



JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd
(Registration number 2003/008063/07)
Financial statements
for the year ended 30 June 2014

JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2014

General Information

| | |
|--|---|
| COUNTRY OF INCORPORATION AND DOMICILE | South Africa |
| NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES | JOSHCO is appointed as the preferred implementing agent for social and institutional housing developments in the City of Johannesburg and to: a) Manage Council owned rental stock; b) Manage and refurbish staff and public hostels; c) Develop new rental stock and to implement other mutually agreed housing developments; d) Provide housing management services and turnaround strategies |
| DIRECTORS | Ms. Z Jacobs (Chairperson) Mr. R Gallocher (Accounting Officer) Ms. N Tshabalala Mr. M Mphahlele Ms. G Sengoara Mr. I Makopo Dr. L Matlhape Ms. T Sethaelo Dr. DW Thwala Ms. B Majola Mr. V Naidoo (Chief Financial Officer) |
| REGISTERED OFFICE | 137 Sivewright Avenue New Doornfontein 2094 |
| BUSINESS ADDRESS | 1st Floor 137 Sivewright Avenue 2094 |
| POSTAL ADDRESS | P O Box 16021 New Doornfontein 2028 The City of Johannesburg Metropolitan Municipality |
| BANKERS | Standard Bank of South Africa |
| AUDITORS | The Auditor General South Africa (AGSA) Registered Auditors |
| SECRETARY | Ms. Celiwe Nkosi |
| COMPANY REGISTRATION NUMBER | 2003/008063/07 |
| PREPARER OF FINANCIAL STATEMENTS | These financial statements were internally prepared by the Management Accountant and reviewed by the CFO |
| AUDIT OF FINANCIAL STATEMENTS | These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008 and the MFMA Act 56 of 2003 |

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Directors' Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003) (MFMA) and the Companies Act (Act 71 of 2008) to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the financial statements fairly present the state of affairs of the company and the results of its operations and cash flows for the period and conforms with South African Statements of Generally Recognized Accounting Practice (GRAP). The AGSA is required to express an independent opinion on the financial statements and is given unrestricted access to all financial records and related data.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control 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 in the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined policies and procedures.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control 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 control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The directors have reviewed the company's cash flow forecast for the year ending 30 June 2014 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operation for the foreseeable future.

The entity is dependent on the City of Johannesburg Metropolitan Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the company is a going concern and that the City of Johannesburg Metropolitan Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the company.

Although the directors are primarily responsible for the financial affairs of the company, they are also supported by the company's internal auditors and by management.

The financial statements set out on pages 12 to 51, which have been prepared on the going concern basis, were approved by the directors on 29 August 2014 and were signed on their behalf by:

Ms. Z Jacobs (Chairperson)

Mr. R Gallocher (Accounting Officer)

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Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2014.

Audit committee members and attendance:

The audit committee consists of the members listed hereunder and they have met 6 times during the year.

| NAME OF AUDIT COMMITTEE MEMBERS | MEMBERSHIP | MEETINGS ATTENDED |
|---------------------------------|---------------|-------------------|
| TOTAL NUMBER OF MEETINGS | | 6 |
| M. Mphahlele | Non-Executive | 5 |
| E. Tait# | Independent | 4 |
| K. Govender# | Independent | 4 |
| K. Mdutshane# | Independent | 4 |
| R. Hill* | Independent | 1 |
| H. Moolla* | Independent | 1 |

*Appointed on 20Feb2014

#Retired on 20Feb2014

Audit Committee responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 166(2) (a) of the MFMA. We further report that we have conducted our affairs in compliance with this charter.

The effectiveness of internal control and risk management

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent in line with the MFMA and the King III Report on Corporate Governance. Internal audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the AGSA, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted were in terms of the MFMA and the Division of Revenue Act.

We are satisfied with the content and quality of quarterly internal audit reports prepared and issued by the Internal Auditors of the entity during the year under review.

Evaluation of financial statements

We have:

- reviewed and discussed the financial statements to be included in the annual report*, with the AGSA and management.
- reviewed the Auditor-General of South Africa's management report and management's response thereto*;
- reviewed the applicable accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit*.

* To be determined subsequent to the audit from the AGSA.

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Audit Committee Report

We concur with and accept the Auditor-General of South Africa's report on the financial statements, and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

We are satisfied that the outsourced internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

Auditor-General South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no material unresolved issues. We are satisfied that the auditor is independent of the company.

Chairperson of the Audit Committee

Date: _____

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Financial Statements for the year ended 30 June 2014

Directors' Report

The directors submit their report for the year ended 30 June 2014.

1. INCORPORATION

The company was incorporated on 2 April 2003 and obtained its certificate to commence business on the same day.

2. REVIEW OF ACTIVITIES

Main business and operations

JOSHCO is appointed as the preferred implementing agent for social and institutional housing developments in the City of Johannesburg Metropolitan Municipality and to:

- manage council owned rental stock;
- manage and refurbish staff and public hostels;
- develop new rental stock and to implement other mutually agreed housing developments; and
- provide housing management services and turnaround strategies.

We draw attention to the fact that the substance of the Service Delivery Agreement between JOSHCO and the City of Johannesburg Metropolitan Municipality is that of an operating lease. The agreement is currently being amended to include the leasing agreement of the rental stock.

The company operates in South Africa. During the year ended 30 June 2014 there were no major changes in the activities of the business. The financial position of the company shows a net asset position of R12 159 082 (2013: R10 891 767). Net surplus of the entity was R1 267 315 (2013: surplus R1 664 676) after taxation of R1 725 992 (2013: R986 871).

3. GOING-CONCERN

The existence of the company is partially dependent on the continued support of its parent, The City of Johannesburg Metropolitan Municipality, by way of management fees/subsidies paid each year in terms of a service delivery agreement entered into between the company and the City of Johannesburg Metropolitan Municipality.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going-concern. The basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of the business.

We draw attention to the fact that at 30 June 2014, the company had an accumulated surplus of R12 158 962 (2013: R10 891 647) and that the company's current assets exceed its current liabilities by R63 936 820 (2013: R61 877 195).

4. SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year, to date of this report, not otherwise dealt with in the financial statements, which significantly affect the financial position of the company or the results of its operations that would require adjustments to or disclosure in the financial statements.

5. DIRECTORS' PERSONAL FINANCIAL INTEREST

For the financial year under review, there have been no related party transactions that JOSHCO engaged which involved transactions with directors of the organization. Such declaration is also made by individual directors in the official records of JOSHCO.

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Directors' Report

6. ACCOUNTING POLICIES

The annual financial statements were prepared in accordance with Statements of Generally Recognized Accounting Practice (GRAP) as the prescribed framework by National Treasury, including any interpretations of Statements issued by the Accounting Practices Board and International Financial Reporting Standards (IFRS).

7. SHARE CAPITAL

There were no changes in the authorized or issued share capital of the company during the year under review.

8. BORROWING LIMITATIONS

The directors may authorize borrowing by the company subject to approval by the City of Johannesburg Metropolitan Municipality.

9. CHANGES TO ASSETS AND LIABILITIES

There were no significant changes to non-current assets and non-current liabilities.

10. DIRECTORS

As per resolution at the AGM on the 20th February 2014, the sole shareholder, the City of Johannesburg Metropolitan Municipality resolved that the directors would be represented as follows:

| Initial and Surname | Membership | Effective Date |
|---------------------------|---------------|-----------------------|
| Ms Z Jacobs (Chairperson) | Non-Executive | Reappointed |
| Ms N Sethaelo | Non-Executive | Reappointed |
| Ms N Tshabalala | Non-Executive | Reappointed |
| Dr DW Thwala | Non-Executive | Reappointed |
| Mr I Makopo | Non-Executive | Reappointed |
| Dr L Matlhape | Non-Executive | Reappointed |
| Ms G Sengoara | Non-Executive | Reappointed |
| Mr M Mphahlele | Non-Executive | Reappointed |
| Ms B Majola | Non-Executive | Appointed (20Feb2014) |
| Mr R Gallocher | Executive | No Change |
| Mr V Naidoo | Executive | Appointed (20Feb2014) |

The following member was retired in terms of the abovementioned resolution on the 20 February 2014:

| Initial and Surname | Membership | Effective Date |
|---------------------|---------------|---------------------|
| Mr E Maphatsoe | Non-Executive | Retired (20Feb2014) |

11. SECRETARY

The secretary of the company is Ms. Celiwe Nkosi.

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Directors' Report

12. CORPORATE GOVERNANCE

General

The Board of Directors are committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Directors support the highest standards of corporate governance and the on-going development of best practice.

The Johannesburg Social Housing Company SOC Ltd confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King III Report on Corporate Governance for South Africa. The directors confer the responsibilities of management in this respect, at Board meetings and monitor the company's compliance with the code on a quarterly basis.

Board of directors

The Board:

- retains full control over the company, 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 by the company, both internally and externally;
- is of a unitary structure comprising:
 - 9 non-executive directors, all of whom are independent directors as defined in the Code; and
 - 2 executive directors, who are the Chief Executive Officer and Chief Financial Officer.

Chairperson and chief executive

The Chairperson is a non-executive and independent director (as defined by the Code).

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

Remuneration

The upper limits of the remuneration of the Chief Executive Officer and all executive managers of the company are determined by the parent municipality. The Board determines the remuneration within the above mentioned limits.

Board and Board Sub-Committee meetings

The board of directors has met on 8 separate occasions during the financial year. Of these meetings, 4 meetings were ordinary and 4 being special meetings to discuss urgent business, such as approval of financial statements. The directors are scheduled to attend 4 ordinary meetings per annum, being one meeting per quarter.

Non-executive directors have access to all members of management of the company. Attendance at board and sub-committee meetings was as follows:

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Directors' Report

| NAME OF BOARD MEMBER | BOARD | CORPORATE SUPPORT | AUDIT | DEVELOPMENT | RISK | SOCIAL AND ETHICS | MEETINGS REQUIRED TO BE ATTENDED | MEETINGS ATTENDED | MEETINGS ATTENDED (%) |
|----------------------|-------|-------------------|-------|-------------|------|-------------------|----------------------------------|-------------------|-----------------------|
| Z. Jacobs | 5 | | | | | 1 | 7 | 6 | 86% |
| T. Sethaelo | 6 | | | 4 | | | 10 | 10 | 100% |
| N. Tshabalala | 5 | 4 | | | | 1 | 11 | 10 | 91% |
| D.W. Thwala | 6 | | | 4 | | | 10 | 10 | 100% |
| I. Makopo | 3 | | | | | | 6 | 3 | 50% |
| L. Matlhape | 5 | 4 | | | | | 10 | 9 | 90% |
| G. Sengoara | 5 | | | 4 | | | 10 | 9 | 90% |
| B. Majola* | 2 | | | | | | 2 | 2 | 100% |
| M. Mphahlele | 5 | | 5 | 4 | | | 16 | 14 | 88% |
| R. Gallocher | 6 | 4 | 5 | 4 | 4 | 1 | 24 | 24 | 100% |
| V. Naidoo | 6 | | 5 | 4 | 4 | | 19 | 19 | 100% |

*Appointed on 20Feb2014

Audit Committee

For the year ended 30 June 2014 the Chairman of the Audit Committee was Mr. M Mphahlele who is also a board member. The committee met 6 times during the year to review matters necessary to fulfill its role.

In terms of Section 166 of the Municipal Finance Management Act, the City of Johannesburg Metropolitan Municipality, as a parent municipality, must appoint members of the Audit Committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit Committee; National Treasury policy requires that parent municipalities should appoint further members of the company's audit committee who are not directors of the municipal company onto the audit committee. The City of Johannesburg, as a parent municipality, was satisfied that the Audit Committee of the company is properly constituted to fulfill its role and to advise the Board of its responsibilities as provided in Section 166 of the Municipal Finance Management Act.

Risk Management Committee

The Risk Management Committee has had 4 meetings during the financial year. Mr. R Hill, a non-executive director, is the Chairperson of the sub-committee which is made up of the Executive Directors and all Senior Managers of the company.

Corporate Support Committee

There have been a total of 4 Committee meetings convened during the financial year. The committee currently consists of the following members:

L Matlhape (Chairperson)
N Tshabalala
E Mphatsoe
R Gallocher (CEO)

Non-Executive Director
Non-Executive Director
Non-Executive Director
Executive Director

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Directors' Report

Development Committee

There have been a total of 4 Committee meetings during the financial year. The Committee currently consists of the following members:

| | |
|--------------------------|------------------------|
| G Sengoara (Chairperson) | Non-Executive Director |
| M Mphahlele | Non-Executive Director |
| T Sethaelo | Non-Executive Director |
| D.W Thwala | Non-Executive Director |
| R Gallocher (CEO) | Executive Director |
| V Naidoo (CFO) | Executive Director |

Internal audit

The company has outsourced its internal audit function to Business Innovation Group (Pty) Ltd. The appointment of an internal auditor is in compliance with the Municipal Finance Management Act, 2003.

Social and Ethics Committee

The committee held its first ordinary meeting at the beginning of the financial year. The committee consists of the following members:

| | |
|----------------------------|------------------------|
| M Tshabalala (Chairperson) | Non-Executive Director |
| Z Jacobs | Non-Executive Director |
| R Gallocher (CEO) | Executive Director |

13. ECONOMIC ENTITY

The company's parent municipality is The City of Johannesburg Metropolitan Municipality incorporated in South Africa, in terms of the Municipal Systems Act.

14. INTEREST IN JOINTLY CONTROLLED ENTITIES

| <i>Name of Jointly controlled entity</i> | <i>Net income</i> |
|--|-------------------|
| JOSHCO / Madulamoho Joint Venture (JMJV) | R34 757 |

The main transactions between JOSHCO and the JMJV were accounts receivable in respect of provincial subsidies payable by the JMJV to JOSHCO. JOSHCO has also accounted for its 55% share of the profit from the joint venture in its consolidated financial statements amounting to R34 757 (2013: R116 141).

15. SPECIAL RESOLUTIONS

The company did not pass any special resolutions during the current year.

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Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2) (e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Ms. C Nkosi
Company Secretary

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Statement of Financial Position as at 30 June 2014

| Figures in Rand | Note(s) | 2014 | 2013 |
|--|---------|--------------------|--------------------|
| ASSETS | | | |
| Current Assets | | | |
| Inventories | 2 | 198 487 | 260 700 |
| Loans to parent municipality | 4 | 145 977 994 | 105 978 399 |
| Receivables from exchange transactions | 6 | 43 947 395 | 47 724 771 |
| VAT receivable | 19 | 101 466 | - |
| Cash and cash equivalents | 7 | 61 310 196 | 70 619 236 |
| | | 251 535 538 | 224 583 106 |
| Non-Current Assets | | | |
| Property, plant and equipment | 8 | 2 626 666 | 2 697 723 |
| Intangible assets | 9 | 265 564 | 287 423 |
| Investment in joint venture | 11 | 25 430 858 | 25 946 097 |
| Deferred tax | 13 | 8 490 044 | 6 090 228 |
| | | 36 813 132 | 35 021 471 |
| Total Assets | | 288 348 670 | 259 604 577 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Loans from group companies | 3 | - | 686 652 |
| Loans from parent municipality | 4 | 38 353 985 | 82 032 465 |
| Borrowings - DBSA | 14 | 628 207 | 553 620 |
| Current tax payable | 36 | 2 821 986 | 3 131 069 |
| Finance lease obligation | 15 | 67 994 | 82 491 |
| Operating lease liability | 5 | 42 308 | 28 081 |
| Payables from exchange transactions | 16 | 142 546 153 | 73 408 242 |
| VAT payable | 18 | - | 21 054 |
| Deferred income from non-exchange transactions | 20 | 913 993 | 913 993 |
| Provisions | 17 | 2 224 092 | 1 848 241 |
| | | 187 598 718 | 162 705 908 |
| Non-Current Liabilities | | | |
| Borrowings - DBSA | 14 | 17 331 434 | 17 983 573 |
| Finance lease obligation | 15 | - | 67 994 |
| Deferred income from non-exchange transactions | 20 | 71 259 436 | 67 955 336 |
| | | 88 590 870 | 86 006 902 |
| Total Liabilities | | 276 189 588 | 248 712 810 |
| Net Assets | | 12 159 082 | 10 891 767 |
| NET ASSETS | | | |
| Share capital | 22 | 120 | 120 |
| Accumulated surplus | | 12 158 962 | 10 891 647 |
| Total Net Assets | | 12 159 082 | 10 891 767 |

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Statement of Financial Performance

| Figures in Rand | Note(s) | 2014 | 2013 |
|---|---------|----------------------|---------------------|
| Revenue | | | |
| Rendering of services (Exchange transaction) | 23 | 9 534 229 | 3 020 969 |
| Rental facilities (Exchange transaction) | 23 | 75 420 166 | 71 882 696 |
| Fair value adjustments | | (36 776) | (131 799) |
| Utility Recoveries (Exchange transaction) | 23 | 692 796 | 415 525 |
| Other income (Exchange transaction) | 23 | 1 063 900 | 147 426 |
| Interest received (Exchange transaction) | 30 | 2 460 107 | 4 109 340 |
| Dividends received (Exchange transaction) | 30 | - | 550 000 |
| Government grants & subsidies | | 18 397 000 | 16 900 000 |
| Capital grants realized | | 913 993 | 913 993 |
| Total revenue | | 108 445 415 | 97 808 150 |
| Expenditure | | | |
| Governance & employee costs | | (31 145 454) | (27 726 753) |
| Other housing management costs | | (15 747 538) | (14 345 356) |
| Depreciation and amortization | 31 | (428 228) | (865 835) |
| Finance costs | 32 | (1 747 245) | (1 785 991) |
| Repairs and maintenance | | (28 180 157) | (18 388 053) |
| Contracted services | 34 | (417 056) | (1 661 404) |
| General Expenses | 24 | (27 763 918) | (30 504 956) |
| Total expenditure | | (105 429 596) | (95 278 348) |
| Operating surplus | | 3 015 819 | 2 529 802 |
| (Loss) gain on disposal of assets and liabilities | | (57 269) | 5 604 |
| Profit / (Loss) from investment in JV | 11 | 34 757 | 116 141 |
| | | (22 512) | 121 745 |
| Surplus before taxation | | 2 993 307 | 2 651 547 |
| Taxation | 33 | 1 725 992 | 986 871 |
| Surplus for the year | | 1 267 315 | 1 664 676 |

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Statement of Changes in Net Assets

| Figures in Rand | Note(s) | Share Capital | Accumulated Surplus | Total Net Assets |
|--|---------|-----------------------|---------------------|------------------|
| Balance at 01 July 2012 | | 120 14 971 695 | 14 971 815 | |
| Changes in net assets - Surplus for the year | | - 1 664 676 | <u>1 664 676</u> | |
| Opening balance as previously reported at 01 July 2013 | | 120 16 636 371 | 16 636 491 | |
| Adjustments - Prior year error | 47 | - (5 744 724) | <u>(5 744 724)</u> | |
| Restated Balance at 01 July 2013 | | 120 10 891 647 | 10 891 767 | |
| Changes in net assets Surplus for the year | | - 1 267 315 | <u>1 267 315</u> | |
| Balance at 30 June 2014 | | 120 12 158 962 | 12 159 082 | |

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Cash Flow Statement

| Figures in Rand | Note(s) | 2014 | 2013 |
|---|---------|---------------------------|--------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 82 979 877 | 70 788 794 |
| Grants | | 18 397 000 | 16 900 000 |
| Interest income | | 2 460 107 | 4 109 340 |
| Dividends received | | - | 550 000 |
| Other cash item | | 11 512 122 | 4 082 389 |
| | | <u>115 349 106</u> | <u>96 430 523</u> |
| Payments | | | |
| Employee costs | | (30 229 236) | (27 876 353) |
| Suppliers | | (46 590 206) | (28 015 232) |
| Finance costs | | (1 747 245) | (1 785 991) |
| Other payments | | (4 434 891) | - |
| | | <u>(83 001 578)</u> | <u>(57 677 576)</u> |
| Net cash flows from operating activities | 35 | <u>32 347 528</u> | <u>38 752 947</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 8 | (356 985) | (750 755) |
| Proceeds from sale of property, plant and equipment | 8 | - | 12 004 |
| Purchase of other intangible assets | 9 | (35 596) | (62 702) |
| Loans advanced to economic entities | | (672 682) | (34 401) |
| | | <u>(1 065 263)</u> | <u>(835 854)</u> |
| Cash flows from financing activities | | | |
| Repayment of borrowings - DBSA | | (451 570) | (531 192) |
| Repayment of shareholders loan | | (43 911 341) | (8 466 610) |
| Finance lease payments | | (82 491) | (96 382) |
| Deferred income | | (3 854 097) | 33 457 936 |
| | | <u>(40 591 305)</u> | <u>24 363 752</u> |
| Net increase/(decrease) in cash and cash equivalents | | <u>(9 309 040)</u> | <u>62 280 845</u> |
| Cash and cash equivalents at the beginning of the year | | 70 619 236 | 8 338 391 |
| Cash and cash equivalents at the end of the year | 7 | <u>61 310 196</u> | <u>70 619 236</u> |

JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

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Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|---------------------|----------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Rendering of services | 2 930 000 | 8 080 000 | 11 010 000 | 9 534 229 | (1 475 771) | |
| Rental facilities and equipment | 98 722 000 | (22 293 000) | 76 429 000 | 75 420 166 | (1 008 834) | |
| Fair value adjustment | - | - | - | (36 776) | (36 776) | |
| Recoveries | - | 684 000 | 684 000 | 692 796 | 8 796 | |
| Other income | 476 000 | 550 000 | 1 026 000 | 1 063 900 | 37 900 | |
| Interest received - investment | 1 236 000 | 454 000 | 1 690 000 | 2 460 107 | 770 107 | |
| Total revenue from exchange transactions | 103 364 000 | (12 525 000) | 90 839 000 | 89 134 422 | (1 704 578) | |
| Revenue from non-exchange transactions | | | | | | |
| Taxation revenue | | | | | | |
| Government grants & subsidies | 18 397 000 | - | 18 397 000 | 18 397 000 | - | |
| Transfer revenue | | | | | | |
| Capital grants realized | - | - | - | 913 993 | 913 993 | |
| Total revenue from non-exchange transactions | 18 397 000 | - | 18 397 000 | 19 310 993 | 913 993 | |
| Total revenue | 121 761 000 | (12 525 000) | 109 236 000 | 108 445 415 | (790 585) | |
| Expenditure | | | | | | |
| Governance and staff costs | (29 631 000) | (3 064 000) | (32 695 000) | (31 145 454) | 1 549 546 | |
| Other project costs | (18 255 000) | 4 570 000 | (13 685 000) | (15 747 538) | (2 062 538) | Note 46 |
| Depreciation and amortization | (959 000) | - | (959 000) | (428 228) | 530 772 | |
| Finance costs | (1 524 000) | - | (1 524 000) | (1 747 245) | (223 245) | |
| Repairs and maintenance | (25 726 000) | 4 520 000 | (21 206 000) | (28 180 157) | (6 974 157) | Note 46 |
| Contracted Services | - | - | - | (417 056) | (417 056) | |
| General Expenses | (42 667 000) | 5 500 000 | (37 167 000) | (27 763 918) | 9 403 082 | |
| Total expenditure | (118 762 000) | 11 526 000 | (107 236 000) | (105 429 596) | 1 806 404 | |
| Operating surplus | 2 999 000 | (999 000) | 2 000 000 | 3 015 819 | 1 015 819 | |
| Loss on disposal of assets and liabilities | - | - | - | (57 269) | (57 269) | |
| Income from equity accounted investments | - | - | - | 34 757 | 34 757 | |
| | - | - | - | (22 512) | (22 512) | |
| Surplus before taxation | 2 999 000 | (999 000) | 2 000 000 | 2 993 307 | 993 307 | |
| Taxation | (2 999 000) | 999 000 | (2 000 000) | 1 725 992 | 274 008 | |
| NET SURPLUS | - | - | - | 1 267 315 | 1 267 315 | |

JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

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Accounting Policies

1. Presentation of Financial Statements

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

In the absence of effective GRAP standards, Directive 5 dated March 2009 from the ASB provides the continued application of International Financial Reporting Standards (IFRS). The recognition and measurement principles in the GRAP and IFRS statement do not differ as a result in material differences in items presented and disclosed in the financial statements.

The following additional GRAP standards, as prescribed by the ASB, have been adopted by JOSHCO in the 2013/14 financial year:

| Standard | Description |
|----------|-------------------|
| GRAP 25 | Employee Benefits |

All other accounting policies were consistent with the previous period.

The following GRAP standards have been approved by the ASB and are effective from the 1 April 2015. The application of these additional standards would therefore be applicable to JOSHCO in the 2015/16 financial year:

| Standard | Description |
|----------|---|
| GRAP 18 | Segment Reporting |
| GRAP 105 | Transfer of Functions between Entities Under Common Control |
| GRAP 106 | Transfer of Functions between Entities Not Under Common Control |
| GRAP107 | Mergers |

The ASB has further approved the following standards but the effective date has not yet been determined and therefore the application of these standards will be determined in the foreseeable future in terms of the effective date:

| Standard | Description |
|----------|--|
| GRAP 20 | Related Party Disclosures |
| GRAP 32 | Service Concession Arrangements: Grantor |
| GRAP 108 | Statutory Receivables |

1.1 Consolidation

Interests in joint venture

The Joint venture relates the BG Alexandra property of which the shareholding is as follows:

| | |
|---------------------------|--------------------|
| - JOSHCO SOC Ltd | 55% |
| - Madulamoho (Pty) Ltd | <u>45%</u> |
| Total Shareholding | <u>100%</u> |

Madulamoho (Pty) Ltd have a 35 year lease over the property BG Alexandra from Gauteng Provincial Housing Department and which commenced in September 2006. JOSHCO through its shareholder has obtained capital funding to renovate the property and to which the leasehold improvement must be depreciated over the remaining period of the lease.

An interest in a jointly controlled company is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with Standard of GRAP on non-current assets held-for-sale and discontinued operations. Under the equity method, interests in jointly controlled entities are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the company's share of net assets of the joint company, less any impairment losses. Surpluses and deficits on transactions between the company and a joint venture are eliminated to the extent of the company's interest therein.

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Accounting Policies

1.2 Significant accounting judgment's and key sources of estimation uncertainty

In the application of the accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Fair value estimation

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

1.3 Property, plant and equipment

Land is stated at historical costs and is not depreciated as it is deemed to have an indefinite life. Property, plant and equipment (excluding land) is stated at historical costs less accumulated depreciation and any impairment losses. The company tests for impairment where there is an indication that the assets may be impaired.

Depreciation is calculated on a straight line basis over the assets expected useful life to their estimated residual value. Depreciation commences from the date when the assets are ready for their use and ceases when the asset is derecognized or when the asset has reached the end of its useful life.

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.

The following factors were considered to determine useful life of the assets:

- Expected usage of the asset;
- Expected physical wear and tear of the asset;
- Technical obsolescence; and
- Legal or other limits on the use of the asset

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (i.e. impairment losses are recognized). Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

The residual value and the useful life of each asset are reviewed at each reporting date. The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Average useful life |
|------------------------|--|
| Land | Indefinite |
| Leasehold property | Lower of lease period or useful life (3 - 5 years) |
| Furniture and fixtures | 5 - 8 years |
| Office equipment | 5 - 8 years |
| IT equipment | 5 - 8 years |
| Vehicles | 5 - 8 years |
| Leasehold improvements | Lower of lease period or 3 Years |

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Accounting Policies

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

The useful life of technological assets such as computers is set at R1 as these items are expected to have negligible sales value at the end of its useful life.

The residual value of all other assets with a cost of less than R5 000 are estimated at 10% of the cost as this is appropriately the maximum amount expected to be recovered on these items if they were disposed.

All other items above R5 000 are determined by considering the second hand values of similar items which are already at the age the asset is expected to be at the end of its useful life.

1.4 Intangible assets

Intangible assets are carried at cost less any accumulated amortization and any impairment losses. Amortization commences when the intangible assets are ready for their intended use.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortization is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortization is provided on a straight line basis over their useful life.

The amortization period and the amortization method for intangible assets are reviewed at each reporting date. Amortization is provided to write down the intangible assets on a straight line basis, to their residual value as follows:

| Item | Useful life |
|--------------------|--------------------|
| Computer software | 3 - 8 years |
| Operating Software | 3 - 7 years |

1.5 Financial instruments

Financial assets and financial liabilities are recognized on JOSHCO's balance sheet when the organization becomes a party to the contractual provisions of the instrument. All "regular way" purchases and sales of financial assets are initially recognized using trade date accounting. Financial instruments are initially measured at fair value, which includes transaction costs. Subsequent to initial recognition the instruments are measured as set out below:

Financial assets

JOSHCO's principle financial assets are Loans to group companies, accounts and other receivables and cash and cash equivalents.

At each end of the reporting period the company 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.

Reversals of impairment losses are recognized in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

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Accounting Policies

Loans to / (from) group companies

These include loans to parent municipality, subsidiaries, joint ventures and associates and are recognized initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

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

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortized cost would have been had the impairment not been recognized.

Accounts and Other receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

Appropriate allowances for estimated irrecoverable amounts are recognized in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Financial liabilities

JOSHCO's principle financial liabilities are Loans from group companies, accounts and other payables and interest bearing borrowings & overdraft.

All financial liabilities are measured at amortized cost, comprising original debts less principle payments and amortizations, except for financial liabilities held for trading and derivative liabilities, which are subsequently measured at fair value.

Loans to / (from) group companies

As noted in the financial assets above.

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Accounting Policies

Accounts and other payables

Accounts and other payables are initially measured at fair value and are subsequently measured at amortized cost, using the effective interest rates method.

Interest bearing borrowings and overdraft

Interest bearing borrowings and overdraft are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Gains and losses

Gains and losses arising from a change in the fair value of the financial instrument, other than available-for-sale financial asset, are included in net profit or loss in the period in which it arises. Gains and losses arising from a change in the fair value of available-for-sale financial assets are recognized in equity, until the investment is disposed of or is determined to be impaired, at which time the net profit or loss is included in the net profit or loss for the period.

De-recognition

A financial asset as a portion thereof is derecognized when the organization realizes the contractual rights to the benefits specified in the contract, the rights expire, the organization surrenders those rights or otherwise loses control of the contractual rights that comprise the financial asset. On de-recognition, the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in equity is included in net profit or loss for the period.

A financial liability as a part thereof is derecognized when the obligation specified in the contract is discharged, cancelled, or expires. On de-recognition the difference between the carrying amount of the financial liability, including related unamortized costs, and the amount paid for it is included in net profit or loss for the period.

The fair values at which the financial instruments are carried at the balance sheet date have been determined using available market values. Where market values are not available, fair values have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values have been estimated using available market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the organization could realize in the normal course of business. The carrying amounts of financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair value due to the short term trading cycle of these assets.

Financial assets and financial liabilities are offset if there is any intention to realize the asset and settle the liability simultaneously and a legally enforceable right to off-set exists.

1.6 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognized as an asset.

Current tax liabilities / (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the South African Revenue Services (SARS), using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit / (tax loss).

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Accounting Policies

A deferred tax liability is recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting surplus nor taxable surplus / (tax deficit).

A deferred tax liability is recognized for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venture is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting surplus nor taxable surplus / (tax deficit)

A deferred tax asset is recognized for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable surplus will be available against which the temporary difference can be utilized.

A deferred tax asset is recognized for the carry forward of unused tax deficit and unused secondary tax on companies (STC) credits to the extent that it is probable that future taxable surplus will be available against which the unused tax deficit and unused STC credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognized as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognized, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.7 Leases

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

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

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Accounting Policies

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases – lessor

Operating lease income is recognized as an income on a month to month basis.

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

The aggregate benefit of incentives is recognized as a reduction of rental expense over the lease term on a straight-line basis.

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

Operating leases – lessee

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

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, and then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realizable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognized as an expense in the period in which the related revenue is recognized. If there is no related revenue, the expenses are recognized when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realizable value or current replacement cost and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value or current replacement cost, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

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Accounting Policies

1.9 Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of a company after deducting all of its liabilities. Equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits are recognized in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognized 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 expected cost of surplus sharing and bonus payments is recognized as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The company's retirement benefit plan is managed by the parent municipality.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.11 Provisions and contingencies

Provisions are recognized when:

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

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

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

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

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange. Rental income is accrued on a time proportionate basis over the period of the lease agreement. Rental paid in advance is recognized as a liability in the statement of financial position.

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Accounting Policies

Management fees paid by the City of Johannesburg Metropolitan Municipality to the company to manage the properties owned by the City of Johannesburg Metropolitan Municipality are recognized once the annual budget of the City of Johannesburg Metropolitan Municipality has been approved.

Project implementation fees, which are paid by the City of Johannesburg Metropolitan Municipality to the company and other contractors to manage the construction of new housing projects, are recognized at various stages of project implementation. The fee is determined on the construction cost of the project that will be developed or partly developed in the financial year until the construction of the project is complete.

Provincial Government subsidies for projects undertaken by the Company are recognized when the Company incurs the cost of the project that is subsidized.

Interest income is accrued on a time basis, by reference to the principal outstanding, and at the effective interest rate applicable.

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

Interest and dividends

Revenue arising from the use by others of company assets yielding interest and dividends is recognized when:

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

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

Service fees included in the price of the product are recognized as revenue over the period during which the service is performed.

1.13 Revenue from non-exchange transactions

In non-exchange transactions, JOSHCO either receives values from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Assets and revenue recognized as a consequence of a transfer are measured at the fair value of the assets recognized as at the date of recognition.

Monetary assets are measured at their at their nominal values unless the time value of money is material, in which case present value is used, calculated using a discount rate that reflects the risk inherent in holding the asset. Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession. Receivables are recognized when a binding transfer arrangement is in place but cash or other assets have not been received.

The following are the major classes of non-exchange transactions which JOSHCO recognizes at its nominal value:

- Subsidies / transfers received from its sole shareholder; and
- Capital grants received in respect of development projects.

1.14 Conditional grants and receipts

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

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Government grants (including capital grants) are recognized when there is reasonable assurance that:

- the company will comply with the conditions attaching to them; and
- the grants will be received,

A government grant that becomes receivable as compensation for expense or deficit already incurred or for the purpose of giving immediate financial support to the company with no future related costs is recognized as income for the period in which it becomes receivable

Capital grants are recorded as deferred income when they become receivable and are recognized as income on a systematic basis over the periods necessary to match grants with the related costs, which they are intended to compensate. Capital grants on infrastructure property, plant and equipment are credited on a straight-line basis to the Statement of Financial Performance based on the estimated useful life of the relevant infrastructure property, plant and equipment.

1.15 Investment Income

Investment income is recognized on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

It is inappropriate to capitalize borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current. Borrowing costs are recognized as an expense in the period in which they are incurred.

1.17 Comparative figures

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

1.18 Unauthorized expenditure

Unauthorized expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.19 Fruitless and wasteful expenditure

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

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

1.20 Irregular expenditure

Irregular expenditure in terms of MFMA refers to expenditure incurred by JOSHCO in contravention of, or that is not in accordance with, a requirement of the MFMA, the Municipal Systems Act, the Public Office Bearers Act, and Supply Chain Management policy of JOSHCO or any of the municipality's by-laws and which has not been condoned.

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

1.21 Presentation of currency

The annual financial statements are presented in South African Rand.

1.22 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.23 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written-down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.24 Related parties

Transactions that are disclosed have related party transactions where JOSCHCO has in the normal course of its operation, entered into transactions with entities related to COJ.

1.25 Cash flow statement

The cash flow statement is prepared based on the direct method

1.26 Budget information

The budget is approved by the sole shareholder, the City of Johannesburg Metropolitan Municipality, on the accrual basis by functional classification. The operational budget is prepared using the zero-based budget methodology and applies to the period relevant to the Medium Term Expenditure Framework. The approved budget covers the fiscal periods 1 July 2013 to 30 June 2016.

JOSCHCO presents a separate budget statement for public accountability. In the event of variances i.e. where actuals exceed the budgets by more than 1% of total revenue, reasons for such variances are noted on the budget statement.

1.27 Events after reporting date

Events after the reporting date are those events, both favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue.

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Accounting Policies

Two types of events can be identified:

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

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| 2. INVENTORIES | | |
| Consumable stores | 198 487 | 260 700 |
| There was no inventory written down in both the current and prior years. | | |
| 3. LOANS TO / (FROM) GROUP COMPANIES | | |
| Fellow group companies | | |
| City Housing Company (Pty) Ltd | - | (686 652) |
| Reconciliation of CHC balance | | |
| Opening Balances | (686 652) | (721 053) |
| Less: Payments on behalf of CHC | 686 652 | 34 401 |
| | - | (686 652) |
| The company's management considers that each of the loans to group companies that are not impaired for each of the reporting dates under review is of good quality. The loans between the company and the City of Johannesburg Metropolitan Municipality are monitored by the City of Johannesburg Metropolitan Municipality's Treasury Department. | | |
| 4. LOANS TO / (FROM) PARENT MUNICIPALITY | | |
| City of Johannesburg Metropolitan Municipality - Non Interest bearing | (38 353 985) | (82 032 465) |
| CAPEX Loans - Non Interest bearing | 108 675 992 | 72 897 107 |
| Sweeping account - Interest bearing | 33 109 684 | 32 360 081 |
| Eldorado Park Ext 7 Debtors - Non Interest bearing | - | 721 211 |
| Interest on 'Non-Sweeping' Bank Accounts | 4 192 318 | - |
| | 107 624 009 | 23 945 934 |
| The company did not default on any of the loans. | | |
| None of the terms attached to the intercompany creditors were re-negotiated. | | |
| Current assets | 145 977 994 | 105 978 399 |
| Current liabilities | (38 353 985) | (82 032 465) |
| | 107 624 009 | 23 945 934 |
| City of Johannesburg Metropolitan Municipality - Non-interest bearing | | |
| Salaries | 1 707 800 | 44 590 168 |
| Bellavista | 55 372 | 55 372 |
| Kliptown Golf Course | - | 4 797 483 |
| JMPD Services | 4 612 | - |
| Transport | 28 668 | 10 462 |
| Municipal Charges | 36 557 533 | 32 578 980 |
| | 38 353 985 | 82 032 465 |

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|---|--------------------|-------------------|
| 4. LOANS TO / (FROM) PARENT MUNICIPALITY (continued) | | |
| CAPEX loans | | |
| Loans at beginning of the year | 72 897 107 | 39 754 099 |
| Payments received | (354 162 944) | (55 427 024) |
| CAPEX claims submitted | 389 941 829 | 88 570 032 |
| | 108 675 992 | 72 897 107 |
| CAPEX amount still outstanding from The City of Johannesburg Metropolitan Municipality. | | |
| Sweeping account | | |
| Loans at beginning of the year | 32 360 081 | 39 009 370 |
| Receipts | - | (6 649 289) |
| Advances | 749 603 | - |
| | 33 109 684 | 32 360 081 |
| The City of Johannesburg has an arrangement with all its municipal owned entities (MOE's), that the bank accounts will be swept over night to the primary bank account of the City of Johannesburg, and the required amounts by the MOE's will be swept back to their accounts when requested. The account bears interest at repo rate, compounded daily. | | |
| Interest on the sweeping account is linked to the bank prime rate. | | |
| Eldorado Park Ext 7 | | |
| Debtors transferred to COJ Housing | 721 211 | - |
| Bad debts written-off | (721 211) | 721 211 |
| | - | 721 211 |
| These are the debtors of Eldorado Park Ext 7 that was transferred back to COJ Housing. | | |
| 5. OPERATING LEASE ASSET / (ACCRUAL) | | |
| Operating lease liability represents rental payable by the company in respect of offices as a result of straight-lining of lease payments over the lease term. The lease payments are payable monthly and lease payments are straight-lined over a period of 2 years. The operating lease agreement commenced on 01 November 2013 after it was renegotiated for another 2 year term. There was no contingent rent on the operating lease. There are no restrictions imposed by the lease arrangement. | | |
| Current Liabilities | (42 308) | (28 081) |
| 6. RECEIVABLES FROM EXCHANGE TRANSACTIONS | | |
| Trade debtors | 8 012 058 | 5 826 880 |
| Security deposits | 118 091 | 118 091 |
| Sundry debtors | 659 678 | 929 196 |
| Project debtors | 34 854 612 | 37 904 258 |
| Related party debtors - rentals | 302 956 | 2 946 346 |
| | 43 947 395 | 47 724 771 |

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6. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Trade Debtors

Trade debtors consist of the tenant rentals/levies receivable net of provision. These amounts are receivable as a result of binding lease agreements between JOSHCO and the tenants.

Security deposits

These deposits are held by the lessor of the operating leases for the rental of office in Eldorado Park and JOSHCO Head-Office.

Sundry Debtors

Sundry debtors consist of operating grants and VAT receivable in prior accounting periods.

Project debtors

Project debtors consist of the monies owed by provincial government

Petty Cash Advanced

Petty cash advanced consist of amounts that have been advanced to staff from petty cash and the receipts were not yet submitted.

Related party debtors

Related party debtors also consist of tenant rentals/levies receivable and for which lease agreements are in place. These debts are however receivable from other Municipal Owned Entities in which the lessee is employed.

Fair value of trade and other receivables

In determining fair value of revenue and receivables, the company used a discount rate of 5.30% as at June 2014 (2013: 5.36%). This was considered to be representative of the risk of the clients' profile which has an expected receipt date of between 30 and 60 days.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 2 months past due are not considered to be impaired. At 30 June 2014, R6 152 370 (2013: R5 832 307) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

| | | |
|-------------------|-----------|-----------|
| 1 month past due | 3 514 098 | 3 376 616 |
| 2 months past due | 2 638 272 | 2 455 691 |

Trade and other receivables impaired

As of 30 June 2014, trade and other receivables of R36 404 132 (2013: R28 122 187) were impaired.

Reconciliation of provision for impairment of trade and other receivables

| | | |
|---|-------------------|-------------------|
| Opening balance | 28 122 187 | 25 803 393 |
| Provision for impairment - Current year | 8 281 945 | 2 318 794 |
| | 36 404 132 | 28 122 187 |

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7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

| | | |
|---------------|-------------------|-------------------|
| Cash on hand | 698 | 8 063 |
| Bank balances | 61 309 498 | 70 611 173 |
| | 61 310 196 | 70 619 236 |

The company's bank account is "swept" on a daily basis by the City of Johannesburg Metropolitan Municipality in order to facilitate efficient cash-flow management. Petty cash is reflected as being on hand. No cash and cash equivalents (or portions thereof) were pledged as security for any financial liabilities.

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

The maximum exposure to credit risk is the carrying amount of the cash and cash equivalents as at the reporting date.

The entity had the following bank accounts:

| Account number / Description | Bank statement balances | | | Cash book balances | | |
|--|-------------------------|-------------------|------------------|--------------------|-------------------|------------------|
| | 30 June 2014 | 30 June 2013 | 30 June 2012 | 30 June 2014 | 30 June 2013 | 30 June 2012 |
| ABSA BANK - Cheque - 407-197-2149 | 1 189 | (131) | 8 028 696 | (131) | (131) | 8 028 696 |
| ABSA BANK - Cheque - 407-466-9030 | 1 175 | (131) | 308 900 | (131) | (131) | 308 900 |
| ABSA BANK - Cheque - 405-805-0233 | - | 129 483 | - | - | 129 483 | - |
| STANDARD BANK - Cheque - 197734-COJ CAPEX | 32 961 376 | 32 961 376 | - | 32 961 376 | 32 961 376 | - |
| STANDARD BANK - 197742-COJ JOSHCO | 8 151 305 | 8 151 305 | - | 8 151 305 | 8 151 305 | - |
| STANDARD BANK - 197750-COJ DEP ACCOUNT | 12 473 491 | 6 356 573 | - | 12 473 498 | 6 356 573 | - |
| STANDARD BANK - 197769-COJ JOSHCO FLEURHOF | 7 518 285 | 23 015 160 | - | 7 518 286 | 23 015 160 | - |
| STANDARD BANK - 197718-COJ JOSHCO CHARGES | (2 600) | (2 462) | - | 2 600 | (2 462) | - |
| STANDARD BANK - 197726-COJ JOSHCO Main | 205 267 | - | - | 205 268 | - | - |
| Total | 61 309 488 | 70 611 173 | 8 337 596 | 61 312 071 | 70 611 173 | 8 337 596 |

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8. PROPERTY, PLANT AND EQUIPMENT

| | 2014 | | | 2013 | | |
|------------------------|------------------|--|------------------|------------------|--|------------------|
| | Cost / Valuation | Accumulated depreciation and impairment losses | Carrying value | Cost / Valuation | Accumulated depreciation and impairment losses | Carrying value |
| Land | 177 799 | - | 177 799 | 177 799 | - | 177 799 |
| Leasehold property | 542 540 | (476 782) | 65 758 | 542 540 | (450 122) | 92 418 |
| Furniture and fixtures | 1 300 314 | (827 293) | 473 021 | 1 268 170 | (790 078) | 478 092 |
| Motor vehicles | 297 454 | (119 645) | 177 809 | 297 454 | (58 929) | 238 525 |
| Office equipment | 935 912 | (557 321) | 378 591 | 833 355 | (527 121) | 306 234 |
| IT equipment | 2 182 628 | (1 208 544) | 974 084 | 2 267 080 | (1 268 135) | 998 945 |
| Leasehold improvements | 2 527 905 | (2 148 301) | 379 604 | 2 527 905 | (2 122 195) | 405 710 |
| Total | 7 964 552 | (5 337 886) | 2 626 666 | 7 914 303 | (5 216 580) | 2 697 723 |

Reconciliation of property, plant and equipment - 2014

| | Opening balance | Additions | Disposals | Depreciation / Impairment | Total |
|------------------------|------------------|----------------|-----------------|---------------------------|------------------|
| Land | 177 799 | - | - | - | 177 799 |
| Leasehold property | 92 418 | - | - | (26 660) | 65 758 |
| Furniture and fixtures | 478 092 | 32 144 | - | (37 215) | 473 021 |
| Motor vehicles | 238 525 | - | - | (60 716) | 177 809 |
| Office equipment | 306 234 | 111 938 | (4) | (39 577) | 378 591 |
| IT equipment | 998 945 | 212 903 | (14 788) | (222 976) | 974 084 |
| Leasehold improvements | 405 710 | - | - | (26 106) | 379 604 |
| Total | 2 697 723 | 356 985 | (14 792) | (413 250) | 2 626 666 |

Reconciliation of property, plant and equipment - 2013

| | Opening balance | Additions | Disposals | Depreciation / Impairment | Total |
|------------------------|------------------|----------------|----------------|---------------------------|------------------|
| Land | 177 799 | - | - | - | 177 799 |
| Leasehold property | 257 134 | - | - | (164 716) | 92 418 |
| Furniture and fixtures | 449 554 | 110 199 | - | (81 661) | 478 092 |
| Motor vehicles | 146 147 | 107 923 | - | (15 545) | 238 525 |
| Office equipment | 351 699 | 10 487 | - | (55 952) | 306 234 |
| IT equipment | 860 380 | 361 057 | (6 400) | (216 092) | 998 945 |
| Leasehold improvements | 484 768 | 161 090 | - | (240 148) | 405 710 |
| Total | 2 727 481 | 750 756 | (6 400) | (774 114) | 2 697 723 |

The following leased assets are included in Property, Plant and Equipment listed above

| | 2014 | | | 2013 | | |
|-----------------------|------------------|--------------------------|----------------|------------------|--------------------------|----------------|
| | Cost / Valuation | Accumulated depreciation | Carrying value | Cost / Valuation | Accumulated depreciation | Carrying value |
| Leasehold Improvement | 2 527 905 | (2 148 301) | 379 604 | 2 527 905 | (2 122 195) | 405 710 |
| Leasehold property | 542 540 | (476 782) | 65 758 | 542 540 | (450 122) | 92 418 |
| Total | 3 070 445 | (2 625 083) | 445 362 | 3 070 445 | (2 572 317) | 498 128 |

Details of property

Development Land (ERF 2083 Roodepoort Township)

Terms and conditions: Land purchased for development

- Purchase price: 23 July 2009

177 799 177 799

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

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9. INTANGIBLE ASSETS

| | 2014 | | | 2013 | | |
|-------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated amortization and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortization and accumulated impairment | Carrying value |
| Computer software | 922 778 | (657 214) | 265 564 | 887 182 | (599 759) | 287 423 |

Reconciliation of intangible assets - 2014

| | Opening balance | Additions | Amortization | Total |
|-------------------|-----------------|-----------|--------------|---------|
| Computer software | 287 423 | 35 596 | (57 455) | 265 564 |

Reconciliation of intangible assets - 2013

| | Opening balance | Additions | Amortization | Total |
|-------------------|-----------------|-----------|--------------|---------|
| Computer software | 316 443 | 62 702 | (91 722) | 287 423 |

10. HERITAGE ASSETS

11. INVESTMENT IN JOINT VENTURE

| Name of company | %Holding 2014 | %Holding 2013 | Carrying Amount 2014 | Carrying Amount 2013 | Fair value 2014 | Fair value 2013 |
|-----------------|---------------|---------------|----------------------|----------------------|-----------------|-----------------|
| JOSHCO JV | 55% | 55% | 25 430 858 | 25 946 097 | 25 430 858 | 25 946 097 |

The carrying amount of the joint venture has shown net of profit of R34 757 (2013: R116 141)

Principal activities and reporting dates of joint venture

| Name of entity | %Holding | Reporting date | Period of Results included |
|--|----------|----------------|-----------------------------|
| JOSHCO Madulamoho Joint Venture (JMJV) | 55% | 2014/06/30 | 1 July 2013 to 30 June 2014 |

The JMJV is an investment between JOSHCO and Madulamoho for social rental housing. The separate annual financial statements of the joint venture are available at the registered office of the entity. There are no contingent liabilities, contingent assets or commitments relating to the joint venture.

The joint venture's ability to distribute reserves is not restricted in terms of the joint venture agreement. The JMJV has not been pledged as security.

12. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below. The amount reflected in the table below is net of any impairment:

2014

| | Loans and receivables | Total |
|--------------------------------------|-----------------------|--------------------|
| Loans to parent municipality | 33 110 531 | 33 110 531 |
| Receivable from exchange transaction | 36 727 883 | 36 727 883 |
| Cash and cash equivalents | 61 310 274 | 61 310 274 |
| | 131 148 688 | 131 148 688 |

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| | 2014 | 2013 |
|--|------|------|
|--|------|------|

12. FINANCIAL ASSETS BY CATEGORY (continued)

2013

| | Loans and receivables | Total |
|--------------------------------------|-----------------------|--------------------|
| Loans to parent municipality | 32 360 081 | 32 360 081 |
| Receivable from exchange transaction | 48 438 846 | 48 438 846 |
| Cash and cash equivalents | 70 618 736 | 70 618 736 |
| | 151 417 663 | 151 417 663 |

13. DEFERRED TAX

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Reconciliation of deferred tax asset \ (liability)

| | | |
|---|------------------|------------------|
| At beginning of year | 6 090 228 | 5 879 678 |
| Temporary difference on tangible assets | - | 18 543 |
| Provisions | 164 275 | 728 901 |
| Income received in advanced | 479 324 | (349 150) |
| Leases | 16 955 | (26 987) |
| Doubtful debts allowance | 1 739 262 | (162 316) |
| Other | - | 1 559 |
| | 8 490 044 | 6 090 228 |

14. BORROWINGS - DBSA

At amortized cost

| | | |
|-------------------------------------|------------|------------|
| Development Bank of Southern Africa | 17 959 641 | 18 537 193 |
|-------------------------------------|------------|------------|

Non-current liabilities

| | | |
|-------------------------------------|------------|------------|
| Development Bank of Southern Africa | 17 331 434 | 17 983 573 |
|-------------------------------------|------------|------------|

Current liabilities

| | | |
|-------------------------------------|---------|---------|
| Development Bank of Southern Africa | 628 207 | 553 620 |
|-------------------------------------|---------|---------|

Amounts payable under operating leases

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|--|---------------|----------------|
| 15. FINANCE LEASE OBLIGATION | | |
| Minimum lease payments due | | |
| - within 1 year | 71 076 | 92 237 |
| - in 2 to 5 year (inclusive of finance charges) | - | 71 076 |
| | <u>71 076</u> | <u>163 313</u> |
| Less: Finance charges | (3 082) | (12 829) |
| Present value of minimum lease payments | 67 994 | 150 484 |
| Present value of minimum lease payments due | | |
| - within 1 year | 67 994 | 82 491 |
| - in 2 to 5 year | - | 67 994 |
| | <u>67 994</u> | <u>150 485</u> |
| Non-current liabilities | - | 67 994 |
| Current liabilities | 67 994 | 82 491 |
| | <u>67 994</u> | <u>150 485</u> |

The finance leases relates to the lease of office equipment. The average lease term ranges between 3 years and 5 years. The company did not default on any of the interest or capital repayments of the finance leases. Interest rates are linked to prime. All leases have fixed repayments and no arrangements have been entered into for contingent rent on the leased asset. The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

16. PAYABLES FROM EXCHANGE TRANSACTIONS

| | | |
|----------------------------|--------------------|-------------------|
| Trade payables | 79 957 450 | 54 638 557 |
| Rental received in advance | 4 403 253 | 2 503 807 |
| Accrued leave pay | 1 694 747 | 1 483 756 |
| Accrued finance costs | 380 597 | 254 615 |
| Payroll Liabilities - | 1 354 479 | 1 025 103 |
| Consumer deposit received | 8 307 216 | 6 978 881 |
| Accrued project costs | 46 434 441 | 6 523 526 |
| Related party creditors | 13 970 | - |
| | <u>142 546 153</u> | <u>73 408 245</u> |

17. PROVISIONS

| Reconciliation of provisions - 2014 | Opening Balance | Additions | Utilized/Paid during the year | Total |
|-------------------------------------|--------------------|-----------|----------------------------------|-----------|
| Performance Bonus | 1 848 242 | 1 551 980 | (1 176 130) | 2 224 092 |
| Reconciliation of provisions - 2013 | Opening Balance | Additions | Utilized/Paid during the year | Total |
| Performance Bonus | 1 643 932 | 1 065 323 | (861 013) | 1 848 241 |

18. VAT PAYABLE

| | | |
|-------------|---|--------|
| VAT payable | - | 21 054 |
|-------------|---|--------|

19. VAT RECEIVABLE

| | | |
|----------------|---------|---|
| VAT receivable | 101 466 | - |
|----------------|---------|---|

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|--|-------------------|-------------------|
| 20. DEFERRED INCOME FROM NON-EXCHANGE TRANSACTIONS | | |
| Unspent conditional grants and receipts comprises of: | | |
| Unspent conditional grants and receipts | | |
| Social Housing Foundation Grant - City Deep | 39 440 116 | 42 185 720 |
| Provincial grant- Kliptown Golf Course | 6 963 698 | - |
| Gauteng Provincial Grant - JMJV | 25 591 815 | 26 505 808 |
| Local Government Grant - Roodepoort | 177 800 | 177 800 |
| | 72 173 429 | 68 869 328 |
| Movement during the year | | |
| Balance at the beginning of the year | 68 869 328 | 35 411 391 |
| Additions / (Repayments) during the year | 4 218 094 | 34 371 930 |
| Income recognition and other adjustments during the year | (913 993) | (913 993) |
| | 72 173 429 | 68 869 329 |
| Non-current liabilities | 71 259 436 | 67 955 336 |
| Current liabilities | 913 993 | 913 993 |
| | 72 173 429 | 68 869 329 |

Gauteng Provincial Grant - JMJV

The grant relates to funds received to finance the acquisition of the JMJV. Conditions are met as the operating lease is utilized and the revenue is recognized over the duration of the lease term.

Social Housing Foundation (SHF) Grant - City Deep

The grant relates to funds received to finance the development of the City Deep project. The funds are ring-fenced in a separate bank account and the interest receivable is capitalized to the unspent grant.

Local Government Grant - Roodepoort

The Grant relates to funds received from the parent municipality for the purchase of land for the Roodepoort development. The grant is secured by land disclosed under property, plant & equipment. The funds will remain in liabilities until the asset is transferred to the City of Johannesburg Metropolitan Municipality.

21. FINANCIAL LIABILITIES BY CATEGORY

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

2014

| | Financial liabilities at | Total |
|------------------------------------|--------------------------|--------------------|
| | amortized cost | |
| Loans from parent municipality | 38 353 985 | 38 353 985 |
| DBSA loan | 17 959 641 | 17 959 641 |
| Payables from exchange transaction | 142 815 007 | 142 815 007 |
| Operating lease obligation | 42 308 | 42 308 |
| Finance lease obligation | 67 994 | 67 994 |
| Current tax payable | 1 359 081 | 1 359 081 |
| | 200 598 016 | 200 598 016 |

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|---|---|--------------------|
| 21. FINANCIAL LIABILITIES BY CATEGORY (continued) | | |
| 2013 | | |
| | Financial liabilities at amortized cost | Total |
| Loans from group companies | 686 652 | 686 652 |
| Loans from parent municipality | 83 269 874 | 83 269 874 |
| DBSA loan | 18 537 193 | 18 537 193 |
| Trade and other payables | 73 612 648 | 73 612 648 |
| Finance lease obligation | 246 867 | 246 867 |
| Operating lease liability | 94 306 | 94 306 |
| | 176 447 540 | 176 447 540 |
| 22. SHARE CAPITAL | | |
| Authorized | | |
| 1000 Ordinary shares of R1 each or par value of 1000 | 1 000 | 1 000 |
| Issued | | |
| 120 Ordinary shares of R1 each | 120 | 120 |
| 23. REVENUE | | |
| Rendering of services | 9 534 229 | 3 020 969 |
| Rental facilities and equipment | 75 420 166 | 71 882 696 |
| Fair value adjustment | (36 776) | (131 799) |
| Utility recoveries | 692 796 | 415 525 |
| Other income | 1 063 900 | 147 426 |
| Interest received - investment | 2 460 107 | 4 109 340 |
| Dividends received | - | 550 000 |
| Government grants & subsidies | 18 397 000 | 16 900 000 |
| Capital grants released | 913 993 | 913 993 |
| | 108 445 415 | 97 808 150 |
| The amount included in revenue arising from exchanges of goods or services are as follows: | | |
| Rendering of services | 9 534 229 | 3 020 969 |
| Rental facilities and equipment | 75 420 166 | 71 882 696 |
| Fair value adjustment | (36 776) | (131 799) |
| Utility recoveries | 692 796 | 415 525 |
| Other income | 1 063 900 | 147 426 |
| Interest received - investment | 2 460 107 | 4 109 340 |
| Dividends received | - | 550 000 |
| | 89 134 422 | 79 994 157 |
| The amount included in revenue arising from non-exchange transactions is as follows: | | |
| Taxation revenue | | |
| Transfer revenue | | |
| Subsidy received from shareholder | 18 397 000 | 16 900 000 |
| Capital grants realized | 913 993 | 913 993 |
| | 19 310 993 | 17 813 993 |

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|--|------|------|
|--|------|------|

JOSHCO is a Municipal Owned Entity of the COJ and is mandated to administer social housing projects for the COJ. As such and in terms of the SDA, the COJ leases all rental stock at zero value to JOSHCO for an undisclosed period of time. The COJ however still maintains absolute control and administration over the operations of JOSHCO. JOSHCO is required to operate on a balanced budget (income is equivalent to expenditure) and as such is not permitted to operate as an organization for profit. Over the financial year, the revenue derived by JOSHCO is administered centrally by the COJ.

Further the revenue derived from the projects, as determined and approved by the COJ, were insufficient to cover the maintenance and the administration of activities. The revenue shortfall is therefore subsidized by the COJ.

24. GENERAL EXPENSES

| | | |
|--------------------------------------|-------------------|-------------------|
| Advertising | 1 761 498 | 577 242 |
| Auditors remuneration | 1 521 673 | 1 101 283 |
| Bank charges | 147 903 | 379 478 |
| Computer expenses | 44 909 | 154 831 |
| Project planning fees and consulting | 913 758 | 2 246 323 |
| Consumables | 186 514 | 191 417 |
| Entertainment | 193 255 | 123 081 |
| Equipment hire | 317 770 | 129 822 |
| Insurance | 834 360 | 207 107 |
| Conferences and seminars | 514 830 | 118 273 |
| Lease rentals on operating lease | 1 396 901 | 1 233 822 |
| Fuel and oil | 26 219 | 28 383 |
| Placement fees | 163 996 | 310 174 |
| Postage and courier | 260 934 | 178 511 |
| Printing and stationery | 357 583 | 473 585 |
| Royalties and license fees | 274 994 | 212 933 |
| Subscriptions and membership fees | 137 644 | 257 580 |
| Telephone and fax | 1 441 954 | 1 366 099 |
| Training | 232 414 | 288 646 |
| Travel - local | 91 980 | 129 967 |
| Electricity and related services | 5 168 189 | 5 831 407 |
| Gas | 446 468 | 716 594 |
| Sewerage and waste disposal | 10 447 | 8 729 |
| Water and related services | 10 647 924 | 13 599 714 |
| Refuse | 686 822 | 785 892 |
| Levy | 3 359 | 86 880 |
| Fair value adjustments (expenses) | (20 380) | (232 817) |
| | 27 763 918 | 30 504 956 |

The increase in the CAPEX funding resulted in numerous project launches occurring on completed buildings (projects such as Orlando and Selby) which are funded from the OPEX funds. In addition, substantially more bids were advertised in order to appoint professionals and contractors on the development of these projects. This resulted in a significant increase in expenditure on advertising and equipment hire.

The conference and seminar costs increased due to planning sessions on the CAPEX budget and capacitation that was conducted for tenant benefit such as occupational health and safety, gender violence, etc.

The decrease in electricity and water expenditure is a result of more accurate billing occurring from the City of Johannesburg on its municipal accounts for the various projects.

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| 25. GOVERNANCE AND EMPLOYEE COSTS | | |
| Employee related costs : Salaries and wages | 23 355 330 | 20 187 007 |
| Employee related costs : Temporary staff | 704 957 | 995 950 |
| Bargaining council | 4 159 | 3 481 |
| Housing benefits and allowances | 15 296 | 18 000 |
| Overtime payments | 72 417 | 145 526 |
| Bonuses | 2 224 720 | 1 775 436 |
| Travel, motor car, accommodation, subsistence and other allowances | 1 285 159 | 1 428 119 |
| Directors remuneration (note 26) | 1 189 777 | 1 166 398 |
| UIF | 136 332 | 116 415 |
| SDL | 253 143 | 215 492 |
| Leave pay provision charge | 210 991 | 240 869 |
| Pension fund contributions | 1 436 838 | 1 295 983 |
| Leave pay | 94 183 | 14 915 |
| Acting allowances | 162 152 | 109 596 |
| Transport allowance | - | 13 566 |
| | 31 145 454 | 27 726 753 |

26. DIRECTORS REMUNERATION

Non-Executive Directors

| | | |
|---------------------------|----------------|----------------|
| Ms Z Jacobs (Chairperson) | 204 892 | 181 937 |
| Ms B Majola | 19 850 | - |
| Ms T Sethaelo | 105 113 | 97 756 |
| MS M Tshabalala | 111 122 | 99 908 |
| Mr I Makopo | 35 216 | 59 768 |
| Dr L Matlhape | 104 100 | 98 932 |
| Ms G Sengoara | 138 168 | 98 833 |
| Mr Y Gordhan | - | 108 773 |
| Mr M Mphahlele | 170 373 | 162 980 |
| Mr E Maphatsoe | - | 13 890 |
| Dr DW Thwala | 109 924 | 9 019 |
| | 998 758 | 931 796 |

Audit Committee Members

| | | |
|---|----------------|----------------|
| Mr M Mphahlele (Chairperson – Non-Executive Director) | - | - |
| Mr H Moolla | 14 979 | - |
| Mr R Hill | 25 951 | - |
| Mr K Govender | 34 918 | 5 010 |
| Mr A Kanana | - | 88 867 |
| Mr E Tait | 64 172 | 65 879 |
| Ms K Mdutshane | 50 999 | 74 846 |
| | 191 019 | 234 602 |

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| 27. EXECUTIVE AND SENIOR MANAGERS SALARIES | | |
| Executive Directors - Mr R Gallocher | | |
| Annual remuneration | 1 469 483 | 1 355 723 |
| Performance bonuses | 120 481 | 139 022 |
| Other | 78 603 | 77 628 |
| | 1 668 567 | 1 572 373 |
| Executive Directors - Mr V Naidoo | | |
| Annual Remuneration | 1 108 275 | - |
| Performance bonuses | 133 350 | - |
| Other | 13 160 | - |
| | 1 254 785 | - |
| Executive Managers | | |
| Ms C Holmes | 1 042 011 | 988 092 |
| Mr S Ndumndum* | - | 593 023 |
| MS S McCall | 771 246 | 322 821 |
| Ms G Mkhize* | - | 219 775 |
| Mr G Randal | 720 480 | 699 364 |
| Ms C Nkosi | 632 279 | 574 881 |
| Mr V Naidoo | - | 1 000 708 |
| Ms M Nkopane | 589 916 | - |
| | 3 755 932 | 4 398 664 |
| * Resigned | | |
| 28. OTHER HOUSING MANAGEMENT COSTS | | |
| The following amounts relate to project costs incurred at various projects: | | |
| Bad Debts | 8 282 199 | 2 318 794 |
| Bad Debts written off | 4 719 440 | 9 290 127 |
| Collection fees | 1 390 483 | 2 364 864 |
| Community Development | 1 283 019 | 367 879 |
| Staff Uniform | - | 3 692 |
| | 15 675 141 | 14 345 356 |
| 29. REPAIRS AND MAINTENANCE | | |
| The following costs relate to the repairs and maintenance incurred for tenants at the various projects: | | |
| Cleaning Services | 4 498 737 | 3 783 782 |
| Gardening and Landscaping | 1 408 980 | 1 381 684 |
| General Maintenance (plumbing, electricity, etc.) | 16 639 414 | 6 244 475 |
| Security for premises and tenants | 8 433 310 | 6 978 112 |
| | 30 980 441 | 18 388 053 |

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| 30. INVESTMENT REVENUE | | |
| Dividend received | | |
| JMJV | - | 550 000 |
| Interest received | | |
| Bank interest | 816 499 | 3 233 591 |
| Interest earned - Outstanding debtors | 1 643 608 | 875 749 |
| | 2 460 107 | 4 109 340 |
| | 2 460 107 | 4 659 340 |
| 31. DEPRECIATION AND AMORTISATION | | |
| Property, plant and equipment | 370 773 | 774 113 |
| Intangible assets | 57 455 | 91 722 |
| | 428 228 | 865 835 |
| 32. FINANCE COSTS | | |
| Interest paid | 1 747 245 | 1 785 991 |
| 33. TAXATION | | |
| Major components of the tax expense | | |
| Current | | |
| Local income tax - current period | 4 125 808 | 1 358 183 |
| Deferred | | |
| Originating and reversing temporary differences | (2 399 816) | (371 312) |
| | 1 725 992 | 986 871 |
| Reconciliation of the tax expense | | |
| Accounting surplus / (deficit) | 2 993 307 | 2 651 547 |
| Tax at the applicable tax rate of 28% (2014: 28%) | 3 023 388 | 409 959 |
| Tax effect of adjustments on taxable income | | |
| Prior year (over) / under provision - current tax | 1 102 420 | 948 224 |
| Prior year (over) / under provision - deferred tax | (2 399 816) | (371 312) |
| | 1 725 992 | 986 871 |
| Included in taxable income is subsidies received from parent municipality. | | |
| Tax rate reconciliation: | | |
| Statutory rate (%) | 28 | 28 |
| Tax effect of adjustments on taxable income | | |
| Non-temporary differences | - | 11 |
| | 28 | 39 |

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| 34. CONTRACTED SERVICES | | |
| Contracted services | 417 056 | 1 661 404 |
| Amounts included in contracted services relate to IT services, recruitment agencies and investigation services | | |
| 35. CASH/ (USED IN) GENERATED FROM OPERATIONS | | |
| Surplus/ (deficit) | 1 267 315 | 1 664 676 |
| Adjustments for: | | |
| Depreciation and amortization | 428 228 | 865 835 |
| Loss on disposal of assets | 57 269 | (5 604) |
| Loss from equity accounted investments | (34 757) | (116 141) |
| Movements in operating lease assets and accruals | 14 227 | (66 225) |
| Movements in provisions | 375 851 | 204 309 |
| Movement in tax receivable and payable | 4 125 808 | 1 358 183 |
| Annual charge for deferred tax | (2 399 816) | (371 312) |
| Changes in working capital: | | |
| Inventories | 62 213 | 20 685 |
| Receivables from exchange transactions | 3 777 376 | (5 850 926) |
| Payables from exchange transactions | 21 492 234 | 37 644 554 |
| VAT | (122 520) | 3 404 913 |
| Deferred income from non-exchange transactions | 3 304 100 | - |
| | 32 347 528 | 38 752 947 |
| 36. TAX PAYABLE | | |
| Balance due (to) / from at beginning of the year | (3 131 069) | (1 933 648) |
| Current tax for the year recognized in surplus / deficit | (4 125 808) | (1 358 183) |
| Deferred tax adjustments | 4 434 891 | 160 762 |
| Balance due to / (from) at end of the year | 2 821 986 | 3 131 069 |
| 37. CONTINGENT LIABILITIES AND COMMITMENTS | | |
| Commitments in respect of capital expenditure: | | |
| Authorized and contracted for | | |
| • Infrastructure | 21 877 596 | 11 813 267 |
| Operating leases – as lessee (Buildings) | | |
| Minimum lease payments due | | |
| - within one year | 1 353 869 | 318 545 |
| - 2 to 5 years | 465 392 | - |

For the financial year, the sole shareholder made available capital infrastructure development grants to the value of R440 253 000. These funds were obtained through various Government Grants through the City of Johannesburg. In addition, JOSHCO secured funding from the Social Housing Regulatory Authority (SHRA). The development related to social housing and infrastructure in Anthea, Pennyville, AA House, MBV, Klipspruit, Randburg Selkirk, City Deep, Orlando Ekhaya, Selby Village, Fleurhof, Roodepoort, Bellavista, Dobsonville, Lombardy East, Turffontein and Lynatex. For the year, R418 375 404 expenditure was incurred for the development of these projects. An amount of R21 877 596 remains as contingent claims by contractors and professionals for the projects.

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Operating lease payments represent rentals payable by the company for its Head office premises. Leases are negotiated for an average term of two years and rentals are fixed for one year and subject to escalation clauses. No contingent rent is payable.

Other than the details provided above, management is not aware of any further contingencies.

38. RELATED PARTIES

Relationships

Other members of the group

The City of Johannesburg Metropolitan Municipality
City Housing Company SOC Ltd
City of Johannesburg Property Company SOC Ltd
City Power Johannesburg SOC Ltd
Johannesburg City Parks NPC
Johannesburg Development Agency SOC Ltd
Johannesburg Metropolitan Bus Services SOC Ltd
Johannesburg Roads Agency SOC Ltd
Johannesburg Tourism Company NPC
Johannesburg Water SOC Ltd
Metropolitan Trading Company SOC Ltd
Pikitup Johannesburg SOC Ltd
Roodepoort City Theatre NPC
The Johannesburg Civic Theatre SOC Ltd
The Johannesburg Fresh Produce Market SOC Ltd
The Johannesburg Zoo NPC
JOSHCO JM/JV
Facilities Management Unit

Related party balances

Trade and other receivables / (payables) regarding related parties

| | | |
|--|----------------|------------------|
| Johannesburg Metropolitan Bus Services SOC Ltd | (13 970) | 1 862 935 |
| City Power Johannesburg SOC Ltd | - | 144 582 |
| The Johannesburg Zoo NPC | - | 72 102 |
| Johannesburg City Parks NPC | - | 763 532 |
| Johannesburg Roads Agency SOC Ltd | 167 659 | 77 457 |
| The Johannesburg Fresh Produce Market SOC Ltd | 20 084 | 25 738 |
| JMPD | (4 612) | - |
| Johannesburg Water | 115 215 | - |
| | 264 292 | 2 946 346 |

39. RISK MANAGEMENT

Capital risk management

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, in order to provide returns for shareholder and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

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Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The company is a wholly owned subsidiary of the City of Johannesburg Metropolitan Municipality. Risk management is carried out by a central treasury department within the Metro Municipality (City treasury) under policies approved by the City's Assets & Liability committee of which the company's CFO is part. City treasury identifies and evaluates financial risks in close cooperation with ALCO. ALCO provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk.

Liquidity risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities. The company also receives an annual subsidy from the City of Johannesburg Metropolitan Municipality which mitigates to a large extent the liquidity risk of the company.

Interest rate risk

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

The entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the entity to fair value interest rate risk.

During 2014 and 2013, the entity's borrowings of R19 553 718, from the Development Bank of Southern Africa, at fixed rate of 8.5% and the loan is denominated in the South African Rand.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, intercompany debtors and other receivables. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. The company services the widespread public of the metropolitan area. The company is therefore exposed to credit risk. The company is exposed to credit risk as a result of the following: transactions entered into with the public on extended payment terms and long term loans with the City of Johannesburg Metropolitan Municipality. These customers may not be able to produce cash on demand and the company manages these risks by independent checks on the credit quality of debtors and giving long term loans only to City of Johannesburg Metropolitan Municipality in terms of approved policy and credit terms. No changes occurred in the management of these risks from the prior year.

The company policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on surplus / (deficit). The company's interest rate risk arises from interest bearing borrowings and financial service assets. Borrowings issued at floating rates expose the company to cash-flow interest rate risk, while fixed rate borrowings expose the company to fair value interest rate risk. As part of the process of managing the company's fixed and floating rate borrowings mix, the interest rate characteristics of new borrowings and refinancing of existing borrowings are positioned according to expected movements in interest rates.

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

| Financial instrument: | 2014 | 2013 |
|-----------------------------|-------------|-------------|
| Trade and other receivables | 43 947 395 | 47 724 771 |
| Loans to group companies | 145 977 994 | 105 978 399 |

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40. EVENTS AFTER THE REPORTING DATE

There were no reportable events after the reporting date that was not addressed in this report.

41. UNAUTHORISED EXPENDITURE

There was no reportable unauthorized expenditure in the year ended 30 June 2014.

42. FRUITLESS AND WASTEFUL EXPENDITURE

No incidents of fruitless and wasteful expenditure were reported in the financial year ended 30 June 2014.

43. IRREGULAR EXPENDITURE

Management was not aware of any irregular expenses incurred during the financial year ended 30 June 2014.

44. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

As per SCM prescripts, paragraph 36 states that the Accounting Officer may authorize deviations from procurement processes in circumstances provided for in the SCM Regulations. Thereafter the Accounting Officer must report the deviations to the Board of Directors.

For the financial year, the following deviations occurred and were approved by the Accounting Officer:

2013/14 Deviations:

| No. | Supplier | Description | Amount | Note |
|-----|--------------------------------|---|---------------------|------|
| 1 | Human Communications | Placed a notice/brief on Sunday World about Industrial Action | R 11 012 | |
| 2 | Kya Guards | Guarding offices during Industrial Action | R 10 759 | |
| 3 | E. Martin | Conflict resolution consultation during Industrial Action | R 2 850 | |
| 4 | WERKSMANS Attorneys | Involved in labour relations matters during Industrial Action | R 217 595 | |
| 5 | Sinden & Assosicates | Private investigation services as a staff member's life was in danger due to the duties she carried out | R 20 538 | |
| 6 | Eller Security Services | Provided security services during eviction in Pennyville | R 285 000 | |
| 7 | PC Plug | BIC reporting tool updates | R 5 706 | |
| 8 | 21st Century | Job grading services | R 61 560 | |
| 9 | Dempster McKinnon | Cost of property and conveyancing fees for property (195 Commissioner Street Johannesburg) | R 6 987 261 | 1 |
| 10 | MDA Property Systems | License renewal | R 193 408 | |
| 11 | ETHIQS | Professional Services - Antea Hostel | R 1 133 258 | 2 |
| 12 | BKS/AECOM | Professional Services - Orlando Ekhaya Hostel Project | R 12 183 346 | 2 |
| 13 | Shabangu Architects | Professional Services - Dobsonville | R 21 000 000 | 2 |
| 14 | Delta-Link (Mfiles) | Migrating files/data between servers | R 4 446 | |
| 15 | The Housing Development Agency | ERF 4570 and ERF 4897 transferred by Housing Development Agency (HDA) to JOSHCO. | R 30 000 000 | 1 |
| 16 | Mahlatsi Tumelo | Professional Services - Selby Hostel | R 5 762 145 | 2 |
| | | | R 77 878 884 | |

1. These deviations relate to properties purchased for the City of Johannesburg and that will be renovated as social housing projects.
2. These multi-year projects required the development of new phases and hence the continuation of the same professionals.

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2012/13 Deviations:

| No. | Supplier | Description | Amount |
|-----|--|---|-------------------|
| 1 | Pump & Seal Services | Installed water pumps for MBV | R267 223 |
| 2 | 21 st Century Pay Solutions | Salary grading | R2 625 |
| 3 | Edward Nathan Sonnenberg Attorneys | Investigation of fraud allegations | R377 320 |
| 4 | Unibyte Data Systems | IT support and administration | R449 505 |
| 5 | Red Ants | Eviction in Kliptown | R60 900 |
| 6 | Dump It | Refuse services for Claremont Hostels | R29 127 |
| 7 | Global Meter Reading | Reading of water and electricity consumption in projects | R189 437 |
| 8 | Bytes Document Solutions | Network support services | R70 568 |
| 9 | Cochrane | Clear-Vu fencing at Lombardy East and Turfontein projects | R2 136 559 |
| | | | |
| | | | R3 583 264 |

45. ASSETS SUBJECT TO RESTRICTIONS

There are no assets recognized in JOSHCO that are subject to restrictions.

46. BUDGET VARIANCES

In terms of accounting policy, the following expense item has exceeded the budget by the threshold of 1% of total revenue:

- Other project costs incurred was for additional capacitation workshops done for tenants on occupational health and safety, water conservation programmes, women empowerment and youth development programmes. In addition more recreational facilities were built for children at the Kliptown Square project. These additional programmes and facilities cost an additional R2 062 538 (R15 747 538 less R13 685 000).
- Additional repairs and maintenance costs were incurred of R6 974 157 (R28 180 157 less R21 206 000). This expenditure related to repair and maintenance work required to urgently address rent boycotts on the Alexandra, City Deep, Pennyville and Kliptown Golf Course Projects. Although the expenditure item for repairs and maintenance was more than the budget line item, it did not result in the overall operational budget being exceeded.

47. PRIOR PERIOD ADJUSTMENTS

Investment in JMJV:

| | |
|--|--------------------------|
| o Balance as previously reported on the balance sheet | 31 690 825 |
| Less: Prior year adjustments on depreciation and equity distribution | <u>(5 744 728)</u> |
| Restated balance on the balance sheet | <u>25 946 097</u> |

The JMJV has restated its financial position in light of the 35 year lease period of the property from the Gauteng Provincial Housing Department. This required that the investment be depreciated over the useful life of the lease.

