SECTION 4: ANNUAL FINANCIAL STATEMENTS

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JOSHCO
JOHANNESBURG SOCIAL HOUSING COMPANY

JOHANNESBURG SOCIAL HOUSING COMPANY (PTY) LTD
(Registration number 2003/008063/07)
Consolidated Annual Financial Statements
for the year ended 30 June 2010

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
LEGAL FORM OF ENTITY	PTY Limited
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 all 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.
MAYORAL COMMITTEE	
Executive Mayor	His Worship: Cllr Amos Masondo (Chairman)
Councillors	MMC: Cllr Ruby Mathang (Housing) MMC: Cllr Parks Tau (Finance) MMC: Cllr Nikele Ntingane (Speaker) MMC: Cllr Noncebe Molwele (Chief Whip) MMC: Cllr Bafana Sithole (Community Development) MMC: Cllr Roslynn Greef (Development Planning and Urban Management) MMC: Cllr Elginah Ndhlovu (Public Safety) MMC: Cllr Bengeza Mthombeni (Health) MMC: Cllr Christine Walters (Infrastructure and Services) MMC: Cllr Matshidiso Mfikoe (Environment and Corporate Services) MMC: Cllr Rehana Moosajee (Transport) MMC: Cllr Oupa Monareng (Economic Development)
GRADING OF LOCAL AUTHORITY	Public Office Bearers Act, 1998.
CHIEF FINANCE OFFICER (CFO)	Ms Sinikiwe Makumbirofa (Effective 01 February 2010)
DIRECTORS	Mr YN Gordhan (Non-executive) Ms N Tshabalala (Non Executive) Mr RL Gallocher (Executive) Ms FP Segole (Non Executive) Mr MB Moholo (Non Executive) Mr PG Jackson (Non Executive) Mr V A Booysen (Non Executive) Mr I Mkhabela (Non Executive, Chairman) Ms L Mashamaite (Non-Executive) Ms G Sengoara (Non-Executive)
REGISTERED OFFICE	137 Sivewright Avenue New Doornfontein 2094
BUSINESS ADDRESS	137 Sivewright Avenue New Doornfontein 2094
POSTAL ADDRESS	P O Box 16021 New Doornfontein 2028

GENERAL INFORMATION

PARENT MUNICIPALITY	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
BANKERS	ABSA Bank Limited
AUDITORS	The Auditor General - South Africa Registered Auditors
COMPANY SECRETARY	Mapula Hlaba
COMPANY REGISTRATION NUMBER	2003/008063/07

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

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ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
CORPSUP	Corporate Support Committee
DBSA	Development Bank of Southern Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IFRS	International Financial Reporting Standards
DEV	Development Committee
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
AFS	Annual Financial Statements
Acc Policies	Accounting Policies
ALCO	Assets and Liability Committee

Directors' Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), and the Companies Act (Act 61 of 1973) to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the consolidated annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Recognised Accounting Practice. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements and were given unrestricted access to all financial records and related data.

The consolidated annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The consolidated annual 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 ultimately 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 throughout 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 behavior are applied and managed within predetermined procedures and constraints.

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 consolidated 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 to 30 June 2011 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 operational existence for the foreseeable future.

The entity is dependent on the City of Johannesburg Metropolitan Municipality for continued funding of operations. The consolidated 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 supported by the company's internal auditors.

The consolidated annual financial statements set out on pages 7 to 63, which have been prepared on the going concern basis, were approved by the directors on 22 November 2010 and were signed on its behalf by:

Mkhabela

Mr I Mkhabela (Non Executive, Chairman)

22 November 2010

Mr R Gallocher (Chief Executive Officer)

22 November 2010

Directors' Responsibilities and Approval

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2010.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. During the current year 6 meetings were held.

Name of member	Number of meetings attended
Mr K Govender (Chairperson)	5
Mr Y Gordhan	6
Mr C Sanangura (Resigned 23/01/2010)	5
Mr E Tait (appointed 23/01/2010)	1
Mr A Kanana (appointed 23/01/2010)	1

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

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 II Report on Corporate Governance requirements, 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 consolidated annual financial statements, and the management letter of the Auditor-General South Africa, 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 quarterly reports were submitted in terms of the MFMA and we are satisfied by the quality of such reports

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

Evaluation of consolidated annual financial statements

We have:

- Reviewed and discussed the audited consolidated annual financial statements to be included in the annual report, with the Auditor-General South Africa and the internal auditors;
- Reviewed the Auditor-General South Africa's management letter and management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed the entities compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit.

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

Risk Committee

The Risk Management Committee has had four meetings since during the financial year. Mr Y Gordhan was appointed as the Chairperson of the subcommittee which is made up of all Senior Managers.

Internal audit

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

Directors' Responsibilities and Approval

Auditor-General South Africa

We have met with the Auditor-General South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: ______________________

Directors' Report

The directors submit their report for the year ended 30 June 2010.

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

The company operates in South Africa.

During the year ended 30 June 2010 there were no major changes in the activities of the business.

The financial position of the company shows a net asset position of R1,848,188 (2009: R3,547,300).

Net deficit of the entity was R 1 699 112 (2009: surplus R 1 548 357), after taxation of R (913 970) (2009: R 361 597).

3. GOING CONCERN

The existence of the company is 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. Should the management fees/subsidies be withdrawn it is highly unlikely that the company will be able to continue as a going concern.

The consolidated 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 2010, the company had an accumulated surplus of R 1,848,068 and that the company's total assets exceed its liabilities by R 1,848,188.

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 consolidated financial statements. The following non-adjusting events occurred after reporting date:

We draw attention to the fact that one director, Mr M Mphahlele was appointed with effect from 23 July 2010.

Contingencies – Uninsured claims and litigation (Note 38)
The dispute between Joshco and SHF was resolved. The parties dispute reached an agreement in which Joshco paid back the unspent portion of the conditional grant. The settlement amount of R15,417,337.18 was paid in October 2010. In terms of the settlement agreement, Joshco no longer has an obligation to continue with the construction of the remaining 274 units covered by the original funding agreement.

Recovery of funds (Note 48)
Joscho recovered all the outstanding funds relating to the 2009 Kyaguards and the Maranatha fraud of R2,289,669 (note 48), from the various banks and insurance claims.

Directors' Report

5. DIRECTORS' INTEREST IN CONTRACTS

One of the directors of the company, Mr M B Moholo is the Managing Director of Social Housing Foundation, an organisation where Joshco has a funding contract over its City Deep and Roodepoort projects. Mr B M Moholo has declared his interest as required by the Sections, 234, 235 and 237 of the Companies Act, 61 of 1973.

6. ACCOUNTING POLICIES

The consolidated annual financial statements were prepared in accordance with statements of Generally Recognised Accounting Practice (GRAP) as the prescribed framework by National Treasury, including any interpretations of such Statements issued by the Accounting Practices Board and International Financial Reporting Standards (IFRS). GRAP statements which were applied prior to the commencement dates in the current year are listed in the accounting policy note on presentation of annual financial statements.

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

During the financial year ended 30 June 2010, there were significant changes made to some non-current assets and non-current liabilities. The changes were necessitated by the correction of a prior year error where rental stock (investment properties) owned by the City of Johannesburg Metropolitan Municipality (COJ) were erroneously recorded into JOSHCO's books following an incorrect technical opinion from the Auditor General - South Africa during the 2009year end audit. During the year ended 2010, JOSHCO/COJ and Auditor General reached an agreement on the correct accounting treatment of the rental stock resulting in the reversal of adjustments made in the prior year. Details of the major changes to non-current assets and non-current liabilities are explained in note 42 to the annual financial statements. The financial statements for the year ended 30 June 2009 have been restated accordingly

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. There is however no formal lease agreement in place. Discussions are ongoing to resolve the issue.

Assets and liabilities that were significantly impacted by the changes were as follows:

Removal of investment properties	(R151,331,162)
Reduction in Property, plant and equipment	(R144,741,343)
Reduction in Deferred income	R284,340,276
Increase in Trade and other receivables	R11,242,281
Increase in Deferred tax asset	R163,571
Increase In Current tax payable	R908,213
Decrease in Accumulated surplus	R1,042,994

Directors' Report

10. DIRECTORS

The directors of the company during the year under review and to 30 June 2010 were as follows:

Name	Nationality	Changes
Mr YN Gordhan (Non-executive)	South African	
Mr S Jwili (Executive)	South African	Resigned 28 February 2010
Ms N Tshabalala (Non Executive)	South African	
Mr RL Gallocher (Executive)	South African	
Ms FP Segole (Non Executive)	South African	
Mr MB Moholo (Non Executive)	South African	
Mr PG Jackson (Non Executive)	South African	
Mr V A Booysen (Non Executive)	South African	
Mr I Mkhabela (Non Executive, Chairman)	South African	
Ms L Mashamaite (Non-Executive)	South African	
Ms G Sengoara (Non-Executive)	South African	Appointed 1 February 2010

11. COMPANY SECRETARY

The secretary of the company is Ms Mapula Hlaba of:

Business address

137 Silverwright Avenue
New Doornfontein
2094
2094

Postal address

P O Box 16021
New Doornfontein
2028

JOHANNESBURG SOCIAL HOUSING COMPANY (PTY) LTD

(Registration number 2003/008063/07)
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Directors' Report

12. DIRECTORS' AND EXECUTIVE MANAGERS' EMOLUMENTS

	Salary or Fee	Bonuses and performance related payments	Retirement Fund contributions	Medical contributions	Other	Total package 2010	Total package 2009
Non-Executive Directors							
Mr I Mkhabela (Chairman)	125 395	-	-	-	-	125 395	120 750
Mr M B Moholo	70 746	-	-	-	-	70 746	65 553
Mr T Langa	9 920	-	-	-	-	9 920	8 626
Ms F Segole	84 606	-	-	-	-	84 606	102 642
Ms N Tshabalala	71 375	-	-	-	-	71 375	70 728
Mr P Jackson	87 291	-	-	-	-	87 291	58 653
Mr V Booysen	84 905	-	-	-	-	84 905	116 443
Mr Y Gordhan	131 467	-	-	-	-	131 467	86 257
Ms L Mashamaite	63 834	-	-	-	-	63 834	31 915
Ms G Sengoara	8 950	-	-	-	-	8 950	-
	738 489	-	-	-	-	738 489	661 567
Executive Directors							
Mr R Gallocher (CEO)	1 075 638	94 820	-	-	74 850	1 245 308	1 233 387
Mr S B Jwili (CFO)	494 799	91 360	73 860	-	33 554	693 573	1 040 962
	1 570 437	186 180	73 860	-	108 404	1 938 881	2 274 349
Executive Managers							
Ms S Makumbirofa	279 583	-	-	-	43 724	323 307	-
Ms C Holmes	645 352	61 255	-	-	98 983	805 590	771 879
Ms M Hlaba	339 954	36 815	-	-	107 633	484 402	408 589
Mr S Ndumndum	585 825	66 467	86 455	-	134 065	872 812	836 213
Ms G Mkhize	356 760	33 595	-	-	133 329	523 684	373 451
Mr G Randall	421 569	60 664	-	18 468	132 085	632 786	640 386
Ms S Shongwe	-	-	-	-	-	-	200 980
	2 629 043	258 796	86 455	18 468	649 819	3 642 581	3 231 498
	4 937 969	444 976	160 315	18 468	758 223	6 319 951	6 167 414

Directors' Report

13. CORPORATE GOVERNANCE

General

The board of directors is 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 ongoing development of best practice.

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

The salient features of the company's adoption of the Code are outlined below:

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 both internally and externally by the company;
- 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. The CFO resigned during the year and the company now has one executive director.
- has established a Board directorship continuity programme.

Chairman and Chief Executive

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

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

Directors' Report

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 6 separate occasions during the financial year. 4 meetings being ordinary and two being special meetings to discuss urgent business, like approval of financial statements. The directors are scheduled to attend 4 ordinary meetings per annum, one meeting per quarter.

Non-executive directors have access to all members of management of the company.

NAME	BOARD	CORPSUP	AUDIT	DEV	RISK
Ms LM Mashamaite (Non-Executive)	5	4	n/a	n/a	n/a
Mr YN Gordhan (Non-Executive)	6	n/a	6	n/a	4
#Mr SB Jwili (Executive)	5	2	6	3	2
Ms NTshabalala (Non Executive)	5	4	n/a	n/a	n/a
Mr RL Gallocher (Executive)	6	4	6	5	2
Ms FP Segole (Non Executive)	6	2	n/a	6	n/a
Mr MB Moholo (Non Executive)	6	n/a	n/a	2	n/a
Mr PG Jackson (Non Executive)	6	n/a	n/a	6	n/a
Mr VA Booysen (Non Executive)	5	3	n/a	n/a	n/a
Mr I Mkhabela (Non Executive, Chairman)	6	n/a	n/a	n/a	n/a
*Ms G Sengoara (Non Executive)	1	1	n/a	n/a	n/a
Total number of meetings held	6	4	6	6	4

*Appointed February 2010
Retired February 2010

Audit Committee

For the first half of the current financial year the Chairman of the Audit Committee was Mr C Sanangura (independent Audit Committee member), who retired at the Annual General Meeting (AGM). New independent members were appointed at the AGM and the board appointed Mr K Govender as the chairman. Both chairmen of the Audit Committee are independent Audit Committee members. 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 Committees, National Treasury policy requires that parent municipalities should appoint further members of the company's audit committees 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 advise the Board of its responsibilities as provided in Section 166 of the Municipal Finance Management Act.

Risk Committee

The Risk Management Committee has had four meetings since during the financial year. Mr Y Gordhan was appointed as the Chairperson of the subcommittee which is made up of all Senior Managers.

Corporate Support Committee

Members of the Corporate Support Committee are as follows:-

V Booysen (Chairperson)	Non- Executive Director
N Tshabalala	Non-Executive Director
L Mashamaite	Non-Executive Director
G Sengoara	Non-Executive Director
R Gallocher (CEO)	Executive Director
S Makumbirofa	Chief Financial Officer

Directors' Report

There were a total of four Committee meetings convened during the financial year. A new non-executive member was appointed into this Committee during the financial year, Miss G Sengoara.

Development Committee

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

P Jackson (Chairperson)	Non- Executive Director
B Moholo	Non-Executive Director
F Segole	Non-Executive Director
R Gallocher (CEO)	Executive Director
S Makumbirofa	Chief Financial Officer

Internal audit

The company has outsourced its internal audit function to Gobodo Forensic and Investigative Accounting (Pty) Ltd, who was the company's previous internal auditor. This is in compliance with the Municipal Finance Management Act, 2003.

14. PARENT MUNICIPALITY

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

15. INTEREST IN CONTROLLED ENTITIES

Name of controlled entity	Country of incorporation if not the RSA	Net income (loss) after tax
Joshco Madulamoho (JM/JV)	South Africa	(550 180)

The main transactions between Joshco and the JM/JV were accounts receivable in respect of provincial subsidies payable by the JM/JV to Joshco. Joshco has also accounted for its 55% share of the loss from the joint venture in its consolidated financial statements amounting to R364,187 (2009: R192 108).

16. SPECIAL RESOLUTIONS

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

17. BANKERS

Bank	ABSA Bank Limited
Phone number	(011) 641 5516
	(011) 641 5550/40/45

18. AUDITORS

The Auditor General - South Africa are the external auditors as required by the MFMA

Certificate by Company Secretary

In terms Section 268 G(d) of the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973, as amended, I certify that the company has lodged with the Registrar all such returns as required by the Companies Act and that all such returns are true, correct and up to date.

Mapula Hlaba

Johannesburg
22 November 2010

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
ASSETS			
Current Assets			
Inventories	3	181 179	157 996
Loans to group companies	4	692 969	1 987 207
Loans to parent municipality	5	38 479 438	-
Operating lease asset	6	414	-
Trade and other receivables	7	64 329 329	134 504 165
VAT receivable	8	384 691	489 948
Cash and cash equivalents	10	1 119	1 948 397
		104 069 139	**139 087 713**
Non-Current Assets			
Property, plant and equipment	11	3 371 566	2 243 397
Intangible assets	12	308 142	274 164
Investment in joint ventures	13	30 961 547	31 325 735
Deferred tax	15	3 168 046	1 864 283
		37 809 301	**35 707 579**
Total Assets		**141 878 440**	**174 795 292**
LIABILITIES			
Current Liabilities			
Loans from group companies	4	4 100	-
Loans from parent municipality	5	21 698 054	41 721 939
DBSA loan	16	543 159	-
Current tax payable		427 957	388 171
Finance lease obligation	17	113 808	107 220
Operating lease liability	6	-	50 324
Trade and other payables	18	44 915 582	58 576 656
Deferred income	19	913 993	913 993
Bank overdraft	10	126	-
		68 616 779	**101 758 303**
Non-Current Liabilities			
DBSA loan	16	19 010 559	19 553 718
Finance lease obligation	17	147 707	163 352
Deferred income	19	52 255 207	47 993 812
Conditional grant - Val Der Marne	20	-	1 778 807
		71 413 473	**69 489 689**
Total Liabilities		**140 030 252**	**171 247 992**
Net Assets		**1 848 188**	**3 547 300**
NET ASSETS			
Share capital	22	120	120
Accumulated surplus		1 848 068	3 547 180
Total Net Assets		**1 848 188**	**3 547 300**

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue			
Rendering of services	23	1 884 129	4 370 327
Rental facilities and equipment	23	38 995 022	30 950 976
Fair value adjustments - revenue	23	(295 069)	1 139 969
Utility Recoveries	25	684 165	130 028
Grant received from shareholder	25	11 794 000	15 132 000
Capital grants released	25	2 476 506	913 994
Other income - proceeds from insurance	25	815 265	84 454
Bad debts recovered	25	121 087	-
Interest received - investment	29	3 980 329	577 377
Total Revenue		**60 455 434**	**53 299 125**
Expenditure			
Employee costs	27	(18 513 648)	(15 366 954)
Depreciation and amortization	30	(714 092)	(1 074 379)
Finance costs	31	(1 902 423)	(1 392 442)
Bad debts	28	(6 793 672)	(4 662 171)
Repairs and maintenance		(4 253 958)	(8 335 948)
Contracted services	34	(384 582)	(802 995)
General Expenses	26	(30 141 954)	(19 553 277)
Total Expenditure		**(62 704 329)**	**(51 188 166)**
Loss on disposal of assets and liabilities		-	(8 897)
Loss from investment in JV		(364 187)	(192 108)
Taxation	32	913 970	(361 597)
(Deficit) surplus for the year		**(1 699 112)**	**1 548 357**

Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share capital	Accumulated surplus	Total equity
Opening balance as previously reported		120	2 021 856	2 021 976
Adjustments				
Prior year adjustments	42	-	(23 033)	(23 033)
Balance at 01 July 2008 as restated		**120**	**1 998 823**	**1 998 943**
Changes in net assets				
Surplus for the year		-	1 548 357	1 548 357
Total changes		-	1 548 357	1 548 357
Opening balance as previously reported		120	4 590 174	4 590 294
Adjustments				
Prior year adjustments	42	-	(1 042 994)	(1 042 994)
Balance at 01 July 2009 as restated		**120**	**3 547 180**	**3 547 300**
Changes in net assets				
Deficit for the year		-	(1 699 112)	(1 699 112)
Total changes		-	(1 699 112)	(1 699 112)
Balance at 30 June 2010		**120**	**1 848 068**	**1 848 188**

Cash Flow Statement

Figures in Rand	Note(s)	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		39 518 516	37 657 770
Grants		11 794 000	15 132 000
Interest income		3 980 329	577 377
Project debtor receipts		70 174 835	9 299 517
		125 467 680	62 666 664
Payments			
Employee costs		(18 513 648)	(14 592 410)
Suppliers		(45 779 912)	(16 813 122)
Finance costs		(1 867 779)	(1 354 467)
Taxes on surpluses	36	(350 007)	(627 089)
		(66 511 346)	(33 387 088)
Net cash flows from operating activities	35	**58 956 334**	**29 279 576**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	(1 787 005)	(743 671)
Purchase of other intangible assets	12	(89 240)	(47 940)
Movement in investments (incl. Controlled entities, JVs & Assoc)		-	(15 527 288)
Loans advanced to group companies		-	(2 391 327)
Proceeds from loans from group companies		1 298 338	667 743
Net cash flows from investing activities		**(577 907)**	**(18 042 483)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from DBSA loan		-	19 553 718
Repayment of DBSA loan		-	-
Movement in conditional grant - Val Der Marne		(1 778 807)	-
Repayment of shareholders loan		(58 503 323)	(28 791 633
Finance lease payments		(43 701)	(60 592
Net cash flows from financing activities		**(60 325 831)**	**(9 298 507**
Net increase/(decrease) in cash and cash equivalents		**(1 947 404)**	**1 938 584**
Cash and cash equivalents at the beginning of the year		1 948 397	9 813
Cash and cash equivalents at the end of the year	10	**993**	**1 948 397**

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

The consolidated annual financial statements have been prepared in accordance with Standard of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board, as the prescribed framework by National Treasury, including any interpretations of such Statements issued by the Accounting Practices Board and International Financial Reporting Standards (IFRS) and in accordance with the Municipal Finance Management Act (Act 56 of 2003).

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below. These accounting policies are consistent with the previous periods, with the exception of the accounting policy on investment properties, which has been changed to correct a prior period error.

Joshco has a policy of early adoption of GRAP and other standards that approved but not effective. The following standards, amendments to standards and interpretations, with their estimated effect on the Financial Statements, have been issued but are not yet effective as at 30 June 2010:

Revised
****IFRS 3(AC 140) Business Combinations**
IASB Issue date: August 2009
APB Issue date: N/A
Effective date: 1 July 2010
- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS
- Measurement of non-controlling interests
- Un-replaced and voluntarily replaced share-based payment awards.

This standard is expected to be implemented by the company in the 2010/11 financial year in accordance with its effective date. The impact of implementing this standard is expected to be immaterial in the context of this company's operations

Revised
****IFRS 7(AC 144) Financial Instruments: Disclosures**
IASB Issue date: August 2009
APB Issue date: N/A
Effective date: 1 January 2011
Clarifications of disclosures. This standard is expected to be implemented by the company in the 2010/11 financial year in accordance with its effective date. The impact of implementing this standard is expected to be immaterial in the context of this company's operations

IFRS 9(AC 146) Financial Instruments
APB Issue date: January 2010
Effective date: 1 January 2013
New standard issued relating to the classification and measurement of financial assets, which will replace the relevant portions of IAS 39. The standard requires all financial assets to be:
- classified on the basis of the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset
-subsequently measured at amortized cost or fair value. This standard is expected to be implemented by the company in the 2012/13 financial year in accordance with its effective date. The impact of implementing this standard is expected to be immaterial in the context of this company's operations

Accounting Policies

Amendment to
IAS 32(AC 125) Financial Instruments: Presentation
APB Issue date: January 2010
Effective date: 1 February 2010
Rights issues (rights, options or warrants) to acquire a fixed number of the company's own equity instruments for a fixed amount, which is denominated in a currency other than the functional currency of the issuer will be accounted for as equity instruments.
This standard is expected to be implemented by the company in the 2010/11xx financial year in accordance with its effective date. The impact of implementing this standard is expected to be immaterial in the context of this company's operations

Revised
***IAS 39(AC 133) Financial Instruments: Recognition and Measurement**
APB Issue date: May 2009
Effective date: 1 January 2010
- Treating loan prepayment penalties as closely related embedded derivatives
- Scope exemption for business combination contracts
- Cash flow hedge accounting.

This standard is expected to be implemented by the company in the 2010/11 financial year in accordance with its effective date. The impact of implementing this standard is expected to be immaterial in the context of this company's operations

****IFRIC 13(AC 446) Customer Loyalty Programmes (Fair value of award credit)**
IASB Issue date: August 2009
APB Issue date: N/A
Effective date: 1 January 2011
This standard is expected to be implemented by the company in the 2010/11 financial year in accordance with its effective date. The impact of implementing this standard is expected to be immaterial in the context of this company's operations

IFRIC 14(AC 447) The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Prepayments of a minimum funding requirement)
APB Issue date: January 2010
Effective date: 1 January 2011
This standard is expected to be implemented by the company in the 2011/12 financial year in accordance with its effective date. The impact of implementing this standard is expected to be immaterial in the context of this company's operations

IFRIC 19(AC 452) Extinguishing Financial Liabilities with Equity Instruments
APB Issue date: January 2010
Effective date: 1 July 2010
This standard is expected to be implemented by the company in the 2012 financial year in accordance with its effective date. The impact of implementing this standard is expected to be immaterial in the context of this company's operations

***Standards and interpretations affected by the Improvements to IFRS**

**Standards and interpretations affected by the Improvements to IFRS issued in an exposure draft as ED 272 – Improvements to IFRSs: Proposed amendments to International Financial Reporting Standards

The following GRAP standards have been approved but are not yet effective:

GRAP 18 - Segment Reporting
ASB Issue date: March 2005
Effective date: To be determined by the Minister
New standard of GRAP: Establishes principles for reporting financial information by segments. The impact of implementing this standard is expected to be immaterial in the context of this company's operations

Accounting Policies

GRAP 21 - Impairment of Non-cash-generating Assets
ASB Issue date: March 2009
Effective date: To be determined by the Minister
New standard of GRAP: Prescribes the procedures that a company applies to determine whether a non - cash- generating asset is impaired and to ensure that impairment losses are recognised. The standard also specifies when a company would reverse an impairment loss and prescribes disclosures. The impact of implementing this standard is expected to be immaterial in the context of this company's operations

GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
ASB Issue date: February 2008
Effective date: To be determined by the Minister
New standard of GRAP: Prescribes requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to a company combination. The standard deals with issues that need to be considered in recognizing and measuring revenue from non-exchange transactions, including the identification of contributions from owners. The impact of implementing this standard is expected to be immaterial in the context of this company's operations

GRAP 24 - Presentation of Budget Information in Financial Statements
ASB Issue date: November 2007
Effective date: To be determined by the Minister
New standard of GRAP dealing with the presentation and disclosure of budget information as required by GRAP 1. The impact of implementing this standard is expected to be immaterial in the context of this company's operations

GRAP 25 - Employee Benefits
ASB Issue date: November 2009
Effective date: To be determined by the Minister
New standard of GRAP dealing with the requirements around accounting and disclosure of employee benefits including short term, long term and post retirement employee benefits. The impact of implementing this standard is expected to be immaterial in the context of this company's operations

GRAP 26 - Impairment of Cash-generating Assets
ASB Issue date: March 2009
Effective date: To be determined by the Minister
New standard of GRAP: Prescribes the procedures that a company applies to determine whether a cash-generating asset is impaired and to ensure that impairment losses are recognised. The standard also specifies when a company would reverse an impairment loss and prescribes disclosures. The impact of implementing this standard is expected to be immaterial in the context of this company's operations

GRAP 103 - Heritage Assets
APB Issue date: July 2008
Effective date: To be determined by the Minister
New standard of GRAP: Prescribes the accounting treatment for heritage assets and related disclosure requirements. The impact of implementing this standard is expected to be immaterial in the context of this company's operations

GRAP 104 - Financial Instruments
ASB Issue date: October 2009
Effective date: To be determined by the Minister
New standard of GRAP dealing with the recognition, measurement, presentation and disclosure of financial instruments. The impact of implementing this standard is expected to be immaterial in the context of this company's operations.

*****Improvements to standards of GRAP**
ASB Issue date: N/A
Effective date: Proposed: 1 April 2011
Improvements are proposed to the following standards of GRAP: GRAP 1-4, 9-14, 16-17, 19 and 100 as part of the ASB's improvement project. The impact of implementing this standard is expected to be immaterial in the context of this company's operations

***Standards affected by the Improvements Project of the ASB issued in an exposure draft as ED 63 - Improvements to the Standards of GRAP

Accounting Policies

1.1 Consolidation

Basis of consolidation

Consolidated annual financial statements are the consolidated annual financial statements of the company presented as those of a single company.

The consolidated consolidated annual financial statements incorporate the consolidated annual financial statements of the companies and its joint venture, including special purpose entities, which are controlled by the company.

The consolidated annual financial statements of the company and its controlled entities used in the preparation of the consolidated consolidated annual financial statements are prepared as of the same reporting date.

Interests in joint ventures

A joint venture is a binding arrangement whereby the company and other parties are committed to undertake an activity that is subject to joint control, that is the agreed sharing of control over an activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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 jointly 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

1.2 Significant judgments and sources of estimation uncertainty

The preparation of consolidated annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated annual financial statements include:

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.

Useful lives and residual values of property, plant and equipment

The Company's management determines the estimated useful lives and related depreciation charges for the items of property, plant and equipment. These estimates are based on management experience of similar items in prior years. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives. Where there is a change in useful lives and/ or residual values, management adjust the useful lives and/or residual value accordingly.

Accounting Policies

1.2 **Significant judgments and sources of estimation uncertainty (continued)**

Provision for impairment of financial assets

The company assesses its held to maturity investments and/or loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the company makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The provision for impairment is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the effective interest rate computed at initial recognition.

Impairment testing of non-financial assets

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred (i.e. carrying amount is less than recoverable amount), estimates are prepared of expected future cash flows for each group of assets. The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in notes to the financial statements.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

A provision is recognized when:
- the company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Taxation

Judgment is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The company recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future.

Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realize the net deferred tax assets recorded at the statement of financial position date could be impacted.

Accounting Policies

1.2 Significant judgments and sources of estimation uncertainty (continued)

Trade receivables and loans and receivables

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

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net replacement cost/net realizable value. Management have made estimates of the net replacement cost of the company's consumable inventory to approximate its carrying value.

Effective interest rate

The entity used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

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

1.3 Property, plant and equipment

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

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

Cost model

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Accounting Policies

1.3 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognized.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The company tests for impairment where there is an indication that the assets may be impaired.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Depreciation commences from the date when the assets are ready for their intended use and ceases when the asset is derecognized or when the asset has reached its useful life.

The residual value and the useful life of each asset is 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
Furniture and fixtures	5 - 8 years
Office equipment	5 - 8 Years
IT equipment	5 - 8 Years
Computer software	3 - 8 Years
Leasehold improvements	3 Years

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

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

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

1.4 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an company and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the company or from other rights and obligations.

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

Cost model

Intangible assets are initially recognised at cost.
An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.
Intangible assets are carried at cost less any accumulated amortization and any impairment losses. Amortization commences when 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.

Accounting Policies

1.4 Intangible assets (continued)

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 values as follows:

Item	Average Useful life
Computer software	3 - 8 years
Operating software	3 - 7 years

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognized.

1.5 Financial instruments

Classification

The company classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Financial liabilities measured at amortized cost

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

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's financial position when the company becomes party to the contractual provisions of the instrument.

Subsequent measurement

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

Financial liabilities at amortized cost are subsequently measured at amortized cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on company-specific inputs.

Impairment of financial assets

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.

Accounting Policies

1.5 Financial instruments (continued)

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

Impairment losses are recognised in surplus or deficit.

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

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as 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.

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

Financial assets subject to re-negotiated terms

Financial assets which would otherwise be past due or impaired, but the terms have been re-negotiated are carried at cost. The company did not have any financial assets that are subject to renegotiated terms.

Loans to (from) group companies

These include loans to holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised 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 recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised 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 recognised, 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 recognised.

Loans to (from) group companies are classified as loans and receivables

Loans from group companies are classified as financial liabilities measured at amortized cost.

Loans to parent municipality

These financial assets are classified as loans and receivables.

Trade and other receivables

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 recognised

Accounting Policies

1.5 Financial instruments (continued)

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 (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

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.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- For financial assets and financial liabilities carried at amortized cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognized or impaired, and through the amortization process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

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

Where the company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred

Accounting Policies

1.5 Financial instruments (continued)

asset, the extent of the company's continuing involvement is the amount of the transferred asset that the company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets
The company assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortized cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.6 Tax

Current tax assets and liabilities
Current tax for current and prior periods is, to the extent unpaid, recognised 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 recognised 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 tax authorities, 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 recognised 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).

A deferred tax liability is recognised 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 recognised 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.

Accounting Policies

1.6 Tax (continued)

A deferred tax asset is recognised 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 recognised 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 recognised for the carry forward of unused tax deficit and unused 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 recognised 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 recognised, in the same or a different period, to the statement of financial performance or
- a business combination.

Current tax and deferred taxes are charged or credited to the statement of financial performance if the tax relates to items that are credited or charged, in the same or a different period, to the statement of financial performance.

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.

Finance leases - lessee

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

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

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

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease income is recognised as an income on a month to month basis.
Income for leases is disclosed under revenue in statement of financial performance.

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

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

Accounting Policies

1.7 Leases (continued)

Operating leases - lessee

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

1.8 Inventories

Inventories consist of stores and materials (consumables) on hand.

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.

Subsequently inventories are measured at lower of cost or net realizable value / net replacement cost.

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

1.9 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of an 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 (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised 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.

Accounting Policies

1.11 Provisions and contingencies

Provisions are recognised 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.

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the company

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

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortization.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

Accounting Policies

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.

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

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, income shall be recognised only to the extent of the expenses recognised that are recoverable.

Rental income is accrued on a time proportionate basis over the period of the lease agreement. Rental paid in advance is recognised as a liability in the statement of financial position.

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 recognised once the annual budget of the City of Johannesburg Metropolitan Municipality has been approved.

Management fees paid by the City Housing Company (Proprietary) Limited, which is a subsidiary of the City of Johannesburg Metropolitan Municipality, are based on certain monthly costs incurred by the Company and are recognised on a monthly basis.

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 recognised 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 recognised 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.

Measurement

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the company;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Interest and dividends

Revenue arising from the use by others of company assets yielding interest and dividends is recognised 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 recognised, in surplus or deficit, using the effective interest rate method.

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

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. This includes government grants and operating subsidies from the parent municipality.

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.

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

Measurement

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the company;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Levies

Levies are recognised as revenue 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.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the company,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The company assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the company;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

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

1.15 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an company directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

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

1.17 Unauthorised expenditure

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

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

Irregular expenditure as defined in section 32 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Accounting Policies

1.19 Irregular expenditure (continued)

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

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

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

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

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

1.20 Presentation of currency

These consolidated annual financial statements are presented in South African Rand.

1.21 Offsetting

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

1.22 Bonus pensionable service and medical boardings

The benefits of Bonus Pensionable Service and Medical Boardings are afforded to members of certain funds in terms of the applicable rules of the relevant funds. The payments are accounted for in the statement of financial performance in the period in which it is paid.

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 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised 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 recognised.

Government grants (including capital grants) are recognised 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 expenses or deficit already incurred or for the purpose of giving immediate financial support to the company with no future related costs is recognised as income of the period in which it becomes receivable.

Capital grants are recorded as deferred income when they become receivable and are recognised as income on a systematic basis over the periods necessary to match grants with the related costs, which they are intended to compensate.

Accounting Policies

1.24 Conditional grants and receipts (continued)

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

1.25 Budget information

Budget information on property, plant and equipment, as well as income and expenditure, is set out in Appendices A and B, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury.

Budget information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.26 Impairment of non-financial assets

The company assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Property, plant and equipment and other non-current, and intangible assets, are reviewed for impairment deficit whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment deficit is recognised in the Statement of Financial Performance for the amount by which the carrying amount of the asset exceeds its recoverable amount, that is, the higher of the asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment deficit of assets carried at cost less any accumulated depreciation or amortization is recognised immediately in surplus or deficit.

1.27 Related party

The company follows the guidance of IAS 24 to identify related party relationships, transactions and balances and the disclosures on those identified.

1.28 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.

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).

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

2. CHANGES IN ACCOUNTING POLICY

The consolidated annual financial statements have been prepared in accordance with Standard of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 4 - Effects of changes in foreign exchange rates

Joshco has a policy of early adoption of new and revised standards, as a result there were no significant changes from accounting policies applied in the prior period. Attention is drawn however to the fact that the company no longer accounts for investment properties, which have been removed from the company's books following the correction of a prior period error, as outlined in note 40 to the financial statements. Further, as Joshco's mandate is to provide a social service, GRAP 16, par, 06, precludes any properties held by the company to be classified as investment properties. 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. There is however no formal lease agreement in place. Discussions are ongoing to resolve the issue.

The company applied the change in accounting policy retrospectively. The aggregate effect of the changes in accounting policy on the consolidated annual financial statements for the year ended 30 June 2009 is as follows.

Statement of financial position

	2010	2009
Property, plant and equipment		
Previously stated	-	146 984 740
Adjustment	-	(144 741 343)
	-	**2 243 397**
Deferred tax asset		
Previously stated	-	1 700 712
Adjustment	-	163 571
	-	**1 864 283**
Trade and other receivables		
Previously stated	-	123 261 884
Adjustment	-	11 242 281
	-	**134 504 165**
Current tax receivable		
Previously stated	-	404 016
Adjustment	-	(908 213)
	-	**(504 197)**
Deferred income		
Previously stated	-	332 334 088
Adjustment	-	(284 340 276)
	-	**47 993 812**
Accumulated surplus		
Previously stated	-	4 590 174
Adjustment	-	(1 042 994)
	-	**3 547 180**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

2. CHANGES IN ACCOUNTING POLICY (continued)

Statement of financial performance		
Taxation		
Previously stated	-	267 019
Adjustment	-	(628 616)
	-	**(361 597)**
Cash flow statement		
Cash flow from operating activities		
Cash generated from operations		
Previously stated	-	31 578 590
Adjustment	-	(1 009 121)
	-	**30 569 469**
Taxes paid		
Previously stated	-	(743 115)
Adjustment	-	958 696
	-	**215 581**
Cash flow from investing activities		
Purchase of property, plant and equipment		
Previously stated	-	(53 076 828)
Adjustment	-	52 585 745
	-	**(491 083)**
Cash flow from financing activities		

3. INVENTORIES

Consumable stores	180 588	157 405
Electricity vouchers	591	591
	181 179	**157 996**
Carrying value of inventories carried at fair value less costs to sell	181 179	157 996

There was no inventory written down in both current and prior years. Inventory is stated at its weighted average cost.

The carrying amount of inventory approximates its net replacement cost.

4. LOANS TO/FROM GROUP COMPANIES

Parent Municipality		
City of Johannesburg Metropolitan Municipality	(4 100)	1 594 252
Fellow group companies		
City Housing Company (PTY) LTD	692 969	392 955

The loans are interest free and have no fixed repayment terms.
Terms and conditions attached to the financial assets were not re-negotiated during the period under review. None of the loans to group companies were pledged as security for any financial liabilities.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

4. LOANS TO/FROM GROUP COMPANIES (continued)

The loan to the liquidated company, City Housing Company (Pty) Ltd, will be recovered from the parent municipality.

	2010	2009
Current assets	692 969	1 987 207
Current liabilities	(4 100)	-
	688 869	**1 987 207**

Credit quality of loans to group companies

The company's management considers that each of the loans to the parent municipality that are not impaired for each of the reporting dates under review are of good quality. The loans between the company and the City of Johannesburg Metropolitan Municipality are monitored by the City of Johannesburg Metropolitan Municipality Treasury Department.

None of the loans to group companies defaulted.

Maximum exposure to credit risk that the loans to group companies pose for the company is the carrying amount of these financial assets. The gross carrying amount is net of any amounts offset in accordance with IAS32 and any impairment losses utilization in accordance with IAS 39 and are stated as follows:

Maximum exposure to credit risk	2010	2009
Controlling entity	(4 100)	-
Fellow controlled entities	692 969	1 987 207
	688 869	**1 987 207**

Fair value of loans to and from group companies

	2010	2009
Loans to group companies	692 969	1 987 207
Loans from group companies	(4 100)	-

The carrying value less impairment provision of loans to and from group companies are assumed to approximate their fair values. The fair value of loans to and from group companies 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.

Loans to group companies past due but not impaired

Loans to group companies which are less than 3 months past due are not considered to be impaired. At 30 June
2010, R692 969 (2009: R 392 952) were past due but not impaired.

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

	2010	2009
3 months past due	692 969	392 952

Loans to group companies impaired

As at 30 June 2010, loans to group companies of R 1 948 549 (2009: R1 648 536) were considered impaired and provided for.

The cumulative provision remained unchanged at R 1 255 583 as of 30 June 2010 (2009: R 1 255 583.)

The ageing of these loans is as follows:

	2010	2009
Over 6 months	1 948 549	1 648 536

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

4. LOANS TO/FROM GROUP COMPANIES (continued)

Reconciliation of unimpaired portion of loans to group companies

	2010	2009
Opening balance	1 255 583	-
Provision for impairment current year	-	1 255 583
	1 255 583	**1 255 583**

Loans to group companies pledged as collateral

None of the loans to group companies were pledged as collateral

5. LOANS TO/FROM PARENT MUNICIPALITY

	2010	2009
City of Johannesburg Metropolitan Municipality - No Interest bearing	(21 698 054)	(5 122 855)
City of Johannesburg Metropolitan Municipality - Sweeping account	38 479 438	(36 599 084)
	16 781 384	**(41 721 939)**

Interest on the sweeping account is linked to the bank prime rate.
The interest earned in 2010 was R3,419,045 (2009: R398,293).

The company did not default on any of the loans.

None of the terms attached to the intercompany creditors were re-negotiated.

	2010	2009
Current assets	38 479 438	-
Current liabilities	(21 698 054)	(41 721 939)
	16 781 384	**(41 721 939)**

Credit quality of loans to parent municipality

The credit quality of loans to parent municipality that are neither past due nor impaired. The company's management considers that each of the loans to the parent municipality that are not impaired for each of the reporting dates under review are of good quality. The loans between the company and the City of Johannesburg Metropolitan Municipality are monitored by the City of Johannesburg Metropolitan Municipality Treasury Department.

None of the loans to group companies defaulted.

Maximum exposure to credit risk that the loans to group companies pose for the company is the carrying amount of these financial assets.

City of Johannesburg Metropolitan Municipality - Non-interest bearing

	2010	2009
Salaries	20 784 261	4 909 761
Bellavista	53 283	47 444
Kliptown	458 936	165 650
Insurance	401 575	-
	21 698 055	**5 122 855**

Fair value of loans to and from parent municipality

	2010	2009
Sweeping account	38 479 438	(36 599 084)

The carrying value of loans to and from parent municipality are assumed to approximate their fair values.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

5. LOANS TO/FROM PARENT MUNICIPALITY (continued)

Loans to parent municipality past due but not impaired

Loans to parent municipality which are less than 3 months past due are not considered to be impaired. At 30 June 2010, R 38 479 438 (2009: Rnil) were past due but not impaired.

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

3 months past due	38 479 438	-

Loans to parent municipality impaired

As of 30 June 2010, loans to parent municipality of Rnil - (2009: Rnil -) were impaired and provided for.

Loans to shareholders pledged as collateral

None of the loans to group companies were pledged as collateral.

Sweeping account

Loans at beginning of the year	(36 599 084)	(68 575 449)
Receipts	75 078 522	-
Repayments	-	31 976 365
	38 479 438	**(36 599 084)**

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.

Interest on the sweeping account is linked to the bank prime rate.
The interest earned in 2010 was R3,419,045 (2009: R398,293).

6. OPERATING LEASE ASSET (ACCRUAL)

Current assets	414	-
Current liabilities	-	(50 324)
	414	**(50 324)**

Operating lease liability represent rental payable by the company in respect of offices as a result of straightlining. The lease payments are payable monthly and lease payments are straight lined over a period of 3 to 5 years. The operating lease agreement expired on 30 June 2010 and is being renegotiated for another three year term.

7. TRADE AND OTHER RECEIVABLES

Trade debtors	1 242 424	2 602 193
Security deposits	63 918	63 918
Sundry debtors	4 177 915	1 734 692
Prepaid expenses	352 176	23 090
Project debtors	54 019 981	126 840 166
Related party debtors	4 472 915	3 240 106
	64 329 329	**134 504 165**

Trade and other receivables pledged as security

None of the loans to group companies were pledged as security.

Credit quality of trade and other receivables

The carrying amounts, presented above, approximate the fair value of trade and other receivables.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

7. TRADE AND OTHER RECEIVABLES (continued)

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

Fair value of trade and other receivables

Trade and other receivables	64 329 329	134 504 165

In determining fair value of revenue and receivables, the company used the following method of calculating the discounted portion of each transaction at initial recognition: A discount rate of 10.57% was considered to be representative of the risk of the company's clients' profile, an expected receipt date of between 30 and 60 days for various types of revenue and receivables. Revenue and receivables were subsequently measured using the future cash flow method. A rate similar to the initial measurement rate were used.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2010, R 36,513,050 (2009: R44,108,618) were past due but not impaired.

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

1 month past due	5 021 271	14 040 078
2 months past due	1 785 705	3 480 085
3 months and more past due	29 706 074	26 588 455

Trade and other receivables impaired

As of 30 June 2010, trade and other receivables of R12, 678,005 (2009: R5 884,333) were impaired and provided for.

The cumulative amount of the provision on trade debtors was R 11 614 012 as of 30 June 2010 (2009: R5 225 299).

The cumulative amount of provision on other receivable was R911,696 as of 30 June 2010 (2009: R648,572)

The ageing of these loans is as :

2 to 4 months	3 507 840	1 932 344
Over 4 months	8 149 332	3 292 955

Reconciliation of provision for impairment of trade and other receivables

Opening balance	5 884 333	1 463 730
Provision for impairment	6 388 713	3 526 553
Amounts written off as uncollectible	64 597	245 478
Provision for impairment - Other Receivable	340 362	648 572
	12 678 005	**5 884 333**

8. VAT RECEIVABLE

VAT	384 691	489 948

9. RETIREMENT BENEFITS

Defined contribution plan

City of Johannesburg Metropolitan Municipality and its controlled entities provide post-employment benefits to all their permanent employees through defined contribution funds. The following employee contributions have been made to the defined contribution plans.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

9. RETIREMENT BENEFITS (continued)

The total economic entity contribution to such schemes	960 313	685 047

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2010	2009
Cash on hand	1 119	5 473
Bank balances	-	1 942 924
Bank overdraft	(126)	-
	993	**1 948 397**
Current assets	1 119	1 948 397
Current liabilities	(126)	-
	993	**1 948 397**

The company's bank account is swept on a daily basis in terms of an agreement with The City of
Johannesburg Metropolitan Municipality in order to facilitate better cash flow management on an company wide basis.

The Company has a sweeping arrangement with the City of Johannesburg Metropolitan Municipality where by all cash is swept on a daily basis to the City of Johannesburg Metropolitan Municipality's bank account. Petty cash is reflected as being on hand. The cash owed to the company by the City of Johannesburg Metropolitan Municipality is reflected as an amount due from the parent.

No cash and cash equivalents (or portions thereof) was 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 2010	30 June 2009	30 June 2008	30 June 2010	30 June 2009	30 June 2008
ABSA BANK - Cheque - 407-197-2149	(1)	1 942 924	-	(1)	1 942 924	-
ABSA BANK - Cheque - 407-466-9030	(125)	-	-	(125)	-	-
Total	**(126)**	**1 942 924**	**-**	**(126)**	**1 942 924**	**-**

11. PROPERTY, PLANT AND EQUIPMENT

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	177 799	-	177 799	-	-	-
Leasehold property	751 126	(512 356)	238 770	619 218	(377 821)	241 397
Furniture and fixtures	1 023 838	(592 174)	431 664	977 365	(501 129)	476 236
Office equipment	798 428	(323 163)	475 265	570 247	(269 042)	301 205
IT equipment	1 443 865	(761 308)	682 557	1 287 812	(630 734)	657 078
Leasehold improvements	2 351 820	(986 309)	1 365 511	1 305 230	(737 749)	567 481
Total	**6 546 876**	**(3 175 310)**	**3 371 566**	**4 759 872**	**(2 516 475)**	**2 243 397**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Depreciation	Total
Land	-	177 799	-	177 799
Leasehold property	241 397	131 908	(134 535)	238 770
Furniture and fixtures	476 236	46 473	(91 045)	431 664
Office equipment	301 205	228 181	(54 121)	475 265
IT equipment	657 078	156 054	(130 575)	682 557
Leasehold improvements	567 481	1 046 590	(248 560)	1 365 511
	2 243 397	**1 787 005**	**(658 836)**	**3 371 566**

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Disposals	Depreciation	Total
Leasehold property	259 294	112 944	-	(130 841)	241 397
Furniture and fixtures	421 335	201 368	-	(146 467)	476 236
Office equipment	353 713	34 860	-	(87 368)	301 205
IT equipment	429 507	394 499	(8 897)	(158 031)	657 078
Leasehold improvements	1 002 557	-	-	(435 076)	567 481
	2 466 406	**743 671**	**(8 897)**	**(957 783)**	**2 243 397**

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

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Leasehold Improvement	2 351 820	(986 309)	1 365 511	1 305 230	(737 749)	567 481
Leasehold property	751 126	(512 356)	238 770	619 218	(377 821)	241 397
Total	**3 102 946**	**(1 498 665)**	**1 604 281**	**1 924 448**	**(1 115 570)**	**808 878**

Details of properties

Development Land (ERF 2083 Roodepoort Township)

Terms and conditions: Land purchased for development		
- Purchase price: 23 July 2009	160 000	-
- Capitalised expenditure	17 799	-
	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.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

12. INTANGIBLE ASSETS

	2010			2009		
	Cost / Valuation	Accumulated amortization	Carrying value	Cost / Valuation	Accumulated amortization	Carrying value
Computer software	686 172	(378 030)	308 142	596 933	(322 769)	274 164

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortization	Total
Computer software	274 164	89 240	(55 262)	308 142

Reconciliation of intangible assets - 2009

	Opening balance	Additions	Amortization	Total
Computer software	342 821	47 940	(116 597)	274 164

13. INVESTMENT IN JOINT VENTURES

Name of company	% holding 2010	% holding 2009	Carrying amount 2010	Carrying amount 2009	Fair value 2010	Fair value 2009
Joshco JV	55,00 %	55,00 %	30 961 547	31 325 735	30 961 547	31 325 735

The carrying amounts of Joint ventures are shown net of impairment losses of R364,187 (2009: R192,108)

Fair value
The fair values are determined annually at end of the reporting period as follows:
- The fair values of listed or quoted investments are based on the quoted bid market price.
- The fair values on investments non-listed or quoted are estimated using the discounted cash flow analysis.

Principal activities and reporting dates of joint ventures

Name of entity	Principal activity	Reporting date	Period of results included
Joshco Madulamoho Joint Venture (JM/JV)	55%	2010/06/30	1 July 2009 to 30 June 2010

The JM/JV 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.

Restrictions on a joint venture to distribute its reserves

The joint venture's ability to distribute its reserves is not restricted.

The JM/JV has not been pledged as security.

14. 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:
Loans to group companies are disclosed after impairment provision of R1, 255,583 (2009: R1, 255,583).
Trade receivables are disclosed after impairment provision of R 11,614,012 (2009: R 5,225,299).
Other receivables are disclosed after impairment provision on Maranatha of R571,334 , Kyaguards, R256,141 and JM/JV grant of R84,221 (2009: Maranatha, 571,334 and Kyaguards, R256,141).

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

14. FINANCIAL ASSETS BY CATEGORY (continued)

2010

	Loans and receivables	Total
Loans to group companies	692 969	692 969
Loans to parent municipality	38 479 438	38 479 438
Trade and other receivables	65 369 990	65 369 990
Cash and cash equivalents	1 119	1 119
	104 543 516	**104 543 516**

2009

	Loans and receivables	Total
Loans to group companies	3 242 788	3 242 788
Trade and other receivables	128 821 006	128 821 006
Cash and cash equivalents	1 948 397	1 948 397
	134 012 191	**134 012 191**

15. DEFERRED TAX

Deferred tax asset

	2010	2009
Deferred tax asset	3 168 046	1 864 283

Deferred tax asset

	2010	2009
At beginning of the year	1 864 283	1 100 148
Originating temporary difference on tangible fixed assets	(11 538)	(111 739)
Movement in temporary timing differences	65 906	39 498
Temporary difference on retirement benefits	1 318 273	936 239
Income received in advance	(14 207)	2 371
Leases	6 465	(6 465)
Fair value and amortized cost adjustment	(60 068)	(92 292)
Other movements	(1 068)	(3 477)
	3 168 046	**1 864 283**

Deferred Tax Summary

	2010	2009
Deferred tax assets	3 168 046	1 864 283

Recognition of deferred tax asset

- The utilization of the deferred tax asset is dependent on future taxable surpluses in excess of the surpluses arising from the reversal of existing taxable temporary differences.

16. DBSA LOAN

Liabilities

	2010	2009
Development Bank of Southern Africa	19 010 559	19 553 718

Current portion of long term liabilities

	2010	2009
Development Bank of Southern Africa	543 159	-

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

16. **(continued)**

The loan from Development Bank of Southern Africa bears interest at a fixed rate of 8.5% per annum and is repayable half yearly in 36 equal installments commencing 18 June 2011, after a grace period on capital repayment of two and half years, following the date of the first disbursement. The DBSA loan is covered under guarantees by the City of Johannesburg Metropolitan municipality.

Non-current liabilities		
At amortized cost	19 010 559	19 553 718
Current liabilities		
At amortized cost	543 159	-
	19 553 718	**19 553 718**

17. FINANCE LEASE OBLIGATION

Minimum lease payments due		
- within one year	136 359	134 509
- in second to fifth year inclusive	153 029	179 485
	289 388	313 994
less: future finance charges	(27 873)	(43 422)
Present value of minimum lease payments	**261 515**	**270 572**
Present value of minimum lease payments due		
- within one year	113 808	107 220
- in second to fifth year inclusive	147 707	163 352
	261 515	**270 572**
Non-current liabilities	147 707	163 352
Current liabilities	113 808	107 220
	261 515	**270 572**

It is the entity policy to lease certain equipment (Leasehold property) under finance leases.

The average lease term ranges between 3 years and 5 years.

The company did not defaulted 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 property.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 11.

18. TRADE AND OTHER PAYABLES

Trade payables	33 932 655	51 756 957
Payments received in advance	1 507 955	1 506 241
Accrued leave pay	994 627	846 617
Accrued Performance Bonus	-	107 962
Accrued Bonus	729 404	614 320
Accrued Finance Costs	414 378	414 378
Accrued Directors Remuneration	236 408	233 431
Consumer Deposit Received	4 386 276	2 521 869
Related party creditor	2 713 879	574 881
	44 915 582	**58 576 656**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

18. TRADE AND OTHER PAYABLES (continued)

Fair value of trade and other payables

Trade payables and other payables	44 947 247	58 162 279

The carrying value of trade and other payables are assumed to approximate their far values.

19. DEFERRED INCOME

Unspent conditional grants and receipts comprises of:

	2010	2009
Unspent conditional grants and receipts		
Gauteng Provincial Grant - JM/JV	29 247 788	30 161 781
Social Housing foundation grant	23 743 612	18 746 023
Local government grant - Roodepoort	177 800	1
Subtotal	**53 169 200**	**48 907 805**
	53 169 200	**48 907 805**

Movement during the year

	2010	2009
Balance at the beginning of the year	48 907 806	15 548 486
Additions during the year	5 175 387	34 273 312
Income recognition and other adjustments during the year	(913 993)	(913 993)
	53 169 200	**48 907 805**

	2010	2009
Non-current liabilities	52 255 207	47 993 812
Current liabilities	913 993	913 993
	53 169 200	**48 907 805**

Gauteng Provincial Grant

The grant relates to funds received to finance the acquisition of the JM/JV. Conditions are met as the operating lease is utilized and balance remains in liabilities.

Social Housing Foundation (SHF) Grant

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. Of the R23, 743,612. balance at 30 June 2010, R15, 417,337 was paid back under settlement agreement between Joshco and the SHF in October
2010. (See note 45).

Local Government Grant

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 in note 11. The funds will remain in liabilities until the asset is transferred to the City of Johannesburg Metropolitan Municipality.

See note 24 for reconciliation of grants from National/Provincial Government.

20. CONDITIONAL GRANT - VAL DER MARNE

	2010	2009
Balance at beginning of the year	1,778,807	1,778,807
Conditions met - transfer to revenue	(1, 778,807)	-
Balance at the end of the year	-	**1,778,807**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

20. CONDITIONAL GRANT - VAL DER MARNE (continued)

The amount relates to the Val De Marne conditional grant from France, for Kliptown project which was utilized for the planning stage of construction.

21. FINANCIAL LIABILITIES BY CATEGORY

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

2010

	Financial liabilities at amortized cost	Total
Loans from economic entities	4 100	4 100
Loans from shareholders	21 666 400	21 666 400
DBSA loan	19 553 718	19 553 718
Trade and other payables	44 915 589	44 915 589
Bank overdraft	126	126
Finance lease obligation	261 515	261 515
Current tax payable	427 957	427 957
	86 829 405	**86 829 405**

2009

	Financial liabilities at amortized cost	Total
Loans from parent municipality	41 721 939	41 721 939
DBSA loan	19 553 718	19 553 718
Trade and other payables	58 276 657	58 276 657
Finance lease obligation	270 572	270 572
Current tax payable	388 171	388 171
Operating lease liability	50 324	50 324
	120 261 381	**120 261 381**

22. SHARE CAPITAL

	2010	2009
Authorized		
1000 Ordinary shares of R1 each or par value of R1000	1 000	1 000
Issued		
120 Ordinary shares of R1 each	120	120

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

23. REVENUE

Rendering of services	1 884 129	4 370 327
Rental of facilities & equipment	38 995 022	30 950 976
Fair value adjustments - revenue	(295 069)	1 139 969
	40 584 082	**36 461 272**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	1 884 129	4 370 327
Rental of facilities & equipment	38 995 022	30 950 976
	40 879 151	**35 321 303**

The amount included in revenue arising from non-exchange transactions is as follows:		
Fair value adjustments - revenue	(295 069)	1 139 969

24. GOVERNMENT GRANTS AND SUBSIDIES

JM/JV Grants

Balance unspent at beginning of year	30 161 781	15 548 486
Current year receipts	-	15 527 289
Conditions met - transferred to revenue	(913 993)	(913 994)
Conditions still to be met - transferred to liabilities	**29 247 788**	**30 161 781**

The unspent conditional grant received to finance the acquisition of the investment in the JM/JV joint venture is recognized over the period of JM/JV operating lease. The remaining lease period is (2010:33years and 2009:34 years). Conditions are met as the operating lease is utilized and balance remains in liabilities (see note 19).

City Deep Grants

Balance unspent at beginning of year	18 746 023	-
Current year receipts	16 379 953	51 583 676
Interest capitalized	150 187	1 943 455
Conditions met - transferred to debtors	(11 532 551)	(34 781 108)
Conditions still to be met - transferred to liabilities	**23 743 612**	**18 746 023**

The grants received from Social Housing Foundation and Province for 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 deferred grant.

Conditions are met when project expenditure is incurred and remain liabilities (see note 19).

Roodepoort Grants

Balance unspent at beginning of year	1	1
Current year receipts	177 799	-
Conditions still to be met - transferred to liabilities	-	-
Conditions still to be met - transferred to liabilities	**177 800**	**1**

Grant relates to funds received from the parent for the purchase of land for the Roodepoort development. The grant is secured by land disclosed in note 9. The funds will remain in liabilities (see note 19) until the asset is transferred to the City Of Johannesburg Metropolitan Municipality.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

25. OTHER REVENUE

Water	232 296	130 028
Electricity	451 869	-
Grant received from shareholder	11 794 000	15 132 000
Capital grants released	2 476 506	913 994
Other income - Proceeds from Insurance	815 265	84 454
Bad debts recovered	121 087	-
	15 891 023	**16 260 476**

26. GENERAL EXPENSES

Advertising	177 539	290 307
Auditors remuneration	733 484	939 814
Bank charges	113 762	86 829
Cleaning and gardening	4 152 639	1 990 842
Computer expenses	202 099	189 817
Project planning fees and consulting	5 507 878	3 739 295
Consumables	208 175	259 456
Debt collection	51 326	99 074
Entertainment	98 005	108 929
Equipment hire	122 490	103 422
Insurance	522 811	307 931
Community development and training	187 943	192 818
Conferences and seminars	173 618	250 712
Lease rentals on operating lease	1 083 181	687 641
Marketing	477 987	494 001
Placement fees	246 768	1
Postage and courier	97 558	133 453
Printing and stationery	206 310	295 823
Protective clothing	2 362	3 967
Royalties and license fees	121 375	123 889
Security (Guarding of municipal property)	6 069 480	3 870 888
Subscriptions and membership fees	49 821	36 098
Telephone and fax	1 197 248	850 939
Training	134 579	271 355
Travel - local	79 324	162 734
Travel - overseas	-	63 553
Electricity	3 463 386	4 108 504
Gas	1 112 140	-
Water	3 050 513	10 984
Refuse	470 696	-
Audit committee fees	142 074	133 694
Billing charges	795	-
Fair value adjustments (expenses)	(115 412)	(253 493)
	30 141 954	**19 553 277**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Note	2010	2009
27. EMPLOYEE COSTS			
Employee related costs : Salaries and wages		13 589 574	10 783 832
Housing benefits and allowances		26 877	11 827
Overtime payments		63 783	30 307
Bonus		1 067 258	1 138 099
Travel, motor car, accommodation, subsistence and other allowances		1 575 951	1 631 018
Less: Employee costs included in other expenses		738 489	661 568
UIF		74 608	63 863
SDL		137 592	112 977
Leave pay provision charge		148 009	167 926
Pension costs	9	960 313	685 047
Leave pay		4 674	6 979
Acting allowances		94 728	72 033
PAYE - CFO Pension		31 792	1 478
		18 513 648	**15 366 954**
28. DEBT IMPAIRMENT			
Contributions to bad-debt provision		6 729 075	4 416 693
Bad debts written off		64 597	245 478
		6 793 672	**4 662 171**
29. INVESTMENT REVENUE			
Interest revenue			
Bank		3 419 045	398 293
Interest earned - outstanding debtors		561 284	179 084
		3 980 329	**577 377**
30. DEPRECIATION AND AMORTISATION			
Property, plant and equipment		658 830	957 783
Intangible assets		55 262	116 596
		714 092	**1 074 379**
31. FINANCE COSTS			
Finance leases		34 644	37 975
Fair value adjustments on payables		(140 041)	304 803
Interest paid - DBSA Loan		2 007 820	1 049 664
		1 902 423	**1 392 442**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

32. TAXATION

Major components of the tax (income) expense

	2010	2009
Current		
Local income tax - current period	389 793	1 125 732
Deferred		
Originating and reversing temporary differences	(1 303 763)	(764 135)
	(913 970)	**361 597**

Reconciliation of the tax expense

	2010	2009
Accounting (deficit) / surplus	(2 613 082)	1 909 954
Tax at applicable rates of 28% (2009: 28%)	(731 662)	534 787
Tax effect of adjustments on taxable income		
Loss from JM/JV	101 972	53 790
Non-deductible expenses	45 765	28 938
Non-taxable grant income	(683 728)	(255 918)
Fair value adjustments	3 676	-
Provisional payment	350 007	-
	(913 970)	**361 597**

No provision has been made for 2010 tax as the entity has no taxable income.

33. OPERATING LEASE

The amounts payable under operating leases amounts is R11,100 (2009: R845,272)

- There was no contingent rent on the operating lease.
- The operating lease was for a period of three years and is being renegotiated for a further three years.
- There were no restrictions imposed by lease arrangement.

34. CONTRACTED SERVICES

	2010	2009
Contracted services - projects	384 582	802 995

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

35. CASH GENERATED FROM OPERATIONS

	2010	2009
(Deficit) surplus **Adjustments for:**	(1 699 112)	1 548 357
Depreciation and amortization	714 092	1 074 379
Gain on sale of assets and liabilities	-	8 897
Income from equity accounted investments	364 187	192 108
Finance costs - Finance leases	34 644	37 975
Debt impairment	6 793 672	4 662 171
Movements in operating lease assets and accruals	(50 738)	8 469
Movement in tax receivable and payable	39 786	382 617
Annual charge for deferred tax	(1 303 763)	(764 135)
Changes in working capital:		
Inventories	(23 183)	(26 614)
Trade and other receivables	70 174 836	(6 644 288)
Consumer debtors	(6 793 672)	(4 662 171)
Trade and other payables	(13 661 067)	764 933
VAT	105 257	(662 441)
Deferred income	4 261 395	33 359 319
	58 956 334	**29 279 576**

36. TAX PAID

	2010	2009
Balance at beginning of the year	(504 197)	(5 554)
Current tax for the year recognised in surplus or deficit	(389 793)	(1 125 732)
Balance at end of the year	543 983	504 197
	(350 007)	**(627 089)**

37. COMMITMENTS

Commitments in respect of capital expenditure:

	2010	2009
Authorized and not yet contracted for		
• Infrastructure	18 800 000	85 592 000
• Other	-	2 736 000
	18 800 000	**88 328 000**
Authorized and contracted for		
• Infrastructure	34 000 000	-
This expenditure will be financed from:		
Government Grants	52 800 000	85 592 000
Internal funds	-	2 736 000
	52 800 000	**88 328 000**

Operating leases – as lessee (Buildings)

	2010	2009
Minimum lease payments due		
- within one year	11 100	845 272

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

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

38. CONTINGENCIES

Parent Municipality

Uninsured claims & litigations

A contractual dispute between JOSHCO and the SHF occurred during the last quarter of the financial year. However, attorneys have been appointed to represent the Company in the matter and they have advised on the Company's position. Also, a Counsel's opinion has been sought which confirms the Company's position. The matter has now been referred to inter-governmental dispute in terms of the Inter-Governmental Relation Framework Act 13 of 2005.

The dispute is over the funding of City Deep project, in which the SHF is demanding that Joshco refunds the portion of the unspent conditional grant. The amount involved is approximately R16million plus accrued interest of approximately R2million. The funds are currently ring-fenced in an interest bearing account and the portion of the unspent grant is reported in the deferred income balances. Refer to note 45

Contingent assets

Subsequent to the disciplinary hearing in respect of the fruitless and wasteful expenditure referred to in Note 47, civil proceedings have commenced against the employees concerned to recover an amount of R 2,289,669. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain. Refer to note 45

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

39. RELATED PARTIES

Relationships	
Parent Municipality	The City of Johannesburg Metropolitan Municipality
Other members of the group	City Housing Company (Pty) Ltd City of Johannesburg Property Company (Pty) Ltd City of Johannesburg Metropolitan Municipality City Power Johannesburg (Pty) Ltd Johannesburg City Parks Johannesburg Development Agency (Pty) Ltd Johannesburg Metropolitan Bus Services (Pty) Ltd Johannesburg Roads Agency (Pty) Ltd Johannesburg Tourism Company Johannesburg Water (Pty) Ltd Metropolitan Trading Company (Pty) Ltd Pikitup Johannesburg (Pty) Ltd Roodepoort City Theatre The Johannesburg Civic Theatre (Pty) Ltd The Johannesburg Fresh Produce Market (Pty) Ltd The Johannesburg Zoo Joshco JM/JV FMMU Egoli Gas
Joint ventures	Refer to note 13 Joshco JM/JV

Related party balances

	2010	2009
Amounts included in Loans, Trade and other receivables regarding related parties		
City of Johannesburg Metropolitan Municipality	2 030 852	-
Johannesburg Metropolitan Bus Services (Pty) Ltd	80 718	39 605
Pikitup Johannesburg (Pty) Ltd	249 479	1 104 799
City Power Johannesburg (Pty) Ltd	208 292	241 381
Johannesburg Water (Pty) Ltd	132 952	199 051
The Johannesburg Zoo	60 111	12 052
Johannesburg City Parks	253 738	250 913
Johannesburg Roads Agency (Pty) Ltd	1 432 782	1 336 617
The Johannesburg Fresh Produce Market (Pty) Ltd	9 332	8 018
FMMU	-	35 746
Egoli Gas	10 010	11 924
	4 468 266	**3 240 106**
Amounts included in Loans, Trade and other payables regarding related parties		
City of Johannesburg Metropolitan Municipality	21 670 500	41 721 939

Related party transactions

	2010	2009
Administration fees paid to (received from) related parties		
City of Johannesburg Metropolitan Municipality	11 794 000	15 132 000

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

40. DIRECTORS' EMOLUMENTS

Emoluments paid to the Non-executive directors during the year were:

Executive

2010	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
For services as directors	1 965 021	73 860	-	-	2 038 881

2009	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
For services as directors	2 274 349	-	-	-	2 274 349

Non-executive

2010	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
For services as directors	731 760	-	-	-	731 760

2009	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
For services as directors	651 568	-	-	-	651 568

41. CHANGE IN ESTIMATE

Property, plant and equipment

Included in PPE for 2010 is a change in estimate of R399, 995 that arose from the change in useful lives of Office Equipment and Computer Equipment. The useful lives of the respective assets were extended by between one and three years depending on the condition of each asset. This change will result in a decrease of depreciation in future periods amounting to R399, 995.

Intangible assets

Included in intangible asset for 2010 is a change in estimate of R41,690 that arose from the change in useful lives of Computer Software Intangibles. The useful lives of the respective intangible asset were extended by between two and three years depending on the condition and expected economic use of each intangible asset. This change will result in a decrease in amortization in future period amounting to R41, 690.

The impact on tax is a decrease in deferred tax liability by R100, 325.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

42. PRIOR PERIOD ERRORS

2010

During the financial year ended 30 June 2010, there were significant changes made to some non-current assets and non-current liabilities. The changes were necessitated by the correction of a prior year error where rental stock (investment properties) owned by the City of Johannesburg (COJ) were erroneously recorded into JOSHCO's books following an incorrect technical opinion from the Auditor General - South Africa during the 2009 audit. During the year ended 2010, JOSHCO/COJ and Auditor General reached an agreement on the correct accounting treatment of the rental stock resulting in the reversal of adjustments made in the prior year. 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. There is however no formal lease agreement in place. Discussions are ongoing to resolve the issue.

2009

During 2009 JOSHCO discovered that items which had original cost prices of less than R600 were capitalized as Property, Plant and Equipment. These items should have been written off in full in the year of purchase in terms of JOSHCO accounting policy. Accelerated depreciation was accounted for these items in order to fairly reflect the carrying value of Property, Plant and Equipment.

The cost of assets which were recognised at an original cost of R1 initially was reassessed during the year to the current market price of these items and discounted to the purchase date at the average inflation rate. The accumulated depreciation was recognised in order to reflect these assets at their most appropriate carrying values

The company did not raise the accruals relating to the interest payable on DBSA loan covering the periods April, May and June 2009

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

	2010	2009
Statement of financial position		
Accumulated surplus	(744 642)	(21 191)
Property, plant and equipment	(144 741 343)	23 961
Accumulated depreciation	-	(27 629)
Project debtors	11 732 231	-
Deferred tax assets	-	5 521
Finance lease obligation	-	(10 416)
Investment property	(151 331 162)	-
Deferred income	284 340 274	-
Trade & other payables	(414 378)	6 721
Taxation expense	116 026	-
	(1 042 994)	**(23 033)**
Statement of financial performance		
Depreciation	(4 590 461)	31 764
Deferred tax expense	(163 571)	-
Taxation expense	792 187	(5 521)
Deferred income released	4 590 461	-
Interest Paid	414 378	-
Decrease in finance cost	-	(3 210)
	1 042 994	**23 033**

43. 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.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

43. RISK MANAGEMENT (continued)

The capital structure of the entity consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes , 4, 5, 17, 16, cash and cash equivalents disclosed in note 10, and equity as disclosed in the statement of financial position.

As stated in note regarding going concern, the company's existence is depended on the continued support from its sole parent, the City of Johannesburg Metropolitan Municipality.

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.

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. This is also managed through ALCO

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 2010 and 2009, the entity's borrowings of R19, 553,718, from the Development Bank of Southern Africa, at a 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 counter- party.

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 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.

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

43. RISK MANAGEMENT (continued)

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

Financial instrument		
Trade and other receivables	64 329 329	134 504 165
Loans to group companies	39 172 407	1 987 207

44. GOING CONCERN

We draw attention to the fact that at 30 June 2010, the entity had accumulated deficits of R 1 848 068 and that the entity's total assets exceed its liabilities by R 1 848 188.

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

45. EVENTS AFTER THE REPORTING DATE

The following non-adjusting events occurred after reporting date:

Contingencies - Uninsured claims and litigations (Note 38)

The dispute between Joshco and SHF was resolved. The parties dispute reached an agreement in which Joshco paid back the unspent portion of the conditional grant. The settlement amount of R15,417,337.18 was paid in October 2010. In terms of the settlement agreement, Joshco no longer has an obligation to continue with the construction of the remaining 274 units covered by the original funding agreement.

Recovery of funds. (note 38)
Joscho recovered all the outstanding funds relating to the 2009 Kyaguards and the Maranatha fraud of R2 289 669 (note 38), from the various banks and insurance claims.

46. UNAUTHORISED EXPENDITURE

Utilities	2 374 382	-
Security costs	1 278 858	-
Bad debts	589 260	-
	4 242 500	**-**

The company reported an operating deficit after tax of R1, 699,112. This was partly due to expenditure overspent on certain budget votes. The operating budget votes that exceeded budget are tabled above.

47. FRUITLESS AND WASTEFUL EXPENDITURE

No incidents of fruitless and wasteful expenditure were reported in the financial year ended 30 June 2010.

48. IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure		
Opening balance	2 366 907	-
Irregular expenditure current year	-	2 366 907
Written-off	(77 238)	-
	2 289 669	**2 366 907**

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

48. IRREGULAR EXPENDITURE (continued)

2010

Management was not aware of any irregular expenses for the year ended 30 June 2010.

Status of the irregular expenditure from 2009
(a) In the Maranatha case, the staff member has been dismissed and the matter is before the court. In terms of the recovery of funds, the board resolved that JOSHCO sign indemnities with the relevant banks in order to recover the money held in their suspense accounts. As at 30 June 2010, ABSA had sent indemnities on behalf of JOSHCO to the four banks, Standard bank, Bidvest, Nedbank and FNB. The money from Standard Bank was received on 9 July 2010, total R1, 107, 984. 81. Nedbank confirmed that there is nothing to be claimed. FNB is yet to send confirmation of the R324, 949.68 to ABSA. An insurance claim was submitted for the amount withdrawn of R656 027.00 and R461,218.00 was received in July 2010. The balance of R194, 809.00 plus R2000.00 in petty cash will be presented to the board for written-off approval during the 2010/11 financial year.

(b) In the second incident, forensic investigation was instituted and a criminal case was opened. A report from the forensic investigator revealed that the suspect was robbed and his ID was reported stolen before it was used to open a bank account. The said robber is reported to be in prison for a separate case. JOSHCO is now working on recovering the money that is currently being held by the bank. ABSA has signed an indemnity with Bidvest for the release of the R174 262.52 held by the bank. The money was received on 7 July 2010. The difference of R3 5360.00 went to bank charges. An insurance claim for the R77 237.90 which was withdrawn from the bank was repudiated and the board resolved that the amount be written off. The amount has since been written off.

2009

There was an irregular payment made to Maranatha CC amounting to R 2,111 850 by the previous accountant and R1,500,000 of that amount is recoverable from the banks. The corrective measures in terms of the strengthening of the processes regarding delegations have been implemented. Disciplinary action has been taken against the affected staff members.

There was an irregular payment of R 255,056 made to a private individual instead of being legally paid to the vendor. The amount which is recoverable from the bank is R 177,818.The forensic company has been appointed to investigate the matter and the appropriate actions will be taken, based on the recommendations by the forensic investigation.

On both cases the amounts already withdrawn from the bank were provided for, (Maranatha - R571, 334) and Kyaguards (R255, 056).

49. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Audit fees

	2010	2009
Current year fees	733 484	939 814
Amount paid - current year	(505 682)	(939 814)
	227 802	-

The amount outstanding is included in trade and other payables.

UIF

	2010	2009
Current year	106 400	63 863
Amount paid - current year	(106 400)	(63 863)
	-	-

Pension and Medical Aid Deductions

	2010	2009
Current year contributions	960 313	685 047
Amount paid - current year	(960 313)	(685 047)
	-	-

Notes to the Consolidated Annual Financial Statements

Figures in Rand	2010	2009

49. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

VAT

	2010	2009
VAT receivable	384 691	489 948

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

50. ACTUAL OPERATING EXPENDITURE VERSUS BUDGETED OPERATING EXPENDITURE

Refer to Appendix E (1) for the comparison of actual operating expenditure versus budgeted expenditure.

51. 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.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the directors and includes a note to the consolidated annual financial statements.

The following goods/ services were procured during the financial year under review and the process followed in procuring those goods/services deviated from the provisions of paragraph 12(1) (d) (i) as stated above.

1. Medical screening and testing	-	R32, 933
2. Training on JBCC contract law	-	R47, 880
3. Emergency repairs and maintenance on a public holiday	-	R5,130
4. Urgent legal services on SHF dispute	-	R160, 415
5. Security eviction at Kliptown square	-	R575, 000

The reasons for these deviations were documented and reported to the directors who considered them and subsequently approved the deviation from the normal supply chain management regulation

JOHANNESBURG SOCIAL HOUSING COMPANY (PTY) LTD

APPENDIX E1 for the ended 30 June 2010

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

	Actual Balance (000's)	Original Budget (000's)	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue				
Rental facilities and equipment	38 995	41 287	0, 1	Shortfall due to delays in completion of units under development for which handover to housing management was expected to take place early in the year.
Interest earned - outstanding debtors	-	-	1, 7	
Fair value adjustments	(295)	-	(1, 0)	
Trading and general (Filtered)	1 884	3 398	0, 4	Revenue is driven by completion of development projects. The company could not claim for project implementation fees on City Deep and Roodepoort, as was anticipated by the budget.
	40 584	44 685	90, 8	
Other income				
Other income	15 891	12 465	32, 5	Over budget due to the realization of conditional grants on which conditions were met.
Interest received - investment	3 980	3 205	0, 1	Interest earned on conditional grant
	19 871	15 670	126, 8	
Gross Profit	60 455	60 355	100, 2	
Expenses				
Employee related costs	(18 514)	(18 529)	-	
Bad debts	(6 794)	(5 797)	0, 2	Poor collection levels on former council estates, Bellavista, Claremont and Eldorado Park, and Kliptown.
Depreciation	(659)	(1 028)	0, 5	
Amortization	(55)	(165)	0, 1	
Repairs and maintenance	(4 254)	(5 187)	0,2	Due to unavailability of funds, planned maintenance was limited to essential services such as servicing of fire extinguishers
Finance costs	(1 902)	(1 670)	0, 4	Interest on the DBSA loan
Contracted Services	(385)	(274)	0, 4	
General expenses	(30 141)	(27 450)	0, 1	High utility costs and security.
Surplus on disposal of property, plant, plant and equipment	-	(5)	-	
	(62 704)	(60 105)	104, 3	
Operating profit	(2 249)	250	(899, 6)	
Other revenue and costs				
Income from equity accounted investments	(364)	-	-	
	(364)	-	-	
Net surplus/ (deficit) for the year	(2 613)	250	(1 045, 2)	
Taxation				
Current	(390)	(250)	156, 0	
Deferred tax	1 304	-	-	
	914	(250)	(365, 6)	
Profit / (Loss) for the year	(1 699)	-	-	