt supply side monopolies and radically transform the ownership and equity patterns in the businesses involved.

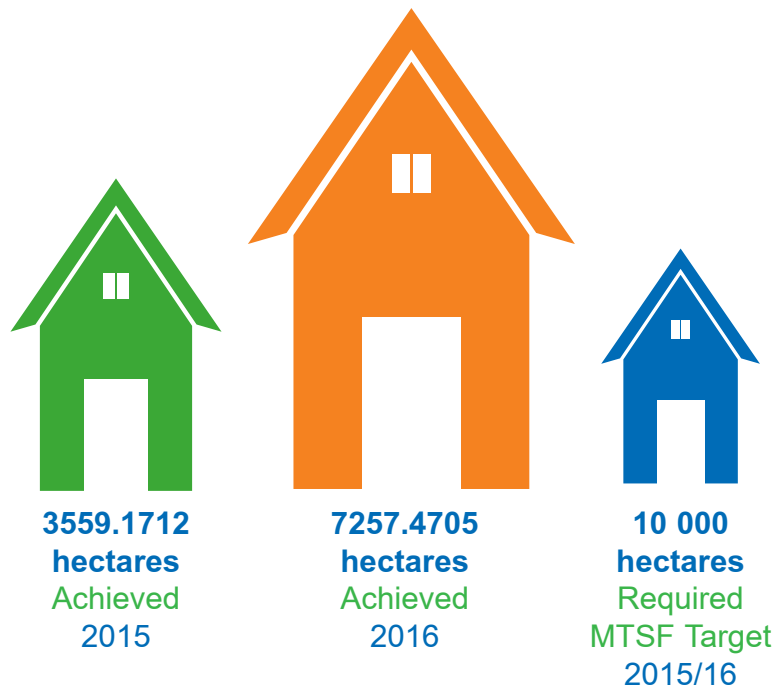
Riding on this process are the projects that the HDA has been directly managing on behalf of the Department of Human Settlements. The N2 Gateway Project, which is the flagship human settlements project of the Department, has moved into its second phase and has reached critical mass milestones. We continue with our work despite the community and social facilitation challenges we face, and we will take time to reflect and map the lessons learnt. The Zanemvula Project in Nelson Mandela Bay in the Eastern Cape also continues, notwithstanding all the challenges that the project has faced mainly relating to contractors and their expectations of the project procurement process. Again we have invested resources in engaging with all interested and affected parties in the area and we continue to work towards our targets.

Central to our work during this reporting period was our ability to acquire land. The Agency has cumulatively achieved 3559.1712 hectares this financial year and 7257.4705 hectares in the current Medium Term Strategic Framework (MTSF) period against the 10 000 hectares MTSF target.

We are particularly proud of the fact that we have consistently met our targets. We know that it is not enough and are therefore raising the accuracy of our reporting through our command centre, which will be hosting all critical business information to track the status of our projects and guide our business decisions.

CHIEF EXECUTIVE OFFICER'S REPORT

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We look back at the period under review with a great sense of accomplishment and with determined enthusiasm of what we must deliver in the 2016/17 financial year.

Let me take this opportunity to thank all our previous Board members who laid a solid foundation for us to build on. A special word of gratitude should go to Mr Taffy Adler who steered the ship for many years. We extend our sincere gratitude to the Board for their consistent support. I am grateful and humbled by the warm reception I received from the HDA staff. Let us continue being the professional team we are. We would have failed, if we did not acknowledge the support from our Executive Authority through the Office of the Director-General, Mr Mbulelo Tshangana and lastly the Honourable Minister, Ms Lindiwe Sisulu.

Pascal Moloi
Chief Executive Officer

HDA EXCO MEMBERS

Pascal Moloji
Chief Executive Officer

Rooksana Moola
Chief Financial Officer

Mcezi Mnisi
Head: Strategy & Performance

Rashida Issel
General Manager
Corporate services

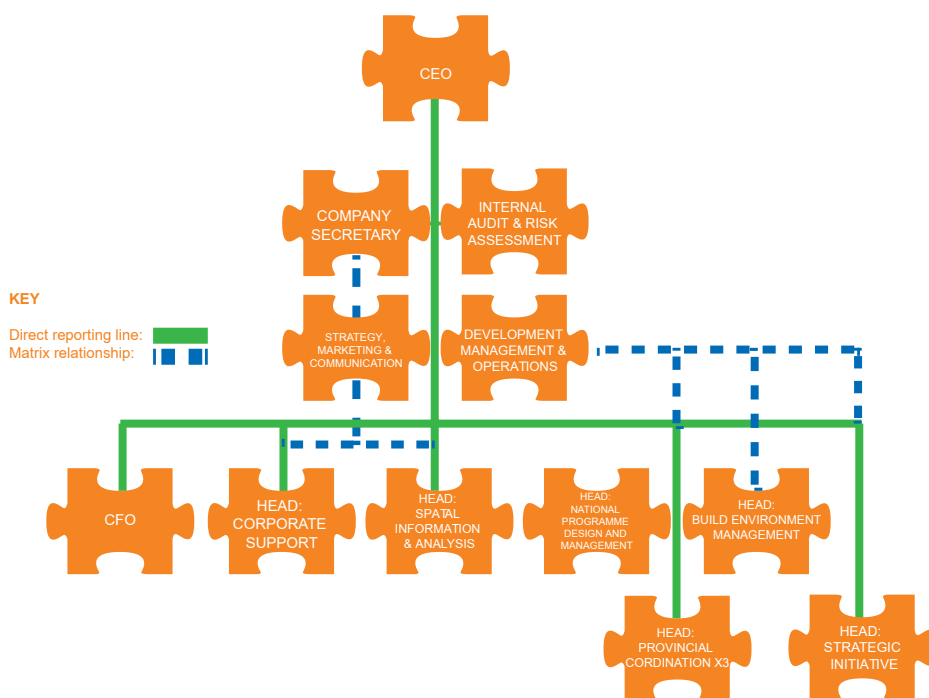
Johan Minnie
General Manager
PRIMI

Bosco Khoza
General Manager Region A

Lucien Rakgoale
General Manager Region B

Justice Naledzani
General Manager NPS (Acting)

The HDA's Executive Management team in the developer role will be structured as follows:-



AGENCY PERFORMANCE

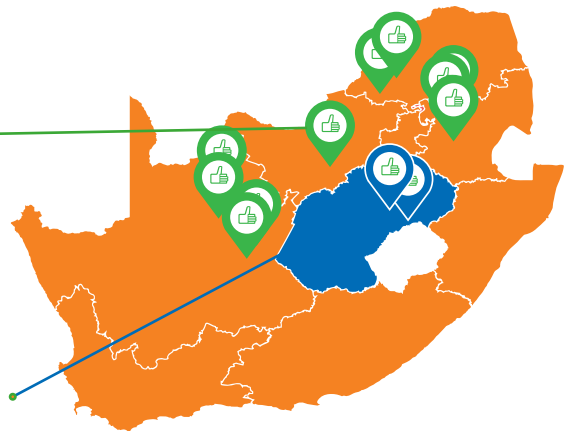


AGENCY PERFORMANCE

PERFORMANCE HIGHLIGHTS 2015/16



- The Agency facilitated the acquisition and release of a Transnet/Servcon building within the inner City of Johannesburg to JOSHCO for Social Housing Development
- Informal Settlement Upgrading Pipeline for mining towns has been developed and is being updated and maintained continuously
- Draft Mining Towns Human Settlements Spatial Transformation Plans have been submitted and currently under review for Lephalale, Thabazimbi, Greater Tubatse, Emalahleni, Steve Tshwete, Khathu, Potsmansburg, Olifantshoek, Kuruman, Matlosana (Klerksdorp)
- Bakenpark Township Urban Design in Dihlabeng, Bethlehem, Free State Province developed, completed and approved by provincial Executive Committee (Exco) for implementation
- The Agency assigned detailed development planning roles on the acquired properties in Marikana, Coligny, Bokfontein and Sunway Village projects
- There are in total 4 117 units either completed or under construction (3 082 housing units were completed and 1 035 units are at various stages of completion)
- There are also 4 712 serviced sites ready for further development (4 462 serviced sites with 250 temporary services)



AGENCY PERFORMANCE

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- Various mining towns' transformation plans are being developed between the municipality and the HDA and are at different stages of completion. The detailed designs for bulk connector services were completed on the Altoostyd Lephalale project and the Limpopo Province could be noted as an example. In the process of supporting mining towns, a mining towns' video was completed to indicate the nature of the work to be done in transforming a mining town
- A detailed development feasibility assessments was conducted on available Transnet Hostels located in Gauteng, Free State, KwaZulu-Natal, Northern Cape, Western Cape, Mpumalanga and Eastern Cape Provinces. Detailed planning commenced on the acquired and released land in Coligny, Ditsobotla and Mahikeng Municipalities (in the North West Province)
- The Medium Term Operational Plan (MTO) was concluded between the Agency and the Gauteng Province and the North West Province, whilst an Implementation Protocol (IP) for the NMBM Metro initiative was signed. The appointment of contractors for the NMBM Programme is in line with the new Procurement Framework. During the reporting period, an agreement was reached with a new MTO for the Northern Cape until 2019
- A Memorandum of Agreement (MOA) was signed confirming the release of land by SANRAL in Knysna for human settlements development
- The Agency has been allocated additional responsibility by the Limpopo Province to implement the Peoples Housing Programme and the Military Veterans Housing
- The HDA concluded the provincial consultations and the development of two policy frameworks, namely, the Framework for Spatial Investment for Human Settlements (FSIHS), in support of the Master Spatial Plan, and the Coherent and Inclusive Approach to Land for Human Settlements Policy Framework (CILPF)
- The Monitoring & Evaluation (M&E) work and model is gaining traction in focussing on spatial transformation and spatial targeting
- The prototype of the business intelligence dashboard for the affordable housing market that supports individual transactions in the 20 accredited municipalities has been implemented in the HDA
- The Agency has cumulatively acquired and released 3559.1712 hectares (ha) of land this financial year (which has resulted in reaching 7257.4705 ha against the current MTSF 10 000 ha target)
- A total of 65 National priority catalytic projects (21 private and 44 government's) were recommended in January 2016 by the Adjudication Panel to the Minister for final endorsement
- An additional 38 private sector projects are recommended for consideration
- A concept note and business case (for the HDA on being a Public Developer) was completed and approved by the HDA Board, as well as a number of external consultations were concluded in the period
- The new HDA website has achieved over 7 000 hits/views in March 2016, another new record

“4 117 units completed”

AGENCY PERFORMANCE

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The HDA's strategic objectives for the year under review were set down in the 2015/16 Annual Performance Plan, approved by the Board and submitted to the NDHS. The Agency's visionary goals and strategic objectives are as follows:

- Develop and lead a national sector-wide land assembly strategy and programmes for sustainable human settlements in partnership with organs of state and other key sector stakeholders
- Provide land and housing development support services to our partners to achieve key national strategic priorities relating to human settlements

Table 1: Visionary goals and strategic objectives

| Programme | | Strategic goal | Strategic objectives |
|--|---|---|---|
| Programme 1: Administration | 1 (a) CFO's Office | Provide financial sustainability | Effective internal control systems |
| | 1 (b) Corporate Services | Provide, operational efficiency and service excellence | The HDA is an internally cohesive and effective organisation with systems that are stable and accessible |
| Programme 2: Policy Research Monitoring and Information | | Build partnerships, a knowledge base and monitor and evaluate the performance of the human settlements sector in achieving key national strategic priorities | Provide information and research in support of promoting spatial targeting |
| Programme 3: National Programme Support | Programme 3 (a) National Programme Support | Support national programmes and developments, and release well-located land for human settlements development | Release of land for human settlements development Specific support to national priority programmes - catalytic projects, mining towns and NUSP |
| | Programme 3 (b): Built Environment Implementation | Develop and implement sustainable human settlements projects for the public sector | Development and implementation of sustainable human settlements |
| Programme 4: Land & Housing Services | | Provide land and housing development support services to provinces and municipalities to enable them to fulfil their responsibilities in the human settlements sector | Enhancing capacity, support and technical skills of provinces and municipalities for human settlements development |

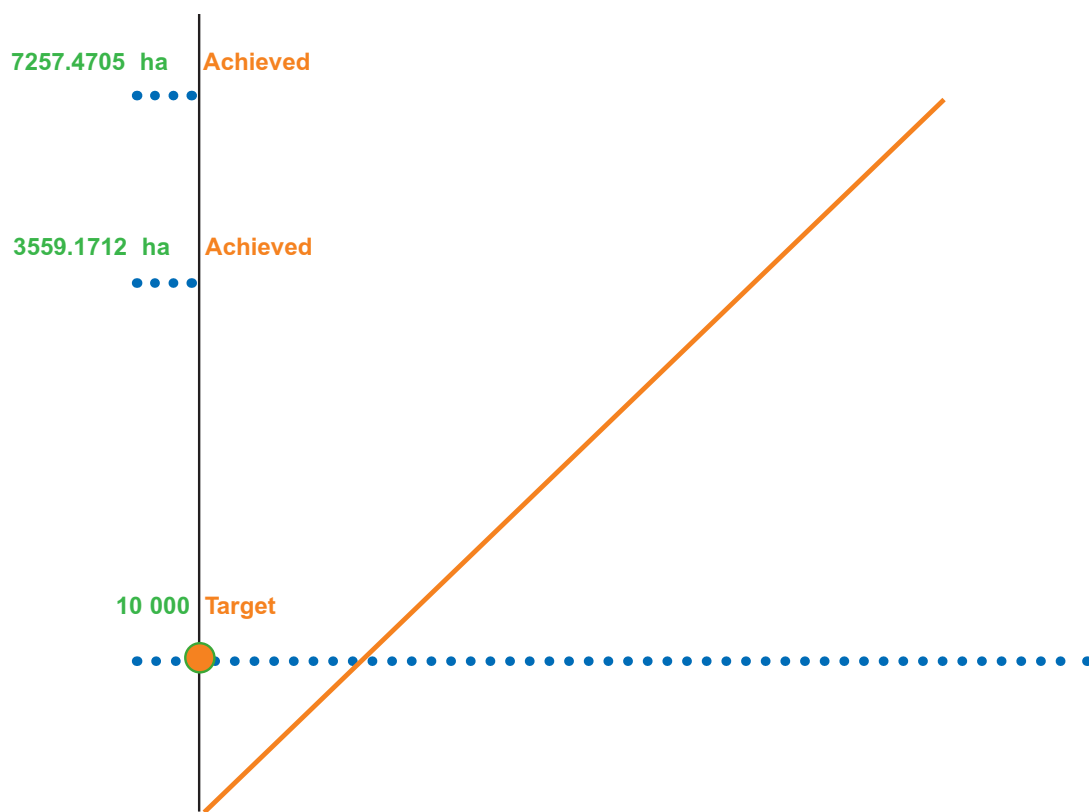
AGENCY PERFORMANCE

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Visionary goals and strategic objectives 2015/16

The Agency's goals and strategic objectives are linked to its programmes and related indicators and targets. The budget is in turn linked to each programme and the targets to be achieved. Four programmes were put in place to deliver on these objectives:

1. Programme 1: Administration
 - a) Chief Financial Officer's (CFO's) Office
 - b) Corporate Services
2. Programme 2: Policy, Research, Monitoring and Information
3. Programme 3: National Programme Support
 - a) National Programme Support
 - b) Built Environment Implementation
4. Programme 4: Land and Housing Services - Region A and Region B



AGENCY PERFORMANCE

...continued

MACRO INDICATORS

| Macro Indicators | Goal and Programme most likely linked to Achievement Indicator | Annual Target 2015/16 | Cumulative for 2015/16 | Achieved/ Not achieved |
|---|--|--|--|------------------------|
| Number of monitoring and evaluation reports against the Framework for Spatial Investment for Human Settlements (FSIHS) based on the Master Spatial Plan (MSP) | Programme 2 | Complete the FSIHS and produce 2 monitoring reports on the implementation of spatial targeting against the framework | Developed and finalised | Achieved |
| Number of hectares of well-located land released for human settlements development (targeting poor and middle income households) | Programme 3a | 3 000ha | 3559.1712 ha | Achieved |
| National priority programmes provided with programme management and technical project support | Programme 3a | Provide 274 informal settlements with technical support | 351 | Achieved |
| | | Technical support to projects in 22 mining towns | 22 | Achieved |
| | | Identification of 50 catalytic projects | 62 Identified and recommended following adjudication | Achieved |
| Built Environment Implementation | Programme 3b | 1 x HDA developer role, business case and plan developed and approved by the HDA Board | Business case approved | Achieved |
| Number of provinces provided with capacity support as per MTOPs and business plans | Programme 4 | 9 Provinces provided with capacity support as per MTOPs and business plans | 9 Provinces | Achieved |

AGENCY PERFORMANCE

....continued

MACRO INDICATORS

| Macro Indicators | Goal and Programme most likely linked to Achievement Indicator | Annual Target 2015/16 | Cumulative for 2015/16 | Achieved/ Not achieved |
|--|--|---|---|------------------------|
| Implementation support provided to programmes and projects | Programme 4 | 2 866 Housing units 664 Serviced sites | <p>UNITS</p> <ul style="list-style-type: none"> N2 Gateway: 1 756 Limpopo: 91 Gauteng: 1 235 Nelson Mandela Metro: 1 035 <p>TOTAL: 3 082 housing units completed and 1 035 under construction (4 117 in total)</p> <p>SERVICED SITES</p> <ul style="list-style-type: none"> N2 Gateway: 1 936 serviced sites Nelson Mandela Metro: 2 026 serviced sites Gauteng 500 serviced sites Limpopo: 250 temporary services Total: 4 712 service sites | Achieved |

HDA STAFF NUMBERS: EMPLOYMENT EQUITY STATS AS AT THE END OF MARCH 2016

Key:

- AF - African Female
- AM - African Male
- CF - Coloured Female
- CM - Coloured Male
- IF - Indian Female
- IM - Indian Male
- WF - White Female
- WM - White Male
- **D - Disability

HDA STAFF STATISTICS

(1 April 2015 – 31 March 2016)

HDA STAFF NUMBERS: EMPLOYMENT EQUITY STATS AS AT THE END OF MARCH 2016

| CATEGORIES | AF | AM | CF | CM | IF | IM | WF | WM | **D | TOTAL |
|---|-------------|-------------|------------|------------|-------------|------------|--------------|------------|------------|-------------|
| Top management (%) | 0.0 | 3.2 | 0.8 | 0.0 | 0.8 | 0.0 | 0.8 | 0.8 | 0 | 6.40 |
| <i>No. of employees (F-EU)</i> | <i>0</i> | <i>4</i> | <i>1</i> | <i>0</i> | <i>1</i> | <i>0</i> | <i>1</i> | <i>1</i> | <i>0</i> | <i>8</i> |
| Senior management (%) | 0.8 | 4.0 | 0.0 | 0.0 | 0.8 | 0.0 | 0.8 | 0.0 | 0.0 | 6.40 |
| <i>No. of employees (EL)</i> | <i>1</i> | <i>5</i> | <i>0</i> | <i>0</i> | <i>1</i> | <i>0</i> | <i>1</i> | <i>0</i> | <i>0</i> | <i>8</i> |
| Professionals, specialists & mid-mgt (%) | 9.6 | 12.8 | 1.6 | 1.6 | 0.0 | 0.8 | 1.6 | 0.8 | 0.8 | 29.60 |
| <i>No. of employees (DU-DL)</i> | <i>12</i> | <i>16</i> | <i>2</i> | <i>2</i> | <i>0</i> | <i>1</i> | <i>2</i> | <i>1</i> | <i>1</i> | <i>37</i> |
| Skilled, qualified workers, supervisors (%) | 18.4 | 11.2 | 0.8 | 7.2 | 2.4 | 0.80 | 5.6 | 0.00 | 0 | 46.40 |
| <i>No. of employees (CU-CL)</i> | <i>23</i> | <i>14</i> | <i>1</i> | <i>9</i> | <i>3</i> | <i>1</i> | <i>7</i> | <i>0</i> | <i>0</i> | <i>58</i> |
| Semi-skilled workers (%) | 4.0 | 1.6 | 3.2 | 0.8 | 0 | 0 | 0 | 0 | 0 | 9.60 |
| <i>No. of employees (B-BL)</i> | <i>5</i> | <i>2</i> | <i>4</i> | <i>1</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>12</i> |
| Unskilled workers (%) | 1.60 | 0.80 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2.40 |
| <i>No. of employees(A-AU)</i> | <i>2</i> | <i>1</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>3</i> |
| Total Percentage | 34.4 | 33.6 | 6.4 | 9.6 | 4.0 | 1.6 | 8.8 | 1.6 | 0.8 | 100% |
| <i>Total Staff as at end March 2016</i> | <i>43</i> | <i>42</i> | <i>8</i> | <i>12</i> | <i>5</i> | <i>2</i> | <i>11</i> | <i>2</i> | <i>1</i> | <i>125</i> |
| Total Staff Percentage | 68% | | 16% | | 6.65 | | 10.4% | | 1% | |
| National Target Percentage | 75.2% | | 10.6% | | 3.1% | | 10.80% | | 2% | |
| HDA Priority Grouping | *√ | | | | | | | | *√ | |

*√ = areas of recruitment priority

** D = Disability

Please note that the employee with a disability is reported under WF and not added twice in the total calculation.

HDA STAFF TURNOVER AS AT END MARCH 2016

| | RECRUITED | RESIGNED | RETIRED | DISMISSED | TOTAL STAFF |
|-----|-----------|----------|---------|-----------|-------------|
| YTD | 51 | 11 | 1 | 0 | 125 |

PROGRAMME PERFORMANCE

During the past financial year, the HDA fast tracked and implemented its regionalisation approach. We now have six provincial offices as well as a head office in Gauteng. Our core programmes implemented are national programme support, policy, research, monitoring and information, and land and housing support services. Our support services, finance and corporate services, provides the platform to facilitate delivery at head office and the provinces.

DEPARTMENTAL PERFORMANCES

Programme 1: Administration

Administration incorporates the work of strategic management, finance and corporate governance. The focus of strategic management, finance and administration has been to develop the HDA as a credible and responsive organisation that applies effective and compliant systems. The programmes dealing with this area is Finance and Corporate Services. The CEO's Office, although not a designated programme, provides the strategic direction for the organisation.

a) CFO's Office

The purpose of the Finance Department is to ensure that the HDA is financially sustainable and maintains a good reputation through consistently achieving an unqualified audit report, as was the case in the past six years.

The Finance Department is structured to deliver on financial management, supply chain management, risk management and financial and compliance reporting. The finance environment is regulated by the Public Finance Management Act (PFMA), Treasury Regulations, financial policies and procedures and Supply Chain Management policies and procedures.

There is also a system of monthly financial reporting, ensuring timely reconciliations and management of risks. The risk management systems keep the strategic and operational risk register up to date. Areas of note are:

MTOP supported due to non-payment:

- Eastern Cape Province value created – R8.5m
- The organisation has spent 66% of the annual budget (R201m against a budget of R304m)

b) Corporate Services

The HDA subscribes to good corporate governance and recognises the need to conduct the Agency with integrity in accordance with the King Code on Corporate Governance. To this end, the Corporate Services Programme provides operational efficiency and service excellence, providing an organisation with a track record of quality, effective delivery and professional services. The Corporate Services department includes:

- Human Resources
- Legal Services
- Facilities Management
- Information Technology
- Company Secretariat
- Document and Records Management

PROGRAMME PERFORMANCE

....continued

This year, the Corporate Services business unit ensured that the proposed plans that were developed in line with the HDA strategy for the 2015/16 year were developed and implemented, ensuring greater corporate governance within the HDA.

Human Resources

HR implemented the HR plan as approved by the Board and aligned to the organisation's strategy and the transformational procedures, supporting the enhancement of the developer role. The key areas to support were recruitment, training and development, performance management as well as staff consultation.

For the year under review, HR prioritised and focused on the following projects:

- Staff development and training – 160 training initiatives were completed, facilitated and implemented
- On-going recruitment supporting the HDA's capacity and resource needs was successfully achieved as 51 appointments were completed
- The implementation of the Standard Operating Procedure (SOPS) manual to support the policies and procedure in all regions was undertaken
- HR governance, processes and compliance was maintained
- Performance Management was facilitated and support was granted as per request
- Developed and implemented HDA Board approved Employment Equity (EE) Plan including the establishment of a EE Committee

Information Technology

In line with the current HDA strategic plan, IT focused on improving and enhancing the IT environment. The following was achieved:

- Fully virtualised IT systems (98% uptime achieved)
- IT Compliance
- Video Conferencing was implemented in the Cape Town, Johannesburg, Port Elizabeth and Limpopo offices
- Automation
 - * Intranet
 - * IT Helpdesk
 - * HR Helpdesk
 - * Finance Helpdesk
 - * Internal Surveys

**“98%
uptime
achieved”**

Legal

Advised, developed and maintained all HDA Corporate Legal matters.

Company Secretary

- Inducted and trained the newly appointed HDA Board
- Ensured Board compliance is met

PROGRAMME PERFORMANCE

....continued

Programme 2: Policy, Research, Monitoring and Information

The purpose of this programme is to build partnerships, a knowledge base and monitor and evaluate the performance of the human settlements sector in achieving key national strategic priorities. The strategic objectives are to provide information and research in support of promoting spatial targeting and monitoring and evaluation of land development to measure the effectiveness of spatial targeting, in human settlements.

Key activities include:

- Updating and promoting the Strategic Master Spatial Plan
- Developing a coherent and inclusive land strategy, policy and programme for human settlements in line with the Strategic Master Spatial Plan
- Implementing a Monitoring and Evaluation Framework and Plan for land and housing development against the agreed framework
- IGR, communications and the stakeholder relations

Policy, Research, Monitoring and Evaluation

The unit has achieved numerous milestones this year. Firstly, two key MTSF targets, the Framework for Spatial Investment for Human Settlements (FSIHS), and the Coherent and Inclusive Approach to Land for Human Settlements Policy Framework (CILPF), have been thoroughly consulted across all nine provinces and have been finalised. Both documents were submitted to the NDHS and will be tabled at Minister's Top Management (MinTOP) and Executive Management Team (EMT) respectively. In addition, several sections of the documents have been incorporated into the draft White Paper.

Secondly, another MTSF target, the Business Intelligence Dashboard: Property Market Analysis that serves as a policy and administrative system in the affordable secondary housing market for the 20 accredited municipalities, has also been finalised. The system and user manual have also been submitted to the NDHS.

Thirdly, the Monitoring and Evaluation System has been developed and is being continuously updated. Further, the team undertook two Targeted Impact Evaluations on human settlements projects with the purpose of measuring the impact of the development on Spatial Transformation as well as reporting on the lessons learnt.

Lastly, the unit successfully finalised two major publications, namely; 1) Matrix on the current context of land and human settlements in South Africa, and 2) Housing Market reports on the 23 mining towns.

Land Information Services

The Land Information Services (LIS) sub-programme provided information systems support to various internal and external stakeholders. Numerous training sessions were provided to approximately 144 users on our customised spatial online information system.

PROGRAMME PERFORMANCE

....continued



In addition to this, there were more than 200 new registrations on the Land and Property Spatial Information System (LaPsis) for the financial year. LaPsis users performed more than 211 392 searches on the system, of which more than 67 000 were Deeds searches. The unit also developed the Master Spatial Plan (MSP) Dashboard and presented it to the Minister of Human Settlements. The trend analysis was provided in support of mining towns, alignment between NDHS MSP and how it compares to other sector departments, such as, the Department of Transport (DOT) projects, Department of Rural Development and Land Reform (DRDLR) state land, Department of Trade and Industry (DTI) special economic zones, etc.

During this reporting period, the main focus was creating a Command Centre Dashboard, that focused on tracking the progress of all projects initiated by the HDA.

Communications

Communications has redeveloped and finalised the new HDA website. The HDA website had over 7 000 hits in March 2016. LaPsis training videos were also completed and posted to our website.

As part of our mandate to publicise and profile the HDA, the communications unit secured a space in the Public Sector Manager (PSM) Magazine and placed an advertorial for the April 2016 issue. This was followed by an interview which will be published in the June 2016 issue of the magazine. The N2 Gateway advertorial was placed in the Cape Times of 3 May 2016 to coincide with the Minister's Budget Vote Speech.

Intergovernmental Relations (IGR)

IGR attended and participated in Councillor Induction workshops and a Consumer Education Programme review as led by the NDHS. The unit also facilitated a bilateral with the Gauteng Province with the intention of operationalising the Implementation Protocol concluded with the Department. It supported and attended various national and provincial Govan Mbeki Awards and launched the Seminal Land Forum that was attended by all Provincial Departments of Human Settlements.

The unit also assumed the role of Secretariat for the Joint Coordinating Committee (JCC) on state land release and managed to convene two of these meetings. During the period, the unit also commenced with the preparatory work for the Land Conference.

Stakeholder engagement and intergovernmental relations support was provided to the National Department of Human Settlements on some of the events that it coordinated and hosted. The Agency attended the National Treasury's Mid-Year Budget, Performance and Built Environment Performance Plan (BEPP) Reviews of the Metropolitan Municipalities to gather strategic information that will assist the Agency with its planning.

The draft Governance Policy for Stakeholder and Intergovernmental Relations was developed and has been submitted and conditionally approved. The policy has subsequently been stress tested against the Agency's new developer role.

PROGRAMME PERFORMANCE

....continued

The establishment and successful sittings of more than two planned Land Forums and the conclusion of the Gauteng and North West Medium Term Operational Plans (MTO) are notable achievements.

Draft Implementation Protocols were presented to Ekurhuleni Metropolitan Municipality and (DBSA) for consideration and conclusion.

Programme 3: National Programme Support

Land Acquisition

One of the first stated objectives of the Agency is to “identify, acquire, hold, develop and release state, communal and privately owned land for residential and community purposes and for the creation of sustainable human settlements” and that is what will be described in this unit’s report.

Being responsible for reporting on Outcome 8 land release, targeting 10 000 hectares in the MTSF period, we have managed to exceed our annual target by 559.1712 hectares and have surpassed the MTSF target of 10 000 hectares by 816.6417 hectares. Of note, was the release of SOC Transnet/ Servcon properties located in the City of Tshwane and the Sol Plaatjie Municipality and released to the Johannesburg Social Housing Company (JOSHCO) and the Sol Plaatjie Municipality with the purpose of using the properties for social housing. A further two inner city properties that were owned by the HDA were transferred to JOSHCO for social housing purposes.

Later, there was the release of privately owned land that measured 358.4384 hectares in Umhlathuze Local Municipality in KZN, which is earmarked for a mega project with a possible yield of some 10 000 units.

Land Holding

In the Land Holding unit, continuous internal auditing was done to verify and correct areas needing improvement. There were on-going engagements on the ground with various communities to avert the possibility of land invasions on our current vacant land. Due diligence was done on 15 Transnet hostels to determine the status and advise on a way forward with these properties.

Other work of the unit includes pre-acquisition land holding assessments on properties and then the negotiations and renewals of various leases as and when they become due. Land Holding Strategy and Policy documents were developed during the year and approved by the Board.

Informal Settlements Upgrading/National Support Programme

In the area of Informal Settlements Upgrading (ISU) work, the HDA was requested by the Minister to provide programme and technical support to the NDHS as well as to the provinces and the Mining Towns in Distress national intervention. The National Support Programme (NUSP) technical assistance was concluded in Thaba Chweu and Matlosana and was on-going in Moses Kotane, Randfontein, Merafong and Westonaria for the Mining Towns in Distress programme. An ISU pipeline was also developed during the year for mining towns. In the final quarter of the year, technical assistance was provided in terms of pre-planning, and support to priority settlements was concluded within the mining towns and a Professional Resource Team (PRT) was appointed to assist with the tracking of an ISU projects pipeline for implementation.

PROGRAMME PERFORMANCE

....continued

As part of the NUSP capacity building support, the HDA initiated a process to frame and package a document on “Managing and Curbing Land Invasions” as well as a document to explore the various rental options in informal settlements within mining towns. And finally to conclude a very busy year, Aerial Data and Cadastral due diligence was completed for two informal settlements in Limpopo.

Mining Towns in Distress

The HDA was approached by the NDHS to provide both programme and technical support in respect of the Mining Towns in Distress National Presidential Priority Intervention.

The HDA proposed to provide the following support to both the NDHS and the six identified provinces:

| Land Acquired and Released per Province per Quarter for 2015/16 | | | | | | | | | | | |
|---|-----------------|-----------------|----------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|------------------|------------------|
| Province | Q1 | Q2 | Q3 | Q4 | Sub Total | Q1 | Q2 | Q3 | Q4 | Sub Total | Total (hectares) |
| Eastern Cape | | | | 13.6667 | 13.6667 | | | | | 0 | 13.6667 |
| Free State | | 4.2838 | | | 4.2838 | | | | | 0 | 4.2838 |
| Gauteng | 0.1327 | | | 156.6 | 156.7327 | | | | | 0 | 156.7327 |
| KwaZulu-Natal | | 358.4384 | | | 358.4384 | | | | 695 | 695 | 1053.4384 |
| Limpopo | 131.1618 | | | | 131.1618 | 411.2491 | 654.4659 | 639.1746 | 115.958 | 1820.8476 | 1952.0094 |
| Mpumalanga | | | | 128 | 128 | | 173.2347 | | | 173.2347 | 301.2347 |
| North West | | | | | 0 | | | 77.3548 | | 77.3548 | 77.3548 |
| Northern Cape | 0.4241 | | | | 0.4241 | | | | | 0 | 0.4241 |
| Western Cape | | | | | 0 | 0.0266 | | | | 0.0266 | 0.0266 |
| Total (hectares) | 131.7186 | 362.7222 | 0 | 298.7075 | 792.7075 | 411.2757 | 827.7006 | 716.5294 | 810.958 | 2766.4637 | 3559.1712 |

Programme management support to the National Department

Technical and capacity support – per province and at the level of each identified mining town.

On the programme management support side, the HDA assisted with the collection and analysis of provincial monthly progress reports which are focused on provincial project performance in the implementation of the programme. The HDA was also able to assist the NDHS in the production of annual business plans for 2016/17 performance, leading to provincial ring fencing of project funding allocations for the mining towns’ projects.

A progress report was also prepared for discussion at the Department of Performance Monitoring and Evaluation’s (DPME) National Outcomes Management Forum (NOMF) as a means of preparation for submission to the Inter-ministerial Committee (IMC). The HDA also successfully supported the HDHS during the project identification stages for presentation at Phakisa and participated in deliberations at the Operation Phakisa Lab which led to securing support from other participants.

Technical support was provided for the continuous functioning of the Marikana Development Steering Committee. Support was also provided to Steve Tshwete Local Municipality in establishing a working committee for the investigation and resolution of housing issues in the municipality’s Naledi villages. Our land acquisition team was able to facilitate the donation of Marikana Ext 2 land belonging to Western Plat Limited to the North West DHS, and they were involved in the proposed donation of South 32 (Pty) Ltd houses situated in the two villages of Naledi and Lesedi to Steve Tshwete Local Municipality.

PROGRAMME PERFORMANCE

....continued

Catalytic Projects

The 2014-2019 Medium Term Strategic Framework (MTSF) requires “the identification and implementation of 50 national priority catalytic projects using different tenure options to deliver mega, high impact integrated and sustainable human settlements that clearly demonstrate spatial, social and economic integration”. The HDA played a significant role in the rollout of the Catalytic Projects Programme. In the first quarter of the year, an assessment panel was appointed by the NDHS and provinces, metros and private sector role players’ submitted proposals to be considered. The next phase, which was the adjudication phase, was handled by the NDHS.

A successful Human Settlements Developer Workshop was held in September 2015. In January 2016, the catalytic projects Adjudication Panel finalised its adjudication work regarding the recommended national priority projects which resulted in 65 projects being recommended for approval as national priority catalytic projects. A further 38 private sector catalytic projects were recommended to the Minister for adoption and approval at the 60% threshold. In January 2016, the independent audit of the catalytic projects process was finalised by Sizwe Ntsaluba Gobodo Inc. with an all clear report. Various professional resource teams have concluded the technical assessment reports to guide the final confirmation of identified national priority catalytic projects.

This programme has been managed through a monthly and quarterly dashboard to monitor and review progress to ensure the achievement of HDA contractual obligations, mandates and deliverables.

PIPELINE PLANNING SUPPORT

The team has worked tirelessly throughout the year and much progress has been made in all areas. There are also projects in various states of readiness to determine what needs to be done in the next phases to ensure that these projects work on the ground.

LAND RELEASE AND ACQUISITION

During the financial year, more than 3 500 hectares of land was released for human settlements development. Continuous engagements were held with various communities to avert and curb invasions of HDA managed properties. Pre-acquisition assessments were done on numerous properties from private land offered and land donated by different government departments. During the reporting period, the HDA signed new leases and renewed a number of existing leases.

PROGRAMME PERFORMANCE

....continued

Land Acquired and Released per Province per Quarter for 2015/16

Land Holding current property portfolio

| PROVINCE | AREA DESCRIPTION | SIZE(Ha) | DEVELOPMENT STATUS |
|--------------------|------------------|-----------------|-----------------------------|
| Free State | Bethlehem | 4.9 | Land & buildings |
| | Bethlehem | 0.4 | Land & buildings |
| | Kroonstad | 2.1 | Land & buildings |
| | Kroonstad | 1.2 | Land & buildings |
| | Kroonstad | 48.6 | Vacant land |
| | Bloemfontein | 40.9 | Vacant land |
| | Bloemfontein | 5 | Vacant land |
| | Welkom | 2.4 | Land & buildings |
| Gauteng | Pretoria | 19.4 | Vacant land |
| | Pretoria | 18.8 | Vacant land |
| Limpopo | Bela-Bela | 72.6 | Vacant land |
| Western Cape | Philippi | 2.5 | Vacant land |
| | Malmesbury | 700.6 | Vacant land |
| Eastern Cape | Queenstown | 5.2 | Land & buildings |
| Grand Total | | 924.6 ha | Land & buildings |

Programme 4: Land and Housing Support Services

Region A

Western Cape Province

The main activity in the region has been restricted to the implementation of the N2 Gateway Project. The N2 Gateway Project is a National Government-led Priority Project designed to test the feasibility and viability of government as a collective to implement mega human settlements projects nationally, in order to address the historic and endemic problems of destitution, homelessness, poverty, degenerating welfare and socio-economic conditions of the country's urbanising cities.

The N2 Gateway Project was conceptualised as a pilot project in 2004 and is intended to deliver up to 23 000 housing opportunities to almost 120 000 people, accompanied by social facilities and amenities.

This is to be achieved in two phases:

- Phase 1 – accounting for more than half of the project size houses (15 000)
- Phase 2 – encompassing the outstanding 8 000 houses

These contracts are spread across turnkey contractors originally appointed by City of Cape Town (CoCT): a) Sombambisana Community Developments, b) Ibuyile and c) Vula Joint Venture.

The N2 Gateway Project is effectively in its 10th year of operation since inception in 2005 when it was administered by the City of Cape Town. The HDA was mandated in June 2009 to take on and act as the project manager.

PROGRAMME PERFORMANCE

....continued

The total number of units built to date is 13 318. There are 10 310 title deeds registered in favour of beneficiaries who have taken occupation.

Northern Cape Province

The Northern Cape Region needed to respond to the NDHS target of 1.5 million housing opportunities by providing project management and implementing agent support to Co-operative Governance Human Settlements and Traditional Affairs (COGHSTA) and other government departments, to ensure the development and completion of the identified and prioritised projects.

The notable achievements include:

- Business plans developed for all the projects allocated to the HDA
- Service Level Agreement signed between the HDA and the Department of Mineral Resources to appoint the HDA as the Implementing Agent for the design and construction of civil services, construction and relocation of 22 houses and upgrading of the Tribal Facility in Heuningvlei.
- Approval of Phase 1 of assessment and planning of the Snake Park Informal Settlement by the Surveyor General within a period of 24 months
- Technical upgrading plans and livelihood programmes developed for promise land informal settlement
- Pre-feasibility report and development plans have been completed for 200 9556 ha of land and submitted to National Department of Public Works (NDPW) for final transfers.
- The office visited 32 municipalities to present the services of the HDA and develop a project pipeline per municipality
- Multi-Year Development Plan reviewed and submitted as per deadline of NDHS
- The office presented the Master Spatial Plan to the Provincial EXCO and the Premier's Intergovernmental Forum

Eastern Cape Province

The Region has mainly been involved in the implementation of the Zanemvula Project, which was initiated in 2006 and handed over to the HDA in 2009. The purview of the HDA includes project management, procurement of works, project design, communications and beneficiary management. Emanating from the conclusion of a Memorandum of Agreement between the National Department of Human Settlements, the Provincial Department of Human Settlements and the Nelson Mandela Bay Municipality and subsequent Implementation Protocol signed on 2 July 2015, the role of the Agency extended beyond the Zanemvula Project. Under the new mandate, the Agency was appointed to implement and manage the NMBM Integrated Human Settlements Programme for a period of four years (1 July 2015 until 31 March 2019). Included within this programme are projects that were encompassed under the Zanemvula Project.

The HDA has also been at the helm of formulating and instituting a new Procurement Framework to guide the allocation of work to contractors by instituting a panel or database of pre-approved contractors within the metro through a legitimate and transparent procurement process.

Mpumalanga Province

Land assembly and other work undertaken and coordinated by other departments within the HDA. Engagements are ongoing towards the conclusion of a Medium Term Operational Programme (MTOPI).

PROGRAMME PERFORMANCE

....continued

Region B

The purpose of this programme is to provide land and housing development support services to provinces and municipalities to enable them to fulfil their responsibilities in the human settlements sector.

Objectives

Enhance capacity, support and technical skills of provinces and municipalities for human settlement development for GP, NW, FS, KZN and Limpopo Provinces.

The support provided by Region B includes a package of services from which provinces and municipalities can select. The support to be provided is detailed in an MTOP which sets out the detailed activities to be undertaken over a period of time to meet agreed outcomes.

The support areas include, but are not limited to:

- Programme and project portfolio management support
- Informal settlements upgrading support
- Emergency housing support
- Land assembly and land acquisition/release support
- Land holding support
- Land geo-spatial services
- IGR support
- Project technical implementation support

Limpopo Province Province

During the reporting period, 91 housing units were constructed and completed in terms of the disaster housing programme and 261 housing units are under construction at various stages of completion. One contractor was appointed as support organisation to facilitate the construction of 100 housing units in terms of the Peoples Housing Process Programme. Two contractors have also been appointed to construct 135 housing units in terms of the Military Veterans Housing Programme. Construction of civil and electrical connector services is underway on the Lephalale Altoostyd project. Detailed designs for bulk connector services were completed on the Altoostyd Lephalale project. A turnkey contractor has been appointed to design and install 2 000 sites and services on the project. Two key land parcels were acquired in Tzaneen and Tubatse Municipalities, respectively.

Development of the following key provincial policies/strategies were completed:

- Limpopo Rental Housing Strategy
- Review of the Limpopo Provincial Multi-Year Housing Development Plan 2014-2019
- Informal Settlements Upgrading Strategy

PROGRAMME PERFORMANCE

....continued

Free State Province

The Agency completed the Provincial Multi-Year Housing Development Plan for the Free State Province for submission to the National Department of Human Settlements. Development of an Urban Design Framework in respect of the acquired Sasolburg properties as part of the proposed catalytic project on the property is also completed. Detailed planning is underway on the HDA properties located in Hamilton, Kroonstad and Bethlehem, including Mandela View currently owned by Servcon. Installation of water and sewer to cater for 2 614 stands at the HDA assessed Themba Kubeka informal settlement in Metsimaholo Municipality is currently underway. Baken Park catalytic project draft implementation plan and packaging is completed and forwarded to FSHS for approval.

KwaZulu-Natal Province

The Agency identified and assessed 988 sites as part of the MEC's site and services programme of which 385 are suitable for immediate release for development. The development of a Provincial Master Spatial Plan for human settlements is complete. A total of 1 386 hectares of state and private land has been identified for human settlements. The Agency also facilitated the release of 695 hectares of the farm in Mathonsi. To date, 1 053 hectares have been released/acquired.

North West Province

The Province has concluded a Medium Term Operational Programme with the Agency covering the following areas of support:

- Land Assembly for human settlements
- Development of a Master Spatial Human Settlements Investment Framework
- Support in Bojanala Local Municipality as part of the Mining Towns Programme

Service providers were appointed to undertake detailed planning on the following planning projects currently underway:

- Coligny Ditsobotla Municipality
- Rooigrond Mahikeng Municipality

Gauteng Province

During the period under review, the Agency concluded an Implementation Protocol with the National Department of Human Settlements and Gauteng Province for the implementation of identified human settlements located within the City of Johannesburg, the City of Tshwane, Ekurhuleni Metropolitan Municipality and Mogale City. An allocation of R300 million was made for this purpose. A total of 205 housing units were completed and 1 030 are under construction at various stages of completion. On the Mogale City project, 500 sites and services were completed and R86,656,276 has been spent

Annual Financial Statements for the year ended 31 March 2016



Annual Financial Statements

for the year ended 31 March 2016

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Annual Financial Statements

for the year ended 31 March 2016

GENERAL INFORMATION

| | |
|--|--|
| LEGAL FORM OF ENTITY | Schedule 3A entity listed in terms of the PFMA |
| NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES | Accelerating the development of sustainable human settlements through land assembly, building and property acquisitions, and project management support services |
| THE FOLLOWING IS INCLUDED IN THE SCOPE OF OPERATION | Identify, acquire, hold, develop and release well-located land and buildings, provide project management support and housing development services |
| CONTROLLING ENTITY | National Department of Human Settlements |
| MEMBERS OF THE ACCOUNTING AUTHORITY | M Msimang (Chairperson) LC Archary TS Songelwa NN Vilakazi MG Seitisho ME Mutheiwana PA Singh PP Moloji (CEO) APG Moola (CFO) |
| PHYSICAL ADDRESS | Block A, Riviera Office Park 6-10 Riviera Road Killarney Johannesburg |
| BANKERS | First National Bank Ltd |
| AUDITORS | PricewaterhouseCoopers Inc |
| BUSINESS ADDRESS | P O Box 3209 Houghton 2041 |

Annual Financial Statements

for the year ended 31 March 2016

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999) to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Authority to ensure that the Annual Financial Statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and were given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP).

The Annual Financial Statements are based upon appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Authority acknowledges that they are ultimately responsible for the system of internal financial controls established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the Accounting Authority sets standards for internal controls aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Authority is of the opinion, based on the information and explanations given by management, that the system of internal controls provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial controls can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Authority has reviewed the entity's cash flow forecast for the year to 31 March 2017 and in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the entity's Annual Financial Statements. The Annual Financial Statements have been examined by the entity's external auditors and their report is presented on page 36.

The Annual Financial Statements set out on pages 34 to 75 which have been prepared on the going concern basis, were approved by the Accounting Authority on 26 July 2016 and was signed on its behalf by:



M Msimang
Chairperson of the Accounting Authority

Annual Financial Statements

for the year ended 31 March 2016

REPORT OF THE AUDIT AND RISK COMMITTEE

The Accounting Authority of the Housing Development Agency (HDA) delegated certain responsibilities to the Audit Committee (Committee) and these are set out in the Audit Committee Charter.

The Committee's responsibilities are in line with the Public Finance Management Act, Act 1 of 1999 and the Treasury Regulations and it has discharged all its responsibilities set out in its Audit Committee Charter. The Committee has amongst other things reviewed the following during the 2015/2016 financial year:

The effectiveness of:

- the internal control systems;
- the activities of the internal audit function, including its annual work programme, co-ordination with external auditors, the reports of significant findings and the response of management to specific recommendations; the adequacy, reliability and accuracy of financial information provided by management;
- any accounting or auditing concern identified as a result of an internal or external audit; and
- where relevant, the independence and objectivity of the external auditors.

The internal controls implemented by the HDA focus on identified key risk areas. Management monitors all internal controls closely and ensures that action is taken to correct deficiencies as they are identified. In the opinion of the Committee, these controls and procedures of the HDA were, during the year under review, appropriate in safeguarding the HDA's assets, ensuring the maintenance of proper accounting records and that working capital and resources were efficiently utilised. Nothing has come to the attention of the Committee to indicate that a material breakdown in the functioning of the internal controls, procedures and systems has occurred during the year under review.

Following our review of the Annual Financial Statements of the HDA for the year ended 31 March 2016, we are of the opinion that they comply in all material respects with the relevant provisions of the Public Finance Management Act and Generally Recognised Accounting Practice.

The Committee, at its meeting held on 15 July 2016 recommended these Annual Financial Statements, which were prepared on a going concern basis, to the Accounting Authority for approval.



TS Songelwa

Chairperson of the Audit and Risk Committee

Annual Financial Statements

for the year ended 31 March 2016

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON HOUSING DEVELOPMENT AGENCY REPORT ON THE FINANCIAL STATEMENTS

Introduction

We have audited the financial statements of the Housing Development Agency set out on pages 43 to 74, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Housing Development Agency as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the Public Finance Management Act of South Africa.

Other matter

We draw attention to the matter below. Our opinion is not modified in respect of this matter.

Annual Financial Statements

for the year ended 31 March 2016

Unaudited supplementary schedules

The supplementary information set out on pages 75 and 76 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Report on other legal and regulatory requirements

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004)(PAA) and the general notice issued in terms thereof, we have a responsibility to report findings on the reported performance information against predetermined objectives for the selected programmes presented in the annual report, non-compliance with legislation and internal control. We performed tests to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2016:

- Programme 3: National Programme Support; and
- Programme 4: Land and Housing Services: Region A and Region B

We evaluated the reported performance information against the overall criteria of usefulness and reliability.

We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPi).

We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not identify any material findings on the usefulness and reliability of the reported performance information for the selected programmes.

Additional matter

Although we identified no material findings on the usefulness and reliability of the reported performance information for the selected programmes, we draw attention to the following matter:

Achievement of planned targets

Refer to the Annual Performance report on pages 77 to 80 for information on the achievement of the planned targets for the year.

Compliance with legislation

We performed procedures to obtain evidence that the public entity had complied with legislation regarding financial matters, financial management and other related matters. We did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with legislation. We did not identify any significant deficiencies in internal controls.

Annual Financial Statements

for the year ended 31 March 2016

Investigation

The entity is currently awaiting information from the HAWKS to finalise the outcome of the investigation launched in the prior year related to alleged housing irregularity.

Audit-related services and special audits

An external quality assurance and compliance review of the approved Human Settlements National Priority Catalytic projects was performed for during the year ended 31 March 2016 by an independent assurance provider. No areas of non-compliance were identified.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

**Pravitha Persad
Director**

Registered auditor
29 July 2016

Annual Financial Statements

for the year ended 31 March 2016

ACCOUNTING AUTHORITY'S REPORT

The members of the Accounting Authority present their report for the year ended 31 March 2016.

1. Main business and operations

The Housing Development Agency (HDA) was enacted via an Act of Parliament, the Housing Development Agency Act 23 of 2008. The HDA is listed as a schedule 3A entity in terms of the Public Finance Management Act 1 of 1999.

The Executive Authority of the HDA is the National Minister of Human Settlements. The HDA commenced operations on 1 April 2009.

The objectives of the Agency, as described in the HDA Act are to:

- identify, acquire, hold, develop and release state, communal and privately owned land for residential;
- and community purposes and for the creation of sustainable human settlements; and
- provide project management support and housing development services.

1.1 Corporate governance statement

The Accounting Authority is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Accounting Authority supports the highest standards of corporate governance and the ongoing development of best practice.

The salient features of the entity's adoption of the principles of the King Code on Corporate Governance are outlined below:

Accounting Authority (Board)

The Board:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity; and
- is of a unitary structure comprising:
 - * non-executive members, all of whom are independent directors as defined in the principles of the King Code and the Act, and
 - * executive members.

Chairperson and Chief Executive

The Chairperson is a non-executive member (as defined by the principles of King Code).

The roles of Chairperson and Chief Executive Officer are separate, with responsibilities divided between them so that no individual has unfettered powers of discretion.

Human Resources and Remuneration Committee

The Chairperson of the Human Resources and Remuneration Committee is Ms LC Archary, who is a non-executive member. The other non-executive members of the committee are Mr M Msimang and Mr MG Seitisho.

The committee operates in accordance with its approved Charter and has been constituted to oversee the formulation of a remuneration philosophy and human resources strategy to ensure that the HDA enjoys the best human capital relevant to its business needs and maximises the potential of its employees.

Annual Financial Statements

for the year ended 31 March 2016

ACCOUNTING AUTHORITY'S REPORT...Continued

Audit and Risk Committee

The Chairperson of the Audit and Risk Committee is Ms TS Songelwa, who is a non-executive member, the other non-executive members are Mr ME Mutheiwana, Mr NN Vilakazi as well as an independent member Mr SAH Kajee.

The Audit Committee operates under an approved Audit Committee Charter.

Properties and Development Committee

The Chairperson of the Properties and Development Committee is Mr PA Singh, who is a non-executive member. The other non-executive members are Ms LC Archary, Mr ME Mutheiwana, Ms TS Songelwa, Mr NN Vilakazi, Mr N Chaine and Mr MG Seitisho. The committee has an approved terms of reference.

Social & Ethics Committee (effective 25 January 2016).

The Chairperson of the Social and Ethics Committee is Mr MG Seitisho, who is an independent non-executive member, the other independent non-executive members are Mr M Msimang, Mr PA Singh and Ms TS Songelwa.

Project Investment Committee (effective 25 January 2016)

The Chairperson of the Project Investment Committee is Mr ME Mutheiwana, who is an independent non-executive member, the other independent non-executive members are Mr PA Singh, Mr NN Vilakazi, Ms LC Archary and Mr MG Seitisho.

1.2 Internal audit

The HDA's internal auditors were KPMG from April to May 2015, and Rakoma and Associates were subsequently appointed on 1 June 2015 to perform the internal audit services at the HDA in accordance with the requirements of the PFMA, Treasury Regulations and the Standards of the Institute of Internal Auditors.

1.3 Compliance with legislation

The Board complies with the mandatory legislation applicable to it such as the Public Finance Management Act 1 of 1999 and the HDA Act 23 of 2008.

2. Going concern

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Events after reporting date

There are no reportable events after reporting date.

4. Members of the Accounting Authority interest in contracts

To our knowledge, none of the members had any interest in contracts entered into during the period under review.

5. Financial Results

The HDA's operating results and financial position are reflected in the attached annual financial statements.

6. Irregular Expenditure

Irregular expenditure to the value of R170 000 was incurred, see note 28. The Accounting Authority has requested that this matter be investigated further. This was subsequently condoned by the Board.

Annual Financial Statements

for the year ended 31 March 2016

ACCOUNTING AUTHORITY'S REPORT...Continued

7. Members of the Accounting Authority

The members of the Accounting Authority of the HDA during the accounting period and up to the date of this report, were as follows:

| Name | Date of appointment | Date of resignation/end of tenure |
|--------------------------|---------------------|-----------------------------------|
| MW Msimang (Chairperson) | 04.11.2015 | |
| CF Platt | 01.06.2012 | 04.11.2015 |
| LC Archary | 04.11.2015 | |
| KL Sebegu | 07.04.2013 | 01.07.2015 |
| NN Vilakazi | 04.11.2015 | |
| MP Malunga | 23.08.2013 | 04.11.2015 |
| TS Songelwa | 04.11.2015 | |
| ME Mutheiwana | 04.11.2015 | |
| MG Seitsho | 04.11.2015 | |
| TM Adler (CEO) | 01.02.2009 | 31.05.2015 |
| PP Moloji (CEO) | 01.10.2015 | |
| APG Moola (CFO) | 01.09.2014 | |
| T Zulu (CEO) | 01.06.2015 | 30.09.2015 |

The Board has met seven times during the financial year under review. The board is scheduled to meet at least four times a year.

Non-Executive members have access to all members of management of the HDA. Attendance at meetings of the board and its sub-committees are as follows:

BOARD MEETINGS

| Name | Meetings | Attended | Apologies |
|----------------|----------|----------|-----------|
| MW Msimang» | 7 | 6 | 1 |
| CF Platt» | 3 | 3 | - |
| TS Songelwa» | 4 | 3 | 1 |
| KL Sebegu» | 2 | 1 | 1 |
| LC Archary» | 7 | 2 | 5 |
| MP Malunga» | 3 | 3 | - |
| NN Vilakazi» | 7 | 4 | 3 |
| ME Mutheiwana» | 4 | 4 | - |
| PA Singh» | 4 | 3 | 1 |
| T Zulu* | 1 | 1 | - |
| PP Moloji* | 5 | 5 | - |
| TM Adler* | 1 | 1 | - |
| APG Moola* | 7 | 7 | - |

Annual Financial Statements

for the year ended 31 March 2016

ACCOUNTING AUTHORITY'S REPORT...Continued

AUDIT AND RISK COMMITTEE

| Name | Meetings | Attended | Apologies |
|----------------|----------|----------|-----------|
| CF Platt» | 2 | 2 | - |
| TS Songelwa» | 1 | 1 | - |
| NN Vilakazi» | 1 | - | 1 |
| ME Mutheiwana» | 1 | 1 | - |
| SAH Kajee~ | 2 | 2 | - |
| GG Leissner~ | 1 | 1 | - |
| PP Moloji* | 2 | 2 | - |
| TM Adler* | 1 | 1 | - |
| APG Moola* | 3 | 3 | - |

HR & REMUNERATION COMMITTEE

| Name | Meetings | Attended | Apologies |
|-------------|----------|----------|-----------|
| LC Archary» | 1 | 1 | - |
| MP Malunga» | 1 | 1 | - |
| KL Sebegu» | 1 | 1 | - |
| TM Adler* | 1 | 1 | - |
| R Issel^ | 1 | 1 | - |

PROPERTIES AND DEVELOPMENT COMMITTEE

| Name | Meetings | Attended | Apologies |
|----------------|----------|----------|-----------|
| CF Platt» | 4 | 3 | 1 |
| PA Singh» | 1 | 1 | - |
| LC Archary» | 4 | 1 | 3 |
| NN Vilakazi» | 4 | - | 1 |
| TS Songelwa» | 1 | 1 | - |
| ME Mutheiwana» | 1 | 1 | - |
| PP Moloji* | 3 | 2 | 1 |
| TM Adler* | 1 | 1 | - |
| APG Moola* | 4 | 4 | - |
| BM Khoza^ | 4 | 4 | - |
| O Crofton^ | 4 | 4 | - |

» Member of the Accounting Authority

~ Independent Member of the Audit and Risk Committee

* Executive Member

^ Senior Management team

8. Auditors

The Auditor-General has given the HDA permission to appoint external auditors on their behalf. The HDA has re-appointed PricewaterhouseCoopers Inc. for the financial year 2015/16, on 03 November 2015. The appointment is granted for one financial year as contemplated in terms of section 25(4) of the Public Audit Act, Act No. 25 of 2004.

Annual Financial Statements

for the year ended 31 March 2016

STATEMENT OF FINANCIAL POSITION

| Figures in R'000 | Note(s) | 2016 | 2015 |
|---|---------|----------------|----------------|
| Assets | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 3 | 4,037 | 19,465 |
| Long-term land inventory | 4 | 27,905 | 27,905 |
| Total Non-Current Assets | | 31,942 | 47,370 |
| Current Assets | | | |
| Land inventory | 5 | 96,336 | 81,536 |
| Receivables from exchange transactions | 6 | 739 | 1,930 |
| Projects receivables | 7 | 96,462 | 20,001 |
| Cash and cash equivalents | 8 | 552,324 | 55,393 |
| Total Current Assets | | 745,861 | 158,860 |
| Total Assets | | 777,803 | 206,230 |
| Net Assets and Liabilities | | | |
| Revaluation reserve | | 57 | 57 |
| Accumulated surplus | | 21,236 | 30,325 |
| | | 21,293 | 30,382 |
| Non-Current Liabilities | | | |
| Finance lease obligations | 9 | - | 42 |
| Current Liabilities | | | |
| Payables from exchange transactions | 11 | 24,325 | 18,909 |
| Provisions | 12 | 12,471 | 9,844 |
| Current portion of finance leases | 9 | 42 | 230 |
| Projects Payables | 13 | 115,105 | 7,924 |
| Projects obligations | 14 | 508,231 | 57,363 |
| Land inventory funding | 15 | 96,336 | 81,536 |
| Total Current Liabilities | | 756,510 | 175,806 |
| Total Net Assets and Liabilities | | 777,803 | 206,230 |

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for the year ended 31 March 2016

STATEMENT OF FINANCIAL PERFORMANCE

| Figures in R'000 | Note(s) | 2016 | 2015 |
|--|-----------|----------------|----------------|
| Operating revenue | | | |
| Operational grants | 16 | 162,868 | 150,730 |
| Project management fee | 17 | 7,519 | 1,278 |
| Interest income | | 312 | 2,215 |
| Total operating revenue | | 170,699 | 154,223 |
| Expenditure | | | |
| Land and related costs | 18 | 10,514 | 12,767 |
| Operating expenses | 19 | 50,824 | 43,739 |
| Project services | 20 | 45,790 | 25,490 |
| Finance costs | | 444 | 217 |
| Employee costs | 21 | 91,327 | 81,565 |
| Deficit on disposal of property, plant and equipment | | 20 | 38 |
| Total expenditure | | 198,919 | 163,816 |
| Other income | | | |
| Surplus on disposal of property, plant and equipment | | 13,698 | - |
| Sundry Income | 22 | 5,433 | 3,597 |
| Total other income | | 19,131 | 3,597 |
| Deficit for the year | 24 | (9,089) | (5,996) |

Annual Financial Statements

for the year ended 31 March 2016

STATEMENT OF CHANGES IN NET ASSETS

| Figures in R'000 | Non-distributable reserves | Accumulated surplus | Total |
|---|----------------------------|---------------------|---------------|
| Balance at 1 April 2014 | 57 | 38,193 | 38,250 |
| Adjustment on operating lease straight lining | - | (1,872) | (1,872) |
| Deficit for the year | - | (5,996) | (5,996) |
| Balance at 31 March 2015 | 57 | 30,325 | 30,382 |
| Balance at 1 April 2015 | 57 | 30,325 | 30,382 |
| Deficit for the year | - | (9,089) | (9,089) |
| Balance at 31 March 2016 | 57 | 21,236 | 21,293 |

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for the year ended 31 March 2016

STATEMENT OF CASH FLOW

| Figures in R'000 | Note(s) | 2016 | 2015 |
|---|---------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Receipts | | 175,820 | 155,605 |
| Grants | | 162,868 | 150,730 |
| Management fees | | 7,519 | 1,278 |
| Other receipts | | 5,433 | 3,597 |
| Payments | | (187,694) | (184,472) |
| Employee costs | | (91,327) | (81,565) |
| Other payments | | (96,367) | (102,907) |
| Cash generated/(utilised) in operations | 25 | (11,874) | (28,867) |
| Interest received | | 312 | 2,215 |
| Interest paid - finance charges on finance leases | | (12) | (25) |
| Net cash flows from operating activities | | (11,574) | (26,677) |
| Cash flows from investing activities | | | |
| Property, plant and equipment acquired | | (2,722) | (983) |
| Proceeds on disposal of property, plant and equipment | | 29,865 | - |
| Net cash flows from investing activities | | 27,143 | (983) |
| Cash flows from financing activities | | | |
| Increase in projects receivables | | (76,461) | - |
| Increase in projects payables | | 107,181 | - |
| Increase/(decrease) in projects obligations | | 450,872 | (88,155) |
| Decrease in lease liability | | (230) | (91) |
| Surplus refund to National Treasury | | - | (6,402) |
| Cash flows from financing activities | | 481,362 | (94,648) |
| Increase/ (decrease) in cash and cash equivalents | | 496,931 | (122,308) |
| Cash and cash equivalents at beginning of the year | | 55,393 | 177,701 |
| Cash and cash equivalents at end of the year | 8 | 552,324 | 55,393 |

Annual Financial Statements

for the year ended 31 March 2016

STATEMENT OF COMPARISON OF BUDGET INFORMATION WITH ACTUAL INFORMATION

| Figures in R'000 | Note(s) | 2016 | | | | | Approved annual budget |
|--|---------|----------------|----------------|----------------|--------------|------------|------------------------|
| | | Actuals | Budget | Variance | % Variance | Adjustment | |
| Operating revenue | | | | | | | |
| Operational grants | 1 | 162,868 | 278,887 | 116,019 | 42% | - | 278,887 |
| Project management fees | | 7,519 | 8,219 | 700 | 9% | - | 8,219 |
| Other income | | | | | | | |
| Surplus on disposal of property, plant and equipment | | 13,698 | 11,980 | (1,718) | (14%) | - | 11,980 |
| Interest income | | 312 | 1,588 | 1,276 | 80% | - | 1,588 |
| Sundry Income | | 5,433 | 2,995 | (2,438) | (81%) | - | 2,995 |
| Total revenue | | 189,830 | 303,669 | 113,839 | 37% | - | 303,669 |
| Expenditure | | | | | | | |
| Land and related costs | 2 | 10,514 | 16,832 | 6,318 | 38% | - | 16,832 |
| Operating expenses | 3 | 50,824 | 44,473 | (6,351) | (17%) | - | 44,473 |
| Technical and project services | 4 | 45,790 | 144,259 | 98,469 | 68% | - | 144,259 |
| Finance costs | | 444 | 45 | (399) | (887%) | - | 45 |
| Employee costs | | 91,327 | 98,060 | 6,733 | 7% | - | 98,060 |
| Deficit on disposal of property, plant and equipment | | 20 | - | (20) | 0% | - | - |
| Total expenditure | | 198,919 | 303,669 | 104,750 | 34% | - | 303,669 |
| Deficit for the year | | (9,089) | - | - | 9,089 | - | - |

Variiances explanation

1. Delayed signing of MTOPs resulting in slow recovery of revenue.
2. Savings due to HDA facilitating land transactions between sellers and other organs of state and not via the HDA, therefore related costs were borne by the relevant recipients.
3. Unforeseen costs due to various launches of new projects and research on developer role mandate.
4. Slow spending due to the complexity of identifying and performing quality assurance for possible catalytic projects.

Annual Financial Statements

for the year ended 31 March 2016

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

General information

The Housing Development Agency is a section 3A entity of the PFMA, Act 1 of 1999. The principal activity is accelerating the development of sustainable human settlements through land assembly, building and property acquisitions, and project management and support services.

Basis of preparation

The Annual Financial Statements have been prepared in accordance with the effective South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) for the accrual basis of accounting, including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The following are the principal accounting policies of the HDA, adopted in preparation of the Annual Financial Statements. The historical cost convention has been used, except where indicated otherwise.

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of the GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Use of estimates and judgements

Management has used assessments and estimates in preparing the Annual Financial Statements - these are based on the best information available at the time of preparation. The Annual Financial Statements have been prepared on a going concern basis. All amounts have been presented in the currency of South African Rand, which is the functional currency of the HDA.

Standards and pronouncements comprising the GRAP Financial Reporting Framework

The following standards have been approved but are not yet effective as at 31 March 2016. The impact that these standards will have on the entity is detailed below. A list of these standards is provided below:

| GRAP | STANDARDS | IMPACT | EFFECTIVE DATE |
|----------|-------------------------------------|---|-------------------|
| GRAP 20 | Related party disclosures | Disclosure will be affected as the HDA has transactions with related parties | No effective date |
| GRAP 108 | Statutory Receivables | Disclosure may be affected | No effective date |
| GRAP 109 | Accounting by Principals and Agents | Disclosure will be affected as the HDA has principal-agency agreements with other organs of state | No effective date |

The following are interpretations issued but not yet effective:

| INTERPRETATIONS | EFFECTIVE DATE |
|--|-------------------|
| Preface to the interpretations of the SA Standards of GRAP | No effective date |

2.1 Revenue recognition

The HDA is financed from money appropriated by Parliament and other sources as indicated below:

Revenue from exchange transactions

Revenue from exchange transactions refers to the revenue that accrued to the HDA directly in return for services rendered, the value of which approximates the consideration received or receivable. Revenue is recognised based on cost recovery.

Annual Financial Statements

for the year ended 31 March 2016

ACCOUNTING POLICIES...Continued

Revenue arising from the use by others of entity interest yielding assets is recognised when:

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

Interest income is recognised as it accrues on a time apportionment basis taking into account its effective yield. Other income comprises tender fees and insurance claims and is recognised when consideration is received.

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the HDA received revenue from another party without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants from government are recognised at fair value when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received.

Grants relating to projects approved for funding but not yet transferred are accrued for.

The service rendered is recognised as revenue by reference to the stage of completion of the transaction at the statement of financial position date.

2.2 Taxation

The HDA is not required to make provision for SA Normal Taxation in the Annual Financial Statements, since it is exempted in terms of section 10(1) cA (i) of the Income Tax Act 58 of 1962 as amended.

The HDA is defined as a public authority in terms of the VAT Act 89 of 1991 as amended and is not required to register for Value Added Tax (VAT). The HDA is also exempt from paying Skills Development Levy in terms of Section 4 (d) of the Skills Development Levies Act No. 9 of 1999.

2.3 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when: it is probable that future economic benefits associated with the item will flow to the entity; and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Where an asset is acquired at no or nominal cost, its cost is its fair value as at the date of acquisition.

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.

Annual Financial Statements

for the year ended 31 March 2016

ACCOUNTING POLICIES...Continued

Accounting Policies

Property, plant and equipment is carried at cost less accumulated depreciation and impairment losses.

Recognition of costs in the carrying amounts of an item of property, plant and equipment ceases when an item is in location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is depreciated on a straight-line basis over their expected useful lives to their estimated residual value. Depreciation commences when the asset is ready for its intended use.

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. Where the carrying value is greater than estimated recoverable amount, it is written down immediately to its recoverable amount. The useful lives of all the assets are assessed on an asset by asset basis. The major categories of assets are depreciated over the following average useful lives:

| Item | Average useful life |
|------------------------|----------------------------|
| Computer equipment | 3–4 years |
| Office equipment | 4–5 years |
| Furniture and fittings | 10–12 years |
| Electronic hardware | 4–5 years |
| Property | 20–25 years |

The residual value, the useful life 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.

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

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

Subsequent expenditure incurred on items of property, plant and equipment is only capitalised to the extent that such expenditure enhances the value or previous capacity of those assets. Repairs and maintenance not deemed to enhance the economic benefit or service potential of items of property, plant and equipment are expensed as incurred.

Paintings

Paintings are carried at fair value and not depreciated. The revaluation method is used. Revaluations are made regularly, every three years by an independent valuator.

If the carrying amount of an asset is increased as a result of a revaluation, the increase shall be credited directly to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Annual Financial Statements

for the year ended 31 March 2016

ACCOUNTING POLICIES...Continued

2.4 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

Intangible assets are purchased computer software that is stated at cost less accumulated amortisation and any accumulated impairment losses. It is amortised over its estimated life of three years using the straight-line method.

The residual value of an intangible asset with a finite useful life shall be assumed to be zero, unless there is:

- a commitment by a third party to purchase the asset at the end of its useful life; or
- there is an active market for the assets; and
 - * Residual value can be determined by reference to that market; and
 - * It is probable that such a market will exist at the end of the asset's useful life.

Useful lives, amortisation methods and residual values of assets are re-estimated annually to finite periods. The depreciable amount of an intangible asset with finite useful life shall be allocated on a systematic basis over its useful life. Amortisation shall begin when the asset is available for use. The assets are then amortised over their re-assessed useful lives.

An intangible asset shall be derecognised:

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

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

At each statement of financial position date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication that those assets may have been impaired. If the fair value less costs to sell of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its fair value less costs to sell. An impairment loss is recognised immediately in surplus or deficit.

2.5 Land held as current assets

Land held as current assets is classified as such when the carrying amount will be recovered principally through a sale transaction or disposal rather than through continuing use.

2.6 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Classification of leases is done at the inception of the lease agreement.

Annual Financial Statements

for the year ended 31 March 2016

ACCOUNTING POLICIES...Continued

Finance leases – lessee

Assets acquired in terms of finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance lease assets are carried at the initial cost recognised less accumulated depreciation and impairment losses. Finance lease assets are depreciated over the shorter of the useful life of the asset or the lease term unless the asset is expected to be used by the entity beyond the term of the lease.

The major categories of leased assets are depreciated using the following range of useful life:

| Item | Average useful life |
|------------------|----------------------------|
| Office equipment | 2–3 years |

Operating leases – lessee

Leases for assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset.

2.7 Provisions

Provisions are recognised when:
the entity has

- a present legal or constructive obligation as a result of a past event;
- it is probable that
- an outflow of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Where some or all of the expenditure required for settling a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

2.8 Leave pay provision

Employee entitlement to annual leave is recognised when it accrues to employees. A provision, based on total employment cost is raised for the estimated liability as a result of services rendered by employees up to date of the statement of financial position.

2.9 Contingent liabilities

Contingent liabilities are included in the disclosure notes to the financial statements when it is possible that economic benefits will flow from the entity, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably.

2.10 Land inventory

Initial recognition and measurement

Land inventory is a tangible asset that is held for sale or distribution in the ordinary course of operations.

Annual Financial Statements

for the year ended 31 March 2016

ACCOUNTING POLICIES...Continued

Land inventory shall be recognised as an asset if, and only if:
it is probable that future

- economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the inventory can be measured reliably.

Inventories that qualify for recognition as assets shall initially be measured at cost. Inventories are measured at the lower of cost and current replacement cost. Where inventories are acquired at no cost, or for nominal consideration, their costs shall be fair value as at the date of acquisition.

Subsequent measurement

Inventories shall be measured at the lower of cost or current replacement cost where they are held for distribution at no charge or for a nominal charge.

Long-term land inventory

Land purchased by the HDA for the purpose of release for human settlements and where there is uncertainty regarding date of release is classified as long-term land inventory.

Short-term inventory

Land registered in the HDA name and where there are conditions attached is classified under current assets as short-term land inventory.

2.11 Related parties

The HDA operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the national sphere of government will be considered to be related parties. Only transactions with such parties which are not arm's length and not on normal commercial terms are disclosed.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from the level of Executive Committee up to the Accounting Authority are regarded as key management. Close members of the family of persons related to the entity may influence, or be influenced by them in their transactions with the entity.

2.12 Financial instruments

Initial recognition and measurement

Financial instruments are initially recognised at fair value. Transaction costs on financial instruments, measured at fair value through surplus or deficit, are recognised in surplus or deficit.

Receivables

Receivables are classified as loans and receivables and are initially measured at fair value. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are subsequently measured at amortised cost using the effective interest rate method. The allowance for debtor impairment is determined as being the difference between the present value of the expected future cash receipts and the carrying value. Bad debts are written off when concrete cases of default are identified. Gains and losses are recognised in surplus and deficit when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Annual Financial Statements

for the year ended 31 March 2016

ACCOUNTING POLICIES...Continued

Payables

The entity's financial liabilities include payables which are initially measured at fair value and subsequently measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents, for the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts, all of which are available for use unless otherwise stated. These are initially and subsequently recorded at fair value.

Offsetting

Transactions are only offset when such offsetting reflects the substance of the transaction or event. Where a legally enforceable right of offset exists for recognised financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or settle on a net basis, all related financial effects are offset.

Impairment of financial assets

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

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment. As the indicators are subject to uncertainty and as such may change in future financial periods. Such changes in estimates may have the effect of decreasing impairment losses recognised. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Impairment losses are recognised in surplus or deficit.

Derecognition

A financial asset (or, where applicable, a part of a financial asset) is derecognised when: the rights

- to receive cash flow from the asset have expired;
- the entity retains
- the right to receive cash flow from the asset, but has assumed the obligation to pay them in full without material delay to a third party under a "pass-through" arrangement, or
 - the entity has transferred its right to receive cash flows from the asset and either
 - * has transferred substantially all the risks and rewards of the assets, or
 - * has neither transferred nor retained substantially all the risks and rewards of the assets, has transferred control of the asset.

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

On derecognition, the difference between the carrying amount of the financial assets and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in net assets, is included in the surplus or deficit for the period.

Annual Financial Statements

for the year ended 31 March 2016

ACCOUNTING POLICIES...Continued

2.13 *Employee benefits*

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted.

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 HDA is a member of the Government Employees Pension Fund.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payment as a result of past performance.

2.14 *Accruals*

Accruals are recognised as liabilities when the entity has taken receipt of the related goods or services without a corresponding invoice having been issued.

The amount of accruals is the present value of the expenditure required to settle the obligation. Where some or all of the expenditure required for settling a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the accruals. Accruals are not recognised for future operating deficits.

2.15 *Grants accrued*

Grants accrued represents funds committed and allocated to specific projects for which contracts have been entered into and which await cash payments in terms of payment agreed contracts.

2.16 *Projects in progress (conditional grants)*

Projects in progress represent grants received from the Department of Human Settlements for funding programme projects. The conditional grants are treated as liabilities in the statement of financial position in the year it was received or accrued and released to revenue as the expenses are incurred or to the extent that the conditions are met.

2.17 *Significant estimates and judgement made by management in applying accounting policies*

The preparation of annual financial statements in conformity with SA Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. Significant judgement has been exercised in determining the following:

Fair value estimation

The amortised cost (using the effective interest method), less impairment provision of receivables and payables approximate their fair values. The present value of future cash flows (using the effective interest method) approximate the fair value of revenue and expenditure transactions.

Annual Financial Statements

for the year ended 31 March 2016

ACCOUNTING POLICIES...Continued

Impairment testing

Initial recognition

An asset is impaired when the carrying amount exceeds the recoverable service amount. At each reporting date, the HDA assesses whether there is an indication that an asset may be impaired. In assessing whether an asset may be impaired, HDA considers the following minimum requirements:

- **External source information**
 - * Cessation or near cessation of need for services provided by an asset
 - * Significant long term changes in technology, legal or government policy environment -
- **Internal source information**
 - * Physical damage of an asset

Application of approaches

The approach used by the HDA will depend on whether, after assessment, enough information is available and the nature of impairment:

- Cessation or near cessation of need for services provided by asset
- The depreciated replacement cost method will be used
- Significant long term changes in technology, legal or government policy environment the depreciated replacement cost method will be used
- Physical damage of an asset, the restoration cost method will be used

Recognition and measurement

The impairment loss is not applicable if the asset is classified such as paintings which uses the revaluation model.

If the recoverable amount is less than the carrying amount, the carrying amount will be reduced to the recoverable service amount. That reduction is the impairment loss.

An impairment loss will be recognised immediately in the surplus or deficit.

Provisions

Management used available information to determine estimations for provisions. These are measured at management's best estimate of the expenditure required to settle the obligation at reporting date.

2.18 Budget information

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

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

The Annual Financial Statements and the budget are prepared on the same basis of accounting. Therefore a reconciliation between the statement of financial performance and the budget is not required.

2.19 Fruitless and wasteful expenditure

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

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for the year ended 31 March 2016

ACCOUNTING POLICIES...Continued

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.

2.20 Irregular expenditure

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

- a) the PFMA;
- b) the Treasury Regulations;
- c) a National Treasury Instruction, issued in terms of section 76 of the PFMA; and
- d) a Provincial Treasury Instruction issued in terms of section 18(2)(a) of PFMA.

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

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

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

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

Annual Financial Statements

for the year ended 31 March 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

| Figures in R'000 | 2016 R `000 | 2015 R `000 |
|------------------|----------------|----------------|
|------------------|----------------|----------------|

3. Property, plant and equipment

| Assets | 2016 | | | 2015 | | |
|------------------------|--------------|--------------------------|----------------|---------------|--------------------------|----------------|
| | Cost | Accumulated depreciation | Carrying value | Cost | Accumulated depreciation | Carrying value |
| Furniture and fittings | 3,446 | 1,027 | 2,419 | 1,273 | 253 | 1,020 |
| Electronic hardware | 2,424 | 2,016 | 408 | 2,419 | 1,534 | 885 |
| Office equipment | 278 | 122 | 156 | 155 | 76 | 79 |
| Computer equipment | 2,652 | 1,898 | 754 | 2,308 | 1,513 | 795 |
| Property | - | - | - | 20,000 | 3,833 | 16,167 |
| | 8,800 | 5,063 | 3,737 | 26,155 | 7,209 | 18,946 |

| Capitalised leased assets | 2016 | | | 2015 | | |
|---------------------------|------|--------------------------|----------------|------|--------------------------|----------------|
| | Cost | Accumulated depreciation | Carrying value | Cost | Accumulated depreciation | Carrying value |
| | 595 | 560 | 35 | 595 | 341 | 254 |

| Paintings | 2016 | | | 2015 | | |
|-----------|------------|-------------|----------------|------------|-------------|----------------|
| | Fair Value | Revaluation | Carrying value | Fair Value | Revaluation | Carrying value |
| | 265 | - | 265 | 265 | - | 265 |

| | | | | | | |
|--------------|--------------|--------------|--------------|---------------|--------------|---------------|
| Total | 9,660 | 5,623 | 4,037 | 27,015 | 7,550 | 19,465 |
|--------------|--------------|--------------|--------------|---------------|--------------|---------------|

The carrying amounts of property, plant and equipment can be reconciled as follows for 2016:

| Assets | Carrying value at beginning of year | Additions | Disposals | Depreciation | 2016 |
|------------------------|-------------------------------------|--------------|-----------------|----------------|-------------------------------|
| | | | | | Carrying value at end of year |
| Furniture and fittings | 1,020 | 2,174 | - | (775) | 2,419 |
| Electronic hardware | 885 | 4 | - | (481) | 408 |
| Office equipment | 79 | 122 | - | (45) | 156 |
| Computer equipment | 795 | 422 | (20) | (443) | 754 |
| Property | 16,167 | - | (16,167) | - | - |
| | 18,946 | 2,722 | (16,187) | (1,744) | 3,737 |

Annual Financial Statements

for the year ended 31 March 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS...Continued

| Figures in R'000 | | 2016 R `000 | 2015 R `000 | | |
|---------------------------|-------------------------------------|----------------|-----------------|------------------------------------|------------------------------------|
| | Carrying value at beginning of year | Revaluation | Disposals | 2016 Carrying value at end of year | |
| Paintings | 265 | - | - | 265 | |
| | Carrying value at beginning of year | Additions | Disposals | Depreciation | 2016 Carrying value at end of year |
| Capitalised leased assets | 254 | - | (2) | (217) | 35 |
| Total | 19,465 | 2,722 | (16,187) | (1,961) | 4,037 |

The carrying amounts of property, plant and equipment can be reconciled as follows for 2015:

| | Carrying value at beginning of year | Additions | Disposals | Depreciation | 2015 Carrying value at end of year |
|------------------------|-------------------------------------|-----------|-----------|--------------|------------------------------------|
| Assets | | | | | |
| Furniture and fittings | 767 | 316 | - | (63) | 1,020 |
| Electronic hardware | 1,398 | 34 | (16) | (531) | 885 |
| Office equipment | 41 | 58 | - | (20) | 79 |
| Computer equipment | 808 | 455 | (18) | (450) | 795 |
| Property | 17,167 | - | - | (1,000) | 16,167 |
| | 20,181 | 863 | (34) | (2,064) | 18,946 |

| | Carrying value at beginning of year | Revaluation | 2015 Carrying value at end of year |
|-----------|-------------------------------------|-------------|------------------------------------|
| Paintings | 265 | - | 265 |

| | Carrying value at beginning of year | Additions | Disposals | Depreciation | 2015 Carrying value at end of year |
|---------------------------|-------------------------------------|------------|-------------|----------------|------------------------------------|
| Capitalised leased assets | 349 | 119 | - | (214) | 254 |
| Total | 20,795 | 982 | (34) | (2,278) | 19,455 |

Pledged as security

Except for leased assets, none of the assets above have been pledged as security or have restrictions on title.

The paintings are shown at fair value. These were evaluated in February 2014 by an independent valuer, Crouse Art. The valuation was done using market values. The next valuation is due in February 2017.

Annual Financial Statements

for the year ended 31 March 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS...Continued

| Figures in R'000 | 2016 R `000 | 2015 R `000 |
|------------------|----------------|----------------|
|------------------|----------------|----------------|

4. Long-term land inventory

| | | |
|--------------------------|---------------|---------------|
| Land inventory - various | 27,905 | 27,905 |
| | 27,905 | 27,905 |

Land inventory - various

The HDA in terms of a directive received from the National Department of Human Settlements, had purchased various land and properties from Servcon.

Land purchased comprises, at acquisition value:

| Description | | |
|--|---------------|---------------|
| Erf 13120 Queenstown | 3,540 | 3,540 |
| Portion 237 of 78 farm Hartbeestpoort No.328JR | 9,914 | 9,914 |
| Portions 78, 89, 90, 151 Daspoort 319JR | 7,158 | 7,158 |
| Erf 10509 Cape Town | 2,257 | 2,257 |
| Erf farm 755/2 Michael Heyns-Swartland Cape Town | 5,036 | 5,036 |
| | 27,905 | 27,905 |

The asset, ERF 10509 Cape Town valued at R2,257m has been reclassified from short-term land inventory to long-term land inventory.

5. Land inventories

| | | |
|----------------------------|---------------|---------------|
| Inventories comprise: | | |
| Land inventory - Bela Bela | 65,400 | 65,400 |
| Property inventory-various | 30,936 | 16,136 |
| | 96,336 | 81,536 |

Bela-Bela land

The HDA acquired portion 170 portion and portion of the current portion 5 of Farm Roodepoort 467 KR - Limpopo Province (Bela Bela) in extent of 72, 5875 hectares for R65,4m (Refer also to Note 15)

Property inventory-various

Property inventory, registered in the name of HDA comprises, at acquisition value :

| Description | | |
|------------------------------------|---------------|---------------|
| Erf 1816 Bethlehem township | 4,400 | 4,400 |
| Erf 4919 Kroonstad Ext 30 township | 3,300 | 3,300 |
| Erf 5246 Kroonstad | 1,733 | 1,733 |
| Erf 229 Kroonstad | 2,338 | 2,338 |
| Ptn 37 of the farm Welkom 41 | 4,365 | 4,365 |
| Erf 4049 Portion 20 Bethlehem | 2,100 | - |
| Farm 654 Portion 1 Bloemfontein | 10,200 | - |
| Erf 2116 Portion 3 Bloemfontein | 2,500 | - |
| | 30,936 | 16,136 |

The properties were acquired by the HDA at no cost and were valued after the transfer occurred.

The assets were acquired on behalf of the Free State Provincial Government based on an agreed protocol and carry a corresponding liability disclosed in Note 15.

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for the year ended 31 March 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS...Continued

| Figures in R'000 | 2016 | 2015 |
|---|----------------|---------------|
| 6. Receivables from exchange transactions | | |
| Receivables | 53 | 769 |
| Sundry receivables | 334 | 289 |
| Deposits | 352 | 872 |
| | 739 | 1,930 |
| The carrying amount of receivables approximates fair value. | | |
| 7. Project receivables | | |
| Limpopo Provincial Government | 28,859 | 3000 |
| Free State Provincial Government | - | 6,481 |
| Eastern Cape Provincial Government | - | 2,160 |
| Eastern Cape Provincial Government | - | 4,939 |
| Eastern Cape Provincial Government - Provision for bad debts | - | (2,028) |
| Western Cape Provincial Government | - | 5,449 |
| Gauteng Provincial Government | 47,603 | - |
| North West Provincial Government | 20,000 | - |
| | 96,462 | 20,001 |
| 8. Cash and cash equivalents | | |
| Petty cash | 63 | 51 |
| Bank Balances | 552,261 | 55,342 |
| | 552,324 | 55,393 |
| 9. Finance lease obligations | | |
| Lease of photocopiers and faxes with Konica Minolta | - | 42 |
| | - | 42 |
| Repayable within one year, transferred to current liabilities | 42 | 230 |
| | 42 | 272 |
| Reconciliation between the total of the minimum lease payments and the present value: | | |
| Minimum lease payments | 42 | 284 |
| - No later than 1 year | 42 | 242 |
| - Later than 1 year and no later than 5 years | - | 42 |
| Future finance charges on finance leases | - | (12) |
| | 42 | 272 |
| 10. Obligations under operating leases | | |

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS...Continued

| Figures in R `000 | Note(s) | 2016 | 2015 |
|---|---------|---------------|---------------|
| The future minimum office lease payments, which escalate at 8% p.a are as follows: | | | |
| Johannesburg - Head Office | | 6,323 | 9,344 |
| – No later than 1 year | | 3,325 | 3,022 |
| – Later than 1 year, less than five | | 2,998 | 6,322 |
| The future minimum office lease payments, which escalate at 10% p.a are as follows: | | | |
| Port Elizabeth | | 2,254 | - |
| No later than one year | | 1,073 | - |
| Later than one year, less than five | | 1,181 | - |
| The future minimum office lease payments, which escalate at 10% p.a are as follows: | | | |
| Cape Town | | 1,950 | 3,234 |
| No later than one year | | 1,366 | 1,284 |
| Later than one year, less than five | | 584 | 1,950 |
| The future minimum office lease payments, which escalate at 10% p.a are as follows: | | | |
| Bloemfontein | | 1,106 | 421 |
| No later than one year | | 133 | 421 |
| Later than one year, less than five | | 973 | - |
| The future minimum office lease payments, which escalate at 8% p.a are as follows: | | | |
| Durban | | 836 | - |
| No later than one year | | 385 | - |
| Later than one year, less than five | | 451 | - |
| The future minimum office lease payments, which escalate at 8% p.a are as follows: | | | |
| Johannesburg | | 1,808 | - |
| No later than one year | | 954 | - |
| Later than one year, less than five | | 854 | - |
| The future minimum office lease payments, which escalate at 9% p.a are as follows: | | | |
| Polokwane | | 1,437 | - |
| No later than one year | | 469 | - |
| Later than one year, less than five | | 968 | - |
| | | 15,714 | 12,999 |

Annual Financial Statements

for the year ended 31 March 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS...Continued

| Figures in R `000 | Note(s) | 2016 | 2015 |
|--|---------|--------------------|-------------------|
| Lease terms and conditions per office | | Expiry date | Lease term |
| Johannesburg | | 31-Jan-18 | 3 years |
| Port Elizabeth | | 31-Mar-18 | 3 years |
| Cape Town | | 31-Aug-17 | 3 years |
| Bloemfontein | | 31-Dec-18 | 3 years |
| Durban | | 30-Apr-18 | 3 years |
| Johannesburg | | 31-Jan-18 | 2 years |
| Polokwane | | 31-Jan-19 | 3 years |

11. Payables from exchange transactions

| | | |
|--------------------|---------------|---------------|
| Payables | 24,325 | 18,887 |
| Board fees donated | - | 22 |
| | 24,325 | 18,909 |

Trade and other payables include retentions amounting to R2,9m which relates to amounts withheld from contractors in respect of construction projects completed. The amounts are withheld for the duration of the period agreed upon with the contractors.

12. Provisions

Provisions are reported as follows:

| | Leave | Bonus | Total | Total |
|--|--------------|--------------|---------------|--------------|
| Carrying amount at the beginning of the year | 3,260 | 6,584 | 9,844 | 8,998 |
| Increase in provision | 2,379 | 7,160 | 9,539 | 5,600 |
| Amounts incurred and charged against the provision | (475) | (6,437) | (6,912) | (4,754) |
| Carrying amount at end of the year | 5,164 | 7,307 | 12,471 | 9,844 |

The provision for leave on termination is expected to realise during the 2017 financial year.

The provision for leave on termination was not discounted as the provision is already reflected at its present value at the reporting date. When the provision for leave is calculated it is based on the employees' salary scales as at the reporting date, but when the provision realises during the 2017 financial year, it may realise at the employees new salary scales as per the HDA Human Resources policy.

The provision for bonus is based on the employee's performance. This is payable in September of each year.

13. Projects Payables

| | | |
|----------|---------|-------|
| Payables | 115,105 | 7,924 |
|----------|---------|-------|

Projects payables relates to invoices received for projects and not yet paid

Annual Financial Statements

for the year ended 31 March 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS...Continued

| Figures in R `000 | Note(s) | 2016 | 2015 |
|--|---------|----------------|---------------|
| 14. Projects obligations | | | |
| Eastern Cape Provincial Government | | 108,110 | 12,274 |
| Free State Provincial Government | | 12,083 | 6,981 |
| Limpopo Provincial Government | | 101,565 | 203 |
| North West Provincial Government | | 19,059 | 377 |
| National Upgrading Support Programme | | 1,707 | 16,038 |
| KwaZulu-Natal Provincial Government | | 14,811 | - |
| Northern Cape Provincial Government | | 29,589 | 10,201 |
| Gauteng Provincial Government | | 209,303 | - |
| Thubelisha ring fenced | | - | 435 |
| Western Cape Provincial Government | | 1,921 | 771 |
| Lwandle project | | 10,083 | 10,083 |
| | | 508,231 | 57,363 |
| <i>Below is a reconciliation of each project obligation:</i> | | | |
| Eastern Cape Provincial Government | | | |
| Opening balance | | 12,274 | 16,257 |
| Cash received | | 126,801 | - |
| Amount owing | | - | 23,697 |
| Expenditure | | (30,965) | (27,680) |
| Closing balance | | 108,110 | 12,274 |
| Free State Provincial Government | | | |
| Opening balance | | 6,981 | 101,652 |
| Cash received | | 15,308 | - |
| Amount owing | | - | 33,183 |
| Expenditure | | (10,206) | (127,854) |
| Closing balance | | 12,083 | 6,981 |
| Limpopo Provincial Government | | | |
| Opening balance | | 203 | 4,084 |
| Cash received | | 133,148 | 110 |
| Amount owing | | 28,859 | - |
| Expenditure | | (60,645) | (3,991) |
| Closing balance | | 101,565 | 203 |
| North West Provincial Government | | | |
| Opening balance | | 377 | 652 |
| Cash received | | - | - |
| Amount owing | | 20,000 | 32 |
| Expenditure | | (1,318) | (307) |
| Closing balance | | 19,059 | 377 |
| National Upgrading Support Programme(NUSP) | | | |
| Opening balance | | 16,038 | - |
| Cash received | | 347 | 19,987 |
| Amount owing | | - | - |
| Expenditure | | (14,678) | (3,949) |
| Closing balance | | 1,707 | 16,038 |

Annual Financial Statements

for the year ended 31 March 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS...Continued

| Figures in R `000 | Note(s) | 2016 | 2015 |
|--|---------|----------------|---------------|
| KwaZulu-Natal Provincial Government | | | |
| Opening balance | | - | - |
| Cash received | | 18,000 | - |
| Amount owing | | - | - |
| Expenditure | | (3,189) | - |
| Closing balance | | 14,811 | - |
| Northern Cape Provincial Government | | | |
| Opening balance | | 10,201 | 6,743 |
| Cash received | | 25,702 | - |
| Amount owing | | - | 14,766 |
| Expenditure | | (6,314) | (11,308) |
| Closing balance | | 29,589 | 10,201 |
| Gauteng Provincial Government | | | |
| Opening balance | | - | - |
| Cash received | | 252,425 | - |
| Amount owing | | 47,603 | - |
| Expenditure | | (90,726) | - |
| Closing balance | | 209,302 | - |
| Thubelisha transfer | | | |
| Opening balance | | 435 | 416 |
| Cash received | | - | - |
| Amount owing | | - | 20 |
| Expenditure | | (435) | (1) |
| Closing balance | | - | 435 |
| Western Cape Provincial Government | | | |
| Opening balance | | 771 | 1,977 |
| Cash received | | 16,195 | - |
| Amount owing | | - | 14,803 |
| Expenditure | | (15,259) | (16,009) |
| Closing balance | | 1,707 | 771 |
| Western Cape - Lwandle | | | |
| Opening balance | | 10,083 | - |
| Cash received | | - | - |
| Amount owing | | - | 20,084 |
| Expenditure | | - | (10,001) |
| Closing balance | | 10,083 | 10,083 |
| 15. Land inventory funding | | | |
| Funding for land acquisition Bela-Bela | | 65,400 | 65,400 |
| Properties held in trust | | 30,936 | 16,136 |
| | | 96,336 | 81,536 |

Annual Financial Statements

for the year ended 31 March 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS...Continued

| Figures in R `000 | Note(s) | 2016 | 2015 |
|--|---------|----------------|----------------|
| Funding for land acquisition Bela-Bela | | | |
| <p>The HDA acquired land on behalf of the Limpopo Provincial Government (LPG). LPG initiated the request to purchase a particular parcel of land, fixed the purchase price and the terms and supplied the funding. The HDA is obliged to release and render such land available to the Department and/or the municipality for human settlements development.</p> | | | |
| 16. Revenue from non-exchange transactions | | | |
| Revenue from non-exchange transactions is made up as follows: | | | |
| Operational grant – Department of Human Settlements | | 104,615 | 101,047 |
| Operational grant – Section 29 projects CT | | 15,045 | 16,009 |
| Operational grant – Limpopo Provincial Government | | 11,072 | 5,336 |
| Operational grant – Free State Provincial Government | | 9,877 | 7,040 |
| Operational grant – Northern Cape Provincial Government | | 3,057 | 7,349 |
| Operational grant – Cape Town Lwandle project | | - | 10,001 |
| Operational grant – NUSP | | 14,678 | 3,948 |
| Operational grant – North West Provincial Government | | 1,335 | - |
| Operational grant – KwaZulu-Natal Provincial Government | | 3,189 | - |
| | | 162,868 | 150,730 |
| 17. Revenue from management fees | | | |
| Eastern Cape Provincial Government | | 1,198 | 1,278 |
| Limpopo Provincial Government | | 2,001 | - |
| Gauteng Provincial Government | | 4,320 | - |
| | | 7,519 | 1,278 |
| Management fees are earned as per agreements signed between the HDA and relevant organs of state. | | | |
| 18. Land and related costs | | | |
| Insurance | | 169 | 179 |
| Maintenance costs | | 1,473 | 7,545 |
| Conveyancing and valuation costs | | 3,267 | 1,714 |
| Contractors | | 4,944 | 1,415 |
| Development planning and feasibility studies | | 661 | 1,914 |
| | | 10,514 | 12,767 |
| 19. Operational expenses | | | |
| Accounting other services | | 958 | 436 |
| Advertising and marketing | | 2,608 | 2,178 |
| Agency support - outsourcing | | 4,207 | 3,632 |
| Amortisation | | - | 3 |
| Assets below R5 000 expensed | | 206 | 139 |
| Auditors remuneration | | 1,304 | 1,239 |

Annual Financial Statements

for the year ended 31 March 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS...Continued

| Figures in R `000 | Note(s) | 2016 | 2015 |
|---------------------------------------|---------|---------------|---------------|
| Bad debts | | 5 | 2,028 |
| Bank charges | | 58 | 61 |
| Board costs | | 539 | 506 |
| Catering | | 1,073 | 668 |
| Communications | | 688 | 553 |
| Computer expenses | | 2,767 | 3,118 |
| Consultants | | 6,591 | 6,358 |
| Contractors - operational | | 1,342 | 1,007 |
| Depreciation | | 1,961 | 2,277 |
| Insurance | | 361 | 344 |
| Legal fees | | 729 | 1,395 |
| Office rentals | | 8,850 | 7,658 |
| Penalties | | 3 | - |
| Printing, publications and stationery | | 960 | 819 |
| Repairs and maintenance | | 244 | 166 |
| Repairs - office refurbishment | | 156 | 253 |
| Research and publication | | 638 | 126 |
| Staff recruitment | | 4,550 | 2,491 |
| Staff welfare | | 83 | 212 |
| Other office expenses | | 1,092 | 199 |
| Training and staff development | | 643 | 545 |
| Travel and accommodation | | 8,208 | 5,328 |
| | | 50,824 | 43,739 |
| 20. Project services | | | |
| Technical services | | 45,541 | 25,252 |
| Project support services | | 249 | 238 |
| | | 45,790 | 25,490 |
| 21. Employee costs | | | |
| Basic salary | | 70,537 | 66,083 |
| Performance awards | | 8,449 | 6,085 |
| Temporary staff | | 1,382 | 455 |
| Leave payment | | 2,374 | 631 |
| Allowances | | 2,057 | 2,077 |
| Employer's contributions | | 6,389 | 6,088 |
| Other payroll expenses - COID | | 139 | 146 |
| | | 91,327 | 81,565 |
| 22. Sundry income | | | |
| Rental income | | 1,876 | 3,597 |
| Recovery of bad debts | | 3,557 | - |
| | | 5,433 | 3,597 |

Annual Financial Statements

for the year ended 31 March 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS...Continued

| Figures in R `000 | Note(s) | 2016 | 2015 |
|---|---------|--------------|--------------|
| 23. Executive and non-executive members remuneration (including Senior Management) | | | |
| Executive members | | 4,569 | 4,970 |
| TM Adler - Chief Executive Officer (Resigned 31 May 2015) | | 779 | 2,816 |
| Basic salary | | 454 | 2,317 |
| Bonus | | 269 | 175 |
| Pension fund | | 45 | 259 |
| Risk benefits | | 7 | 44 |
| Allowances | | 4 | 21 |
| T Zulu - Acting Chief Executive Officer (1 June to 30 September 2015) | | 65 | - |
| Basic salary | | - | - |
| Bonus | | - | - |
| Pension fund | | - | - |
| Risk benefits | | - | - |
| Allowances | | 65 | - |
| PP Moloji - Chief Executive Officer (from 1 October 2015) | | 1,355 | - |
| Basic salary | | 1,251 | - |
| Bonus | | - | - |
| Pension fund | | 82 | - |
| Risk benefits | | 9 | - |
| Allowances | | 13 | - |
| APG Moola - Chief Financial Officer | | 2,370 | 2,154 |
| Basic salary | | 1,948 | 1,808 |
| Bonus | | 201 | 133 |
| Pension fund | | 164 | 159 |
| Risk benefits | | 36 | 33 |
| Allowances | | 21 | 21 |
| Senior management team | | 9,803 | 6,378 |
| OJ Crofton - GM: National Programme Support (terminated 6 May 2016) | | 2,393 | 2,100 |
| Basic salary | | 1,969 | 1,749 |
| Bonus | | 192 | 134 |
| Pension fund | | 166 | 155 |
| Risk benefits | | 36 | 32 |
| Allowances | | 30 | 30 |

Annual Financial Statements

for the year ended 31 March 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS...Continued

| Figures in R `000 | Note(s) | 2016 | 2015 |
|--|---------|-------|-------|
| R Issel - GM: Corporate services | | 2,106 | 1,916 |
| Basic salary | | 1,729 | 1,602 |
| Bonus | | 180 | 122 |
| Pension fund | | 144 | 141 |
| Risk benefits | | 32 | 30 |
| Allowances | | 21 | 21 |
| N Lester - GM: Land Planning and Assembly (Resigned 31 August 2014) | | - | 1,420 |
| Basic salary | | - | 661 |
| Bonus | | - | 111 |
| Pension fund | | - | 60 |
| Lumpsum | | - | 577 |
| Unpaid leave | | - | (13) |
| Risk benefits | | - | 11 |
| Allowances | | - | 13 |
| JB Minnie- GM: Land Planning and Assembly (from 1 September 2014) | | 1,677 | 942 |
| Basic salary | | 1,383 | 733 |
| Bonus | | 121 | 119 |
| Pension fund | | 117 | 62 |
| Risk benefits | | 26 | 14 |
| Allowances | | 30 | 14 |
| LS Rakgoale - GM: LHSS Region 3B (from 1 April 2015) | | 1,693 | - |
| Basic salary | | 1,383 | - |
| Bonus | | 137 | - |
| Pension fund | | 117 | - |
| Risk benefits | | 26 | - |
| Allowances | | 30 | - |
| BM Khoza - GM: LHSS Region 3A (from 1 April 2015) | | 1,797 | - |
| Basic salary | | 1,475 | - |
| Bonus | | 140 | - |
| Pension fund | | 125 | - |
| Risk benefits | | 27 | - |
| Allowances | | 30 | - |
| M Mnisi - GM: Strategy and Performance (from 1 February 2016) | | 137 | - |
| Basic salary | | 122 | - |

Annual Financial Statements

for the year ended 31 March 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS...Continued

| Figures in R `000 | Note(s) | 2016 | 2015 |
|---|---------|---------------|---------------|
| Bonus | | - | - |
| Pension fund | | 10 | - |
| Risk benefits | | 2 | - |
| Allowances | | 3 | - |
| Total executive and SMT remuneration | | 14,372 | 11,348 |

This represents the total cost to company, the choice of salary structure is that of the employee.

| Non- executive members of accounting authority | 2016 | 2015 |
|--|---------------|---------------|
| M Msimang (Chairperson) | 120 | 52 |
| SS Somyo (resigned 31 May 2014) | - | 27 |
| CF Platt | 100 | 111 |
| GGL Leissner | 5 | 5 |
| MJL Lephallo (resigned 27 February 2015) | - | 48 |
| SAH Kajee | 15 | 15 |
| MP Malunga | 34 | 69 |
| TS Songelwa | 12 | - |
| PA Singh | 12 | - |
| ME Mutheiwana | 16 | - |
| TOTAL REMUNERATION | 14,686 | 11,675 |

24. Deficit for the year

The HDA has a deficit of R9m. This is due to a shortfall realised by the HDA Eastern Cape (EC) office on operational expenditure. The HDA, in agreement with the EC Provincial Government recovers costs on a value created basis, which has resulted in the HDA EC office incurring losses of R8,7m in the current financial year. The deficit has been covered by the HDA operational grant.

Deficit for the year can reconciled as follows:

| | | |
|--|----------------|----------------|
| HDA (deficit)/surplus from funds appropriated from grant funding | (374) | 4,432 |
| Deficit from the EC office | (8,715) | (8,400) |
| EC capital expenditure provision for bad debts | - | (2,028) |
| Reported deficit | (9,089) | (5,996) |

25. Cash generated/(utilised) from operations

| | | |
|-----------------|---------|---------|
| Net deficit | (9,089) | (5,996) |
| Adjustment for: | | |
| Depreciation | 1,961 | 2,278 |

Annual Financial Statements

for the year ended 31 March 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS...Continued

| Figures in R `000 | Note(s) | 2016 | 2015 |
|--|---------|-----------------|-----------------|
| Amortisation | | - | 3 |
| Interest received | | (312) | (2,215) |
| Deficit on disposal of property, plant and equipment | | 20 | 38 |
| Surplus on disposal of property, plant and equipment | | (13,698) | - |
| Straight lining of finance leases | | - | (1,873) |
| Interest paid | | 12 | 25 |
| | | (21,106) | (7,740) |
| Movements in working capital | | 9,232 | (21,127) |
| Increase/(decrease) in payables | | (5,415) | (5,312) |
| Increase in provisions | | 2,626 | 846 |
| Increase in receivables | | (1,191) | (16,661) |
| Cash generated/(utilised) in operations | | (11,874) | (28,867) |

26. Comparative figures

The comparative figure on the land inventory in the prior year has been reclassified to property, plant and equipment. The asset is still awaiting disposal approval by National Treasury.

27. Related party transactions

During the year, the HDA entered into the following transactions:

| | Operational grant received | | Amounts owed by the related party at year-end | |
|--|----------------------------|---------|---|------|
| | 2016 | 2015 | 2016 | 2015 |
| National Department of Human Settlements | 104,615 | 101,047 | - | - |

By virtue of the HDA being a national public entity, it is presumed that all other government entities within the national sphere are related to it. However, only transactions that occurred outside the normal terms available to the broader public are disclosed in accordance with IPSAS 20: Related Party Disclosures.

28. Irregular, fruitless and wasteful expenditure

Fruitless and wasteful expenditure

| | | |
|---------------------------------------|---|---|
| South African Revenue Services (SARS) | 3 | - |
|---------------------------------------|---|---|

The above fruitless and wasteful expenditure is interest incurred due to late payment of SARS EMP201. The amount was subsequently paid to SARS and noted by the Board.

Annual Financial Statements

for the year ended 31 March 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS...Continued

| Figures in R `000 | Note(s) | 2016 | 2015 |
|---|---------|------------|------------|
| Irregular expenditure | | | |
| Opening balance | | - | - |
| Irregular expenditure - current year | | 170 | 969 |
| Less amounts condoned | | 170 | (969) |
| Irregular expenditure awaiting condonation | | - | - |
| Details of irregular expenditure | | | |
| Former Acting CEO travel expenses | | 170 | - |
| Clarizon Ltd | | - | 519 |
| Path Coaching | | - | 450 |
| | | 170 | 969 |

The former Acting CEO had course to travel without following some aspects of the HDA policy and National Treasury Regulations on cost containment measures. All the travel was incurred on behalf of the HDA mainly in respect of the Nelson Mandela Bay interventions and N2 Gateway interventions.

The irregular expenditure was condoned by the Board.

29. Events after statement of financial position date

There are no events after reporting date.

30. Financial risk management

The HDA, in the course of normal operations, has limited exposure to the financial risks, e.g liquidity risks, credit risks and interest rate risks. However, the HDA attempts to manage the following financial risks:

Liquidity risks

Liquidity risk refers to the risk that sufficient liquidity is not available when required. The goal of the entity is to maintain adequate liquidity at all times.

The HDA is exposed to liquidity risk only with regards to the payment of its payables. The payables are all due within a short time. The HDA manages its liquidity risk by holding sufficient cash in its bank account, supplemented by cash available in a money market account.

The HDA manages liquidity risk according to its investment policy and working capital management, expenditure versus forecasted cash flows. The amount of cash invested in call deposits of 30 days, 60 days and 90 days is guided by the projected future cash requirements.

The maturity analysis of payables at reporting date were as follows:

| | | |
|------------------|---------|--------|
| Payables | | |
| Not past due | 135,844 | 26,833 |
| Past due 60 days | - | - |

Annual Financial Statements

for the year ended 31 March 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS...Continued

| Figures in R `000 | Note(s) | 2016 | 2015 |
|--|---------|------|------|
| Past due 90 days | | 90 | - |
| Finance lease obligations | | | |
| Projected repayment - less than 1 year | | 42 | 230 |
| Projected repayment - 31 March 2017 | | - | 42 |

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, currency risk, interest rate risk and other price risk. The entity is only exposed to interest rate risk. See cash and cash equivalents below.

Interest Rate Risk

Interest rate risk results from the cash flow and financial performance uncertainty arising from interest rate fluctuations. Financial assets and liabilities affected by interest rate fluctuations include bank and cash deposits.

This is a risk that fair value or future cash flows from financial instruments will fluctuate as a result of changes in the market interest rates. Values in the financial instruments may change, thus resulting in both potential gains and losses. The HDA's activities do not expose it to significant market interest rate risks. Therefore, there are no procedures in place to mitigate these risks.

Cash in the bank account is kept at a minimum in order to maximise interest earned on cash.

The HDA has invested any surplus cash in a short-term money market account. The interest rates on this account fluctuates in line with movements in current money market rates.

Credit Risk

Credit risk consists mainly of cash deposits, cash and cash equivalents, derivative financial instruments and trade debtors. The HDA deposits cash only with major banks with high quality credit standing and limits exposure to any other counter party.

The HDA receives grant funding from the government through the National Department of Human Settlements, therefore, its exposure to credit risk is minimal.

Receivables

The receivables are exposed to a low risk and amounts overdue are owing by other government institutions and are recoverable.

Receivables

| | | |
|------------------|--------|--------|
| Not past due | 20,430 | 21,931 |
| Past due 60 days | 47,721 | - |
| Past due 90 days | 41,643 | - |

Cash and Cash equivalents

Cash and deposits are regarded as having insignificant credit risk. The balances of cash and cash equivalents are as follows:

Annual Financial Statements

for the year ended 31 March 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS...Continued

| Figures in R `000 | | Note(s) | 2016 | 2015 |
|---------------------|----------------------------------|---------|------------------------|------------------------------------|
| Bank | Type | | Interest rate % | Balance as at 31 March 2016 |
| First National Bank | Current account | | 2.5 | 1,461 |
| First National Bank | Corporate cheque account | | 4.5 | 457 |
| First National Bank | Commercial Nstd Call | | 4.5 | 102,558 |
| First National Bank | Commercial Fixed Maturity | | 4.5 | 120,823 |
| Standard bank | Money Market Call | | 5.5 | 86,603 |
| Standard bank | Current account | | 2.5 | 14 |
| Nedbank | Current account | | 2.5 | 546 |
| Nedbank | Just Invest | | 5.7 | 300 |
| Nedbank | Money trader | | 5.7 | 237,024 |
| Stanlib | Extra Income ABIL Retention Fund | | 4 | 2,475 |
| Cash | Cash | | - | 63 |
| | | | | 552,324 |

Financial assets by category

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

| | | |
|------------------------------------|-----|-------|
| Receivables and sundry receivables | 405 | 1,647 |
| Bursaries paid in advance | 334 | 283 |

Financial liabilities by category

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

| | | |
|---------------------------------------|---------|--------|
| Payables and other payables | 24,325 | 18,909 |
| Designated income received in advance | 508,231 | 57,362 |

Annual Financial Statements

for the year ended 31 March 2016

DETAILED STATEMENT OF FINANCIAL PERFORMANCE

| Figures in R `000 | Note(s) | 2016 | 2015 |
|--|---------|----------------|----------------|
| Revenue | | | |
| Grants received | | 162,868 | 150,730 |
| Grant received from the National Department of Human Settlements | | 104,615 | 101,047 |
| Operational grant - Free State | | 9,877 | 7,040 |
| Operational grant - KwaZulu-Natal | | 3,189 | - |
| Operational grant - Limpopo | | 11,072 | 5,336 |
| Operational grant - North West | | 1,335 | - |
| Operational grant - Northern Cape | | 3,057 | 7,349 |
| Operational grant - NUSP | | 14,678 | 3,948 |
| Operational grant - Western Cape - Lwandle | | - | 10,001 |
| Operational grant - Section 29 projects | | 15,045 | 16,009 |
| Project management fees | | 7,519 | 1,278 |
| Gross revenue | | 170,387 | 152,008 |
| Other Income | | | |
| Investment income | | 312 | 2,215 |
| Sundry income | | 5,433 | 3,597 |
| Surplus on disposal of property, plant and equipment | | 13,698 | - |
| | | 19,443 | 5,812 |
| | | 189,830 | 157,820 |
| Expenditure | | | |
| Accounting other services | | 958 | 436 |
| Advertising and marketing | | 2,608 | 2,178 |
| Agency Support - Outsourcing | | 4,207 | 3,632 |
| Amortisation - Intangible assets | | - | 3 |
| Assets under R5 000 | | 206 | 139 |
| Auditors remuneration | | 1,304 | 1,239 |
| Bad debts | | 5 | 2,028 |
| Bank charges | | 58 | 61 |
| Board costs | | 539 | 506 |
| Catering | | 1,072 | 668 |
| Communications | | 688 | 553 |
| Computer expenses | | 2,767 | 3,118 |
| Consultants | | 6,591 | 6,358 |
| Consultants - technical | | 45,790 | 25,252 |
| Contractors - operational | | 1,342 | 1,007 |
| Deficit on disposal of property, plant and equipment | | 20 | 38 |
| Depreciation property, plant and equipment | | 1,961 | 2,277 |
| Finance costs | | 444 | 217 |
| Insurance | | 361 | 344 |

Annual Financial Statements

for the year ended 31 March 2016

DETAILED STATEMENT OF FINANCIAL PERFORMANCE

| Figures in R `000 | Note(s) | 2016 | 2015 |
|---------------------------------------|---------|----------------|----------------|
| Land and related costs | | 10,514 | 12,767 |
| Legal fees | | 729 | 1,395 |
| Office rentals | | 8,850 | 7,658 |
| Other office expenses | | 1,093 | 199 |
| Penalty | | 3 | - |
| Printing, publications and stationery | | 960 | 819 |
| Project services | | - | 238 |
| Repairs and maintenance | | 244 | 166 |
| Repairs refurbishment - offices | | 156 | 253 |
| Research and publications | | 638 | 126 |
| Salaries | | 91,327 | 81,565 |
| Staff recruitment | | 4,550 | 2,491 |
| Staff welfare | | 83 | 212 |
| Training and staff development | | 643 | 545 |
| Travel and accommodation | | 8,208 | 5,328 |
| | | 198,919 | 163,816 |
| Deficit for the year | | (9,089) | (5,996) |

Annual Performance Plan

| Programme 1: Administration | | | Programme Enabling Goal: Financial Sustainability | | |
|------------------------------------|---|---|---|--------------------------|-----------------------|
| Sub Programme: a) CFO's office | | | | | |
| Strategic Objectives | Measurable Objectives (Strategic Activities) | Performance Measure/ Indicator | 2015/16 Target | Actual Achievement | Achieved/Not achieved |
| Effective Internal Control Systems | Implement effective systems to manage: Finance, Budgets and Performance Management and compliance | Obtain unqualified audit opinion on the 2015/16 financial statements from the external auditors | Unqualified audit report published | Unqualified audit report | Achieved |

| Programme 1: Administration | | | Programme Enabling Goal: Provide operational efficiency and service excellence | | |
|---|---|---|--|--|-----------------------|
| Sub Programme: b) Corporate services | | | | | |
| Strategic Objectives | Measurable Objectives (Strategic Activities) | Performance Measure/ Indicator | 2015/16 Target | Actual Achievement | Achieved/Not achieved |
| The HDA is an internally cohesive and effective public sector developer with systems that are stable and accessible | Capacitate the HDA as a public sector developer | Positions filled in line with approved establishment plan | 100% of positions filled in accordance with approved establishment plan | As at 31 March 2016, there were 37 new vacant positions 51 employees were recruited (this includes internal and external recruitment) | Achieved |

| Programme 2: Policy Research, Monitoring and Information | | | Programme Enabling Goal: Build partnerships, a knowledge base and monitor and evaluate the performance of the human settlements sector in promoting spatial targeting | | |
|---|---|---|---|--|-----------------------|
| Sub Programme: PRMI | | | | | |
| Strategic Objectives | Measurable Objectives (Strategic Activities) | Performance Measure/ Indicator | 2015/16 Target | Actual Achievement | Achieved/Not achieved |
| To provide information and research in support of promoting spatial targeting | Promote, guide and monitor spatial investment for human settlements based on the Framework for Spatial Investment For Human Settlements (FSIHS) | Number of monitoring and evaluation reports against the FSIHS | 2 Reports | Completed and submitted the Spatial Investment Framework (FSIHS) and the Land Policy and Framework developed as approved by HDA Board Produce 2 monitoring reports on the implementation of spatial targeting against the framework Finalised Spatial Investment Framework | Achieved |

Annual Performance Plan

| Programme 3: National Programme Support | | | Programme Enabling Goal: Support national programmes and developments, and release well located land for human settlements development | | |
|--|---|--|--|---|------------------------|
| Sub Programme: NPS | | | | | |
| Strategic Objectives | Measurable Objectives (Strategic Activities) | Performance Measure/ Indicator | 2015/16 Target | Actual Achievement | Achieved/Not achieved |
| Release of land for human settlements development | Release of well-located land for housing and human settlements, targeting poor and lower middle income households | Number of hectares of well-located land released for human settlements development (targeting poor and middle income households) | 3 000 hectares of well-located land to be released | 3 559.1712 hectares of well-located land released | Achieved |
| Specific support to national priority programmes – catalytic projects, mining towns and NUSP | Preparing and packing of national priority programmes, namely, catalytic projects, mining towns and NUSP | National priority programmes provided with programme management and technical project support | <p>Provide 274 ISU with technical support</p> <p>Develop 3 X ISU guidelines</p> <p>Technical support to 22 mining towns 50 catalytic projects supported</p> | <p>A detailed ISU project pipeline per province for mining towns settlements developed and updated continuously</p> <p>Developed 3 X ISU guidelines</p> <p>Provided 351 ISU with support</p> <p>65 National priority catalytic projects (44 govt. and 21 private) were recommended for approval and adoption by Minister</p> <p>38 Private sectorial National Priority catalytic projects at 60% threshold are recommended by the DG and the HDA CEO to the Minister for approval</p> | Achieved |
| Programme 4: National Programme Support | | | Programme Enabling Goal: Provide land and housing development support services to provinces and municipalities to enable them to fulfil their responsibilities in the human settlements sector | | |
| Sub Programme: b) Built Environment Implementation | | | | | |
| Strategic Objectives | Measurable Objectives (Strategic Activities) | Performance Measure/ Indicator | 2015/16 Target | Actual Achievement | Achieved/ Not achieved |
| Development and implementation of sustainable human settlements | Preparing and packaging of HDA developments | Number of projects implemented | 1 X HDA Developer role business case and plan developed and approved by the HDA Board | 1 X HDA developer role business case developed, consulted and approved by the HDA Board. | Achieved |

Annual Performance Plan

| Programme 4: Land and Housing Support Services | | | Programme Enabling Goal: Provide land and housing support development support services to provinces and municipalities to enable them to fulfil their responsibilities in the human settlements sector | | |
|---|---|---|--|--|---|
| Sub Programme: Region A and B | | | | | |
| Strategic Objectives | Measurable Objectives (Strategic Activities) | Performance Measure/ Indicator | 2015/16 Target | Actual Achievement | Achieved/Not achieved |
| Enhancing capacity, support and technical skills of provinces and municipalities for human settlement development | Implement technical support and capacity enhancement programmes for human settlements development as agreed with provinces and municipalities covering the HDA services | Number of provinces provided with capacity support as per MTOP's and business plans | 9 Provinces provided with capacity support as per MTOPS and business plans | 9 Provinces supported | Achieved |
| | | Implementation support provided to programmes and projects | 2 645 Housing units in Zanemvula | Project subsumed in the NMBM Programme arising from the Implementation Protocol signed in Q2 | Not Achieved |
| | | | 1 464 housing units and 591 Serviced sites in N2 Gateway | 1 756 Units completed 1 936 Serviced Sites | Achieved |
| | | | 4 000 Serviced sites and 2 603 Housing units in Nelson Mandela Bay | 1 035 Units completed 2 026 Sites Serviced | Not Achieved |
| | | | 100 Serviced sites in Bela Blea (Limpopo) | Bulk and internal services designs completed Temporary services installed accommodate 250 informal dwellers | Not Achieved – not sufficient funding available for bulk services and high servicing costs due to bedrock on site |
| | | | Township proclamation and construction of bulk connector in Lephhalale | Contractor appointed and commenced with bulk connector services | Not Achieved – the power of attorney required to proclaim the township has not been released from the PDPW |

Annual Performance Plan

| Programme 4: Land and Housing Support Services | | | Programme Enabling Goal: Provide land and housing support development support services to provinces and municipalities to enable them to fulfil their responsibilities in the human settlements sector | | |
|--|--|--------------------------------|--|--|--|
| Sub Programme: Region A and B | | | 2015/16 Target | Actual Achievement | Achieved / not achieved |
| Strategic Objectives | Measurable Objectives (Strategic Activities) | Performance Measure/ Indicator | | | |
| | | | 373 Disaster/emergency units completed in Limpopo Province | 91 Units completed | Not Achieved – projects/ programme was allocated late in the financial year and required extensive planning |
| | | | 366 Sites and services in Gauteng | 500 Site and services completed in Mogale City Kagiso Ext 13 project | Achieved |
| | | | 2 000 Housing units in Gauteng | 205 Units completed 1030 under construction at various stages | Not Achieved – Implementation Protocol relating to the Projects was only signed in January and construction commenced in February Most of the projects required significant project preparation |
| | | | 200 Housing units in Sol Plaatjies (NC) | Assessment and planning of settlement ongoing | Not Achieved – planning processes was still underway and securing alternative land for the small holders on site |
| | | | 1 000 Services sites in Kuruman (NC) | Technical upgrading plans and livelihoods programmes developed | Not Achieved - planning processes were still underway |

Summary:

During the financial year 2015/16, the HDA has in particular focused on finalising the business case for the HDA to be a preferred government developer. The HDA has also ensured that it prioritises and gives attention to, in particular, the interventions in Gauteng and The Eastern Cape. We are positive that the work done in Boys Town (Western Cape) will result in creating many opportunities for the people of that community.

ABBREVIATIONS

| | |
|-------------------|--|
| BEPP | Built Environment Performance Plan |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| CILPF | Coherent and Inclusive Approach to Land for Human Settlements Policy Framework |
| COGHSTA | Co-operative Governance Human Settlements and Traditional Affairs |
| DPME | Department of Performance Monitoring and Evaluation |
| DRDLR | Department of Rural Development and Land Reform |
| EMT | Executive Management Team |
| EE | Employment Equity |
| GM | General Manager |
| GRAP | Generally Recognised Accounting Practice |
| FSIHS | Framework for Spatial Investment for Human Settlements |
| ha | hectares |
| HDA | Housing Development Agency |
| HR | Human Resources |
| HSDG | Human Settlements Development Grant |
| HSF | Human Settlement Forum |
| IGR | Intergovernmental Relations |
| IGRFA | Intergovernmental Framework Act |
| IGR&SA | Intergovernmental Relations and Strategy Alignment |
| IP | Implementation Protocol |
| ISU | Informal Settlements Upgrading |
| IT | Information Technology |
| HOD | Head of Department |
| HS | Human Settlements |
| JCC | Joint Cooperating Committee |
| JOSHCO | Johannesburg Social Housing Company |
| KZN | KwaZulu-Natal |
| LA | Local Authority |

HDA ABBREVIATIONS

....continued

| | |
|----------------|--|
| LaPsis | Land and Property Spatial Information System |
| LIS | Land Information Services |
| LM | Local Municipality |
| LPA | Land Planning and Assembly |
| M&E | Monitoring and Evaluation |
| MEC | Member of the Executive Council |
| MinTOP | Minister's Top Management |
| MTEF | Medium-term Expenditure Framework |
| MTSF | Medium-term Strategic Framework |
| MTOP | Medium-term Operational Plan |
| MSP | Master Spatial Plan |
| NDHS | National Department of Human Settlements |
| NDPW | National Department of Public Works |
| NMBM | Nelson Mandela Bay Metro |
| NUSP | National Support Programme |
| PFMA | Public Finance Management Act |
| PRT | Professional Resource Team |
| SOP | Standard Operating Procedure |



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