



**JOHANNESBURG SOCIAL HOUSING COMPANY
(PROPRIETARY) LIMITED**
Registration No: 2003/008063/07



**ANNUAL REPORT
2009/2010**



(In terms of Section 121 of the
Municipal Finance Management Act, 2003 and Section 46 of the Municipal Systems Act, 2000)



JOHANNESBURG SOCIAL HOUSING COMPANY
(PROPRIETARY) LIMITED

COMPANY INFORMATION:

Registration number: 2003/008063/07
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Website : www.joshco.co.za
Bankers : ABSA Bank of SA Limited
Auditors : Auditor-General

Vision

To be "A World-Class Social Housing Provider of choice"

Mission

"To provide quality, affordable and sustainable social housing products, JOSHCO will:

Manage existing rental housing stock;

Convert and manage hostels;

Refurbish and manage Inner City 'bad' buildings;

Develop and manage new social housing products

Delivery is facilitated by a skilled and motivated team to ensure best practice and customer satisfaction."

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CHAPTER ONE: INTRODUCTION AND CORPORATE PROFILE

SECTION 1: CORPORATE PROFILE AND OVERVIEW THE ENTITY

The Johannesburg Social Housing Company (Pty) Limited ("JOSHCO") was established in November 2003 by the City of Johannesburg (City) to provide and manage low cost rental housing for the lower income market as an integral part of efforts to eradicate the housing backlog of the City. JOSHCO is a registered social housing institution and was established to provide affordable housing options to citizens including families within Johannesburg whose household income met the criteria for subsidy. These subsidies, accessed through the Provincial Government, are available to beneficiaries whose total household income is between R1500 and R7500 per month.

The core business of JOSHCO may therefore be said to include: the development of social rental housing; the refurbishment, upgrading and management of all Council owned rental housing stock; the refurbishment, upgrading and management of hostels and the provision of turnaround strategies where necessary.

JOSHCO has been established by the City of Johannesburg to provide affordable rental housing services and products to the people of Johannesburg. Provision of quality services is important in rendering a professional and efficient service to customers in order to implement the City's service delivery mandate.

GUIDING PRINCIPLES

As a Municipal owned entity, JOSHCO is required to comply with all the relevant legislation (i.e. Municipal Finance Management Act; Municipal Systems Act and the Companies Act). The policies and strategies of JOSHCO are strongly influenced by the vision of the City of Johannesburg.

FOUNDING PRINCIPLES OF JOSHCO

The following are JOSHCO's founding principles:

- "to strive to become a world class social housing institution"
- "to provide sustainable housing solutions by developing and managing quality habitable neighborhoods"
- "to efficiently provide affordable social housing premised on defined and managed relationships with all stakeholders"
- "to foster teamwork and embrace new ways of thinking to attain outstanding performance"
- "To be a people-centered organization built on the principles of effective communication, human capital and enabling systems".

In defining its service to the people of Johannesburg, the business plan is guided by five core organizational values:-

- **Integrity** : Honesty; Principled; Transparency; Accountability
- **Customer Focus** : Listen; Building Relationships; Evaluation and Reflection
- **Excellence** : Productivity; Professionalism
- **Innovation** : Imagination; Enthusiasm; Boldness; Tenacity
- **Team Work** : Goal Orientation; Respect; Communication; Dependability and Trustworthiness; Flexibility; Diversity

The board and management team of JOSHCO strive to operate in an innovative, enterprising, results-orientated and accountable manner through:

- High standards of accountability, consultation and ethics;
- Efficiency and cost effectiveness in the delivery of social housing;
- Social and fiscal responsibility; and
- Open, participative and transparent management.

SECTION 2: STRATEGIC OBJECTIVES

In order to realize the company's Vision and Mission within the parameters of a Balanced Scorecard approach, JOSHCO's "Strategic Objectives" are founded on:

1. Developing integrated systems (Internal Business perspective);
2. Enhancing levels of customer satisfaction (Customer/Learning and Growth Perspectives);
3. Ensuring effective housing management services (Customer/Internal Process Perspective);
4. Enhancing revenue collection (Financial Perspective/Internal Business perspective);
5. Developing a diverse portfolio of housing stock (Customer/Internal Process Perspectives);
6. Managing and monitoring internal/external control systems and risks (Internal Process Perspective);
7. Ensuring financial viability/sustainability (Financial Perspective); and
8. Developing skilled, competent and content staff (Learning and Growth Perspective).

Mirrored against this, and informed by the strategic agenda priorities of the City, JOSHCO seeks to achieve three strategic outcomes. These outcomes are the basis upon which the organization is designed. They are to:

- Reduce the housing deficit in Johannesburg by developing housing;
- Improve the quality of residential neighborhoods through managing housing; and
- Promote the physical and institutional sustainability of Johannesburg by collecting housing revenue.

The above three outcomes are reduced to quantifiable, time-defined and measurable strategic objectives. These strategic objectives are the basis of both the organizational functions, as well as the organizations scorecard. They are:-

- The development of housing through the programmes of Green Fields (i.e. projects commencing with new construction of buildings) / Brown Fields (projects that entail refurbishment of buildings); Special Projects; Hostels Redevelopment and Refurbishment; Inner City upgrades; and Public Stock refurbishment.
- The management of housing within the three programmes of Green Fields projects / Brown Fields projects; Hostels Redevelopment; and Refurbishment by carrying out procurement; allocations; maintenance; contract administration; and client relationship management;
- The collection of housing revenue through effective contract administration; billing; credit control; defaulter evictions and client relationship management;
- The effective management of finance, systems and equipment;
- The achievement of sound corporate governance standards;
- The sound management of human resources;
- The sound management of client relations through the provision of client services; and
- The facilitation of community development initiatives.

The above seven strategic objectives form the company's balanced scorecard. Each of these strategic objectives (the Key Performance Areas) is broken down into more detailed and

measurable objectives with specific targets as reflected in the balanced scorecard. These are reflected in the balanced scorecard as the Key Performance Indicators outlined in Chapter 6.

JOSHCO's mandate and core business is three fold:

- a. Institute a programme that will deliver quality and affordable housing;
- b. Ensure sustainability of low cost housing through a customer friendly and efficient housing management programme; and
- c. Implement a rigorous revenue programme that will ensure sustainability of the company mindful of socio-economic constraints.

Strategic Agenda Priorities for JOSHCO are depicted against the six Mayoral priorities below, which make it clear that JOSHCO's contribution towards the achievement of the City's key strategic priorities is focused chiefly on achieving settlement restructuring (Priority 4). The breakdown below further outlines how JOSHCO's mandate adds value to achieving all six Mayoral Strategic Priorities of the COJ.

1. PRO-ACTIVE ABSORPTION OF THE POOR

- By providing housing to lower income people, JOSHCO contributes to the eradication of poverty and the affirmation of poor people as formal residents of the City.
- In its housing developments, JOSHCO facilitated the employment of small and emerging contractors via the Extended Public Works Programme. JOSHCO'S Procurement Policy is geared towards empowering Previously Disadvantaged Groups when procuring goods and services.

2. BALANCED AND SHARED GROWTH

- Project interventions by JOSHCO achieved balanced development that is denied by ordinary market forces. This allows all the City's citizens to share in economic growth. (JOSHCO creates affordable housing where market forces lock it out. JOSHCO invests in areas where market forces are a barrier to entry.)
- JOSHCO projects promote the National Sustainable Development Agenda.
- JOSHCO's interventions always aim at Urban Restructuring through their strategic focus at location, social integration, and economic profile. The turn-around of the City's existing rental stock portfolio will be of great strategic importance to the City.

3. FACILITATED SOCIAL MOBILITY

- Adequate shelter and services provide poor families with the certainty and security to be able to compete in Johannesburg's economy.
- The housing ladder allows residents to be mobile as their economic status improves.

4. SETTLEMENT RESTRUCTURING

- Development of housing through five programmes i.e. Green fields and Brown fields; Hostel Redevelopment and Refurbishments, Special projects, Inner City upgrades and Public stock Refurbishment
- JOSHCO contributes practically toward developing the inner Cities of Johannesburg, Roodepoort e.t.c;
- JOSHCO restores order and liveability in "council estates".
- JOSHCO replaces hostels with healthy community neighborhoods.
- JOSHCO develops where market forces do not assist.

5. SUSTAINABILITY AND ENVIRONMENTAL JUSTICE

- Effective financial sustainability of the City is promoted by JOSHCO turning around the performance of the City's rental housing stock portfolio.
- Environmental justice is ensured through the supply and maintenance of safe and healthy living environments.

6. INNOVATIVE GOVERNANCE SOLUTIONS

- Housing management and revenue collection is ensured through systems and protocol solutions. These are efficiently and accurately implemented due to careful training.

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CHAPTER TWO: LEADERSHIP OVERVIEW

SECTION 1: FOREWORD BY MEMBER OF THE MAYORAL COMMITTEE

This Annual Report concludes year four of the current five year Mayoral term wherein the Executive Mayor together with his Mayoral Committee committed to developing a total of 15,000 affordable rental housing units. It is most satisfying to be in a position where, of this 15,000 target, 17 573 units had been completed by 30 June 2010 thus representing 117% of the five year target.

Of those units completed, JOSHCO contributed 7309 units or 42%. The contribution of this City utility toward the fulfillment of the City's political mandate affirms the City's institutional approach to the challenge of rental housing in Johannesburg. Through the introduction of JOSHCO, it has become possible to seek a balance between affordability for tenants on the one hand, and the application of real estate management norms and standards on the other hand, especially in the areas of housing management services and the collection of rentals.

It is very important to remain clear about the precise role of JOSHCO in the City's housing strategy. It is the wish of the City to make a firm departure from the inequitable policies of the past which have resulted in municipal rental housing being a drain on City resources requiring ongoing operating subsidies and wherein cost recovery was not achieved both because of poor management on our part, but also because of the policy structure which set rent levels in such a way that operating subsidies were essential to covering the costs of maintenance and management.

Affordable rental accommodation developed by JOSHCO must, in the main, be designed and allocated to families on moderate incomes where the breadwinners are formally employed. The City will continue to administer the Mixed Income and the Community Builder Programmes to support those families where their life circumstances require housing support other than affordable rental housing.

The table below provides the delivery of housing achieved thus far to 30 June 2010 throughout the four programmes, including the rental housing programme:-

PROGRAMME	5 Year Target	2006/2007 ACTUAL	2007/2008 ACTUAL	2008/2009 ACTUAL	2009/2010 ACTUAL	CUMULATIVE TOTAL	2010/2011 projected Delivery
Mixed Income	50,000	11,108	6,341	6,236	1,785	25,470 (51%)	4 200
CBP/PHP	30,000	1,856	6,918	8,614	6,161	23,549 (78%)	5 400
RENTAL	15,000	1,238	6,715	6,286	3,334	17,573 (117%)	1 000
HOSTELS	5,000	105	375	872	1,394	2,746 (55%)	600
TOTAL	100,000		69 338				11 100

I would like to thank the Chairman of the JOSHCO Board as well as the Board as a whole for the leadership and the strategic direction that they have offered to JOSHCO over the past year. This has translated into tangible results in projects such as the Rosabel and the Raschers

communal housing projects in the inner city; the Roodepoort and Bellavista New Greenfields projects in the west of the city, and the conversion of former hostels to family accommodation in City Deep, Orlando, and Industria West. It is also pleasing to see the impact that has been felt in the former municipal rental housing projects in Eldorado Park, Claremont, and Turfontein West. I wish the Board and Management of JOSHCO every success in further building a sustainable affordable rental housing portfolio in Johannesburg through the new financial year.

Clr. Ruby Mathang, MMC: Housing

SECTION 2: CHAIRPERSON'S FOREWORD

The 2009/2010 financial year was both the year of greatest achievement for JOSHCO, as well as the year of greatest challenge thus far in the short life of the utility. The achievements of the organization are outlined in the Chief Executive's report below. The challenges faced by the organization during the reporting year related chiefly to the squeeze placed on revenues due to, amongst others, the effects of the global recession, as well as the need to improve internal controls.

In order to fulfill its agreed mandate, JOSHCO has grown as an organization from the 2005/2006 financial year where it employed 16 staff members to the end of the reporting period when it employed 60 staff members. This growth was necessitated by the growth in the scale of the company's development programme and budget as well as the growth in the housing portfolio managed by the company from 2,127 to 8,304 accounts representing a growth of 290%.

An important enhancement was initiated during the year under review when JOSHCO established a Risk Committee as a Sub-Committee to the Audit Committee. The establishment of this committee is an important enhancement to the overall governance structures within the company because the identification and mitigation of risk is a very important function of both the board and management, especially within the current domestic and global environment which has seen many people losing their jobs which has had a measurable impact on the conditions within which organizations are required to operate.

I would like to thank all members of the JOSHCO Board, management, and representatives from the shareholder, both in the Housing Department and in the Shareholders Unit for their hard work and commitment during the year under review. I would also like to thank the MMC for

Housing, Clr Ruby Mathang for his support throughout the year, and to wish him success in the continued implementation of Johannesburg's housing strategy throughout the remainder of the Mayoral term.



Ishmael Mkhabela

Chairperson of the Board of Directors

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SECTION 3: CHIEF EXECUTIVE OFFICER'S REVIEW

The purpose of JOSHCO's existence ultimately is to develop affordable rental accommodation, manage that accommodation to the satisfaction of the tenants, and collect all rental payments levied. An assessment of JOSHCO's performance in these three areas can be summarized as follows:-

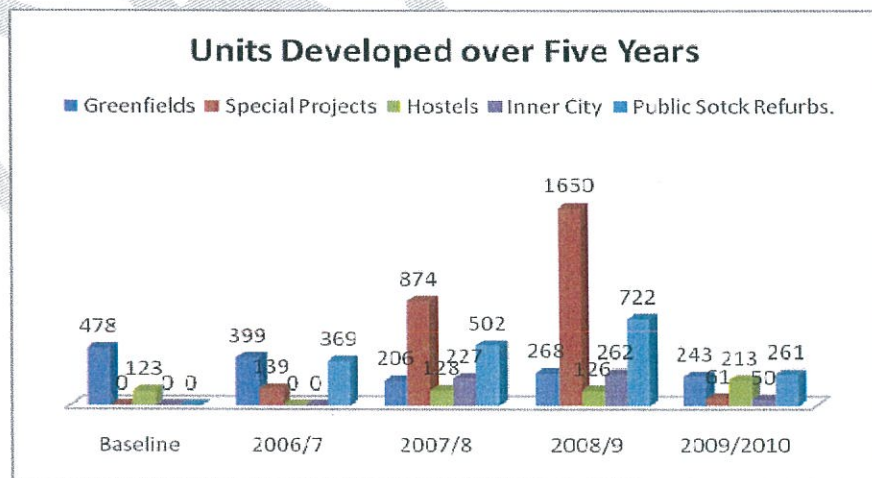
HOUSING DEVELOPMENT

Viewed from the overall target for the 2009/2010 financial year, 828 completion certificates were achieved for the development and refurbishment of housing compared with the adjusted annual target of 846, thus representing a 99% achievement of target rating.

The table below shows the number of units delivered annually over the five years together with the capital budget spent as well as the annual year on year growth that this represents:-

YEAR	UNITS	GROWTH	BUDGET	GROWTH
2005/2006	601		R10,0 million	
2006/2007	907	+ 151%	R58,739 million	+ 587%
2007/2008	1,938	+ 214%	R182,845 million	+ 311%
2008/2009	3,028	+ 156%	R329,218 million	+ 180%
2009/2010	828	+27%	R126,522 million	+53%
TOTAL	7,302			

The table below depicts the above figures graphically as well as their break-down per programme:-



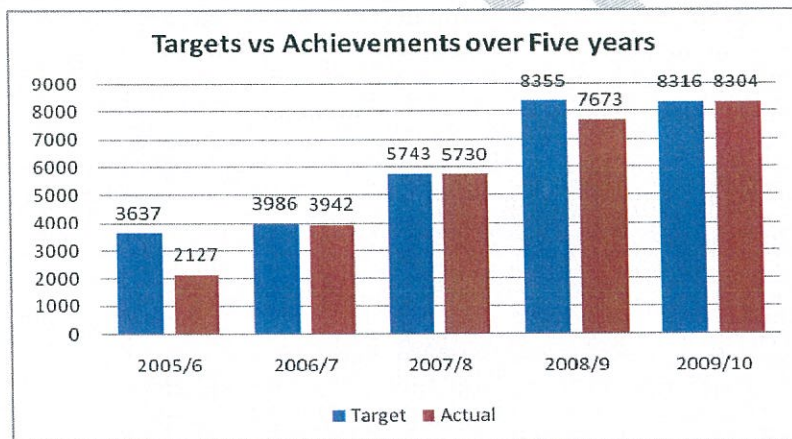
From the above report, it can be seen that the growth in the size of the capital budget as well as the number of units that have achieved completion has followed a very positive trend over the first four years of the Mayoral term thus making JOSHCO the primary contributor toward the achievement of the City's 15,000 affordable rental housing target.

HOUSING MANAGEMENT

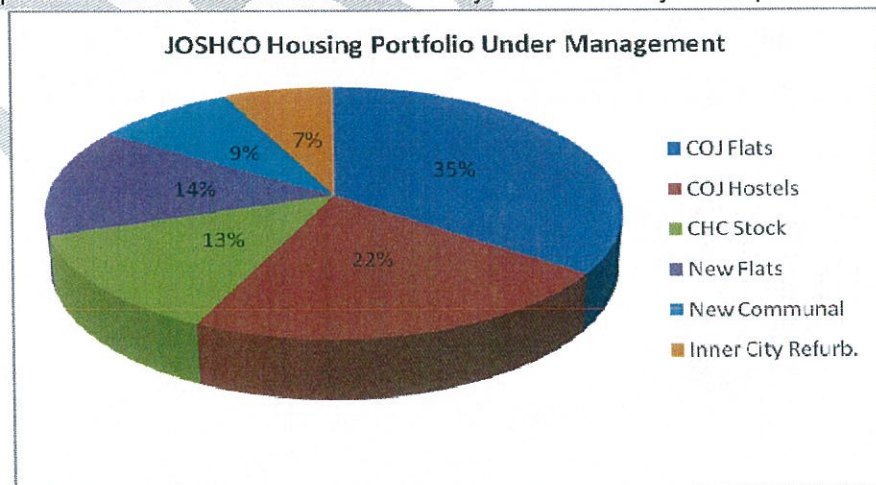
The following represent some of the key highlights achieved by JOSHCO in the growth and management of the JOSHCO housing management portfolio.

- In the 5 years from 30 June 2005 to 30 June 2010, JOSHCO's housing portfolio under management has grown to 8304 units.
- This portfolio grew by 631 during the financial year.
- 94% of customer complaints were resolved by the year end against an annual target of 90%.
- 63% of illegal occupants indentified in JOSHCO units were regularized.

The table below depicts the growth in JOSHCO's housing management portfolio over the past five years:-



The chart below depicts the breakdown of the housing portfolio under JOSHCO management per portfolio type as it was at the end of the financial year covered by this report:-



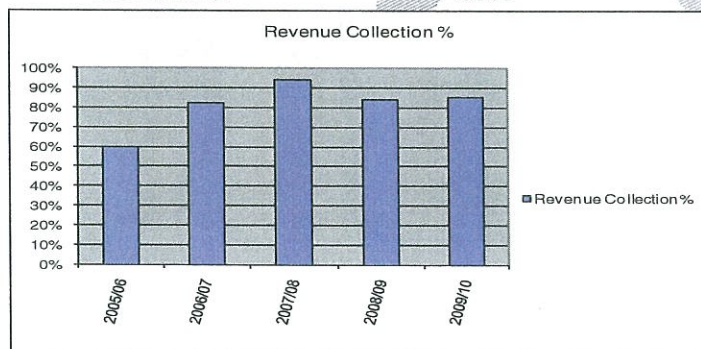
As the above graphs show, JOSHCO has enjoyed a year on year growth in the number of accounts under management culminating in 8304 accounts under management by year end. It is noteworthy to observe that 59% of residents interviewed in the annual customer satisfaction survey stated that they were satisfied with the housing management services provided by JOSHCO.

HOUSING REVENUE

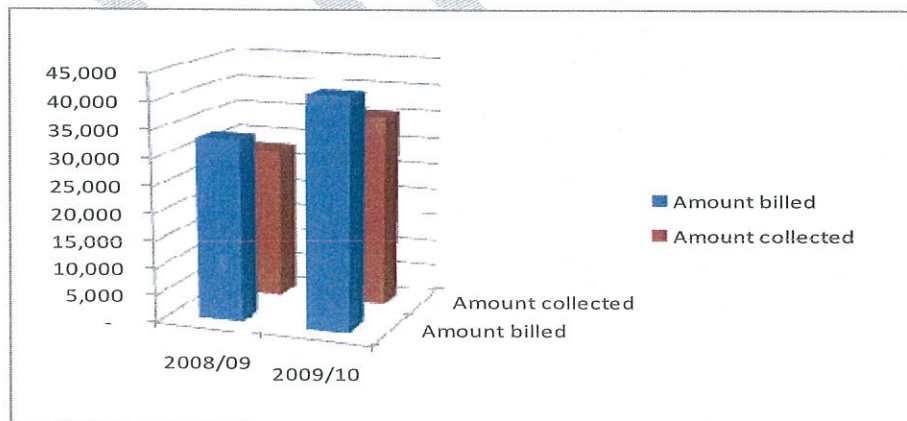
JOSHCO's collection rate on residential leases to the end of the reporting period represented 85% with the amount billed for the year of R41.962 million and the amount collected being R35.481 million. This represented a 1% increase from prior year, which was at 84%. This was also above the target for the year which was set at 80%.

The tables below show the yearly collection rates together with the percentage movement experienced between the years.

YEAR	COLLECTIONS	CHANGE
2005/2006	60%	
2006/2007	82%	+ 36.7%
2007/2008	94%	+ 14.6%
2008/2009	84%	- 10.6%
2009/2010	85%	+1%



In the table below a comparison is made between the amounts billed and the amounts collected for the current year as well as for the prior year.



Revenue billing for the year ended 30 June 2010 grew by 26% to R41.962million from R33.250million during the year ended 30 June 2009. The increase is largely attributable to increase in number of rental units from 7673 in 2009 to 8304 in 2010. Revenue collections at R35.481million were 27% higher than amounts collected in the prior year, which were R28.012million. The increase was in line with increase in revenue billing.

JOSHCO, however continues to face challenges from former City Council estates where collection levels are below 50%, thus impacting negatively on revenue collection. The collection levels were further negatively impacted on by the rent boycott from Kliptown Square, which took place in August 2009 and as a result most tenants fell behind in their payments. More than 95% of JOSHCO's growing bad debt book is from Kliptown Square and former City Council estates. Revenue collection is at the core of JOSHCO's mandate and management is giving high priority to tightening credit control measures in all estates so that the year on year performance of JOSHCO maintains a positive trend.

Part of the declining revenue trend is attributable to the global recession which has resulted in some JOSHCO tenants losing their jobs. In this regard JOSHCO conducted a tenant profiling exercise in former Council estates, so as to distinguish habitual non-payers from social cases. It is therefore very important that, in the financial year to follow, an acute focus be placed on managing the risks of poor revenue performance so that JOSHCO can remain true to its objective of reversing the very negative, but deeply entrenched practice of non-payment for municipal services which has been in existence in Johannesburg for many years.



Rory Gallocher
Chief Executive Officer

SECTION 4: STATEMENT OF RESPONSIBILITY

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), and the Companies Act of South Africa, 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.

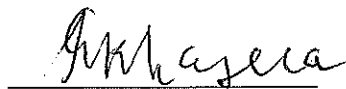
The directors have reviewed the company's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is dependent on the City of Johannesburg Metropolitan Municipality for continued

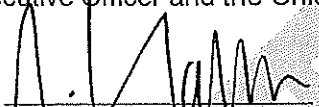
funding of operations. The consolidated annual financial statements are prepared on the basis that the company is a going concern and that the City of Johannesburg Metropolitan Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the company.

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

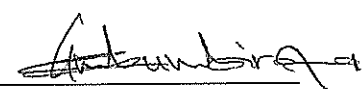
The financial statements were approved by the Board on 22 November 2010 and signed on its behalf by the Chairperson, Chief Executive Officer and the Chief Financial Officer:



ISHMAEL MKHABELA
CHAIRPERSON OF THE BOARD



RORY GALLOCHER
CHIEF EXECUTIVE OFFICER



SINIKIWE MAKIMBIROFA
CHIEF FINANCIAL OFFICER

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CHAPTER THREE: PERFORMANCE HIGHLIGHTS AND CFO'S OVERVIEW

SECTION 1: HIGHLIGHTS AND ACHIEVEMENTS

The year ending 30 June 2010 was notable due to the following achievements:-

- Of the 846 units planned for delivery during the year, some 828 units were completed.
- Of the 8316 units planned for procurement and placement under JOSHCO management, some 8304 were in fact taken into JOSHCO management. This represents 99.8% of the target projected for the year.
- Some 100% of the planned maintenance programme for the year was implemented, thus meeting the target for the year.
- Some 94% of the customer complaints received by JOSHCO had been resolved at 30 June 2010 thereby exceeding the planned target by 4%.
- 63% of the illegal occupants identified within JOSHCO managed units had been regularized and had signed formal lease agreements by the end of the reporting period. This achievement exceeded the planned target of 30% by 33%.
- JOSHCO collected 85% of revenue billed throughout its portfolio. This represented an over performance of 5% against the planned target of 80% for the year. This was 1% higher than the previous year of 84%.
- JOSHCO incurred an operating deficit at year end due to shortfall in revenue and pressure from certain expenditure lines such as utilities, security and bad debts, which were overspent. The overall spent however fell within the 0 to 5% range which the organization was aiming for.
- As far as capital expenditure is concerned, JOSHCO expended 99.8% of the planned capital budget.
- Some 84% of the JOSHCO budget was spent in favour of black economic empowerment (BEE) and small and medium enterprises (SME). This achievement exceeds the planned target of 75% by 9%.
- The skills development plan for the organization was fully implemented for the year with more than 1% of the salary bill being expended within the year under review.
- JOSHCO lent the full weight of its efforts toward supporting the Extended Public Works Programme (EPWP) with the creation of some 1,397 jobs in the year. This achievement is also a factor of the positive expenditure performance on the capital budget, and the resultant increase in the numbers of houses produced.

SECTION 2: COMPANY FIVE-YEAR REVIEW

The table below depicts the financial position from the 2005/2006 financial year through to the 2009/2010 financial year:-

	Units	2010	2009 (restated)	2008 (restated)	2007	2006
Key financial figures		R	R	R	R	R
Total assets	R'000	141,907	174,795	148,338	36,514	9,096
Total equity	R'000	1,869	3,846	1,999	1,117	1,008
Total equity and liabilities	R'000	141,907	174,795	148,338	37,631	10,104
Bank balance	R'000	1	1,948	10	1,578	1,795
Capital expenditure	R'000	126,522	186,485	140,748	38,210	13,159
External Funding Loans	R'000	19,554	19,554	-	-	-
MIG	R'000	-	-	-	-	-
Revenue	R'000	41,563	35,451	23,909	10,487	2,816
Grant and Subsidies	R'000	14,253	16,046	12,129	11,551	9,050
Direct cost (If applicable)	R'000	-	-	-	-	-
Employee costs	R'000	18,514	15,367	10,801	9,415	5,841
Discounting	R'000	-410	887	-	-	-
Finance income	R'000	3,980	577	-	-	-
Finance costs	R'000	2,317	978	2,141	52	48
(Deficit) / Surplus before tax	R'000	-3,022	2,325	588	126	-68
Income tax expense-current	R'000	264	1,242	272	-17	20
Income tax expense -deferred	R'000	-1,309	-764	-	-	-
Surplus for the year	R'000	-1,977	1,847	860	109	-48
Cash generated from operations	R'000	50,390	29,624	33,731	-8,933	-3,011
Net cash from operating activities	R'000	51,178	29,279	31,761	-8,833	-3,146
Net cash used in investing activities	R'000	-578	-18,042	-79,932	-12,321	-612
Net cash from/(used in) financing activities	R'000	-58,547	-9,298	46,599	20,938	5,074
Financial ratios						
Liquidity	%	152%	137%	99%	80%	101%
Solvency	%	99%	98%	100%	100%	100%
Total operating expenditure/revenue	%	101%	93%	94%	99%	100%
Interest coverage	Ratio	-16%	358%	5%	0%	0%
Other						
Employees	number	60	58	45	39	16
Employment equity	%	78	78	64	55	77
Gender equity	%	45	43.1	42.2	43.59	56
People with disabilities	%	0	0	0	0	0
Training cost	R'000	134	163	88	85	344
Black economic empowerment	R'000	155,314	277,300	127,200	-	-
Corporate social investment	R'000	188	193	0	0	0

SECTION 3: FINANCIAL PERFORMANCE

The review of the company's financial performance for the year ended 30 June 2010 should be read in conjunction with the audited consolidated annual financial statements on pages 71 to 135. The overall operating results for the year ended 30 June 2010 show a year to date deficit of R1.699million. Although JOSHCO operates on a balanced budget, the company could not break even due to certain expenditure lines, in particular utilities, security costs and bad debts having exceeded the budget.

3.1 Revenue

The total revenue of R60.455m received by JOSHCO for the year came from the operating subsidies granted by the City of Johannesburg Metropolitan Municipality amounting to R11.794m, foreign grant R1.778m, rental and levies amounting to R39.679m, project implementation fees R1.884m the interest received of R3.98m, other income amounting R641k and provincial grants R914k. This income was however not sufficient to meet the rising operating costs.

In February 2010, JOSHCO's operating subsidy budget for the year was reduced by R4.9m from R16.717m to R11.794m. This in part contributed to the overall operating deficit. JOSHCO's financial statements show the subsidy as grant received from parent municipality.

Further, there was a shortfall against budget in rental and levies revenue, which were under budget by R2.3million (10%). The main reason for the shortfall was that some of the projected rental income had not been realized as some housing projects had not come into housing management at the time originally planned. The revenue budget was based on an early take on of some of the units, but the majority of units were only handed over towards the end of the last quarter. A total of 631 units were handed over to Housing Management during the year, however, allocation of tenants in most of the units was only effected in June 2010, as the units were not yet ready for occupation earlier in the year and billing on most of the units will only be effective after 30 June 2010, thus impacting negatively on current year revenue billing.

The revised targets show that Housing management expected to sign on new leases of 643 units during the year, which was overachieved by 99 leases to an actual of 742 leases due to the fact that there was a shortfall in the previous financial year on Chelsea and Far East Bank. Units from Chelsea and Far East Bank were budgeted for a full year's revenue, however the remaining 28 units in Chelsea were only occupied in June 2010 as units were reserved for decant allocations, while on Far East Bank there were delays in terms of referrals from Province for the tenant allocation list and occupation was spread throughout the year. Pennyville family units were also budgeted for a full year,

but occupation was also spread throughout the year. La Rosabel was budgeted for occupation for half of the year but 50% was only billed for one month in June 2010 and the rest will be in the next financial year. Raschers, out of the 87 units budgeted for a full year occupation only 16 units were billed for one month in June 2010. City Deep, out of 128 units planned in the current year only 92 units were billed throughout the year. Antea, all the 111 units will only commence billing in July 2010 and the same is for the 36 units in Bellavista New and 79 units in Citrine court. The timing between completion of units and allocation of tenants is crucial as late take on of projects from Housing Development, means delays in signing additional leases which, impacts negatively on revenue billing.

Another shortfall in revenue was experienced on income from agency fees which were below budget by R1.5million. Income from agency fees is based on capital expenditure to date and is calculated at 2.5% on new projects and 2% on refurbishments. The shortfall arises because most development projects only reached practical completion towards the end of June 2010.

The foreign grant realized of R1.778million was from Val De Marne, France, which was received in 2008 and was utilized to fund project planning costs on Citrine Court, Kliptown Square and other projects.

3.2 Expenditure

Operating expenditure was over-spent by 4% (R2.548m). Efforts were taken to cut down on certain lines of expenditure to align expenses to available revenue; however challenges were faced on a number of expenditure lines where actual expenditure exceeded budgeted amounts and these include:

Utilities (electricity and water) were over-spent by R2.7m. Delays in actual billings by other municipal entities, particularly City Power and Joburg Water resulted in budgeted amounts being based on wrong estimates. Actual billings up to the end of April 2010 were only received in June 2010. By then it was too late to put measures to control the expenditure. Previous monthly billings were based on estimated meter readings.

Also late invoicing by City Parks resulted in an overspent on gardening by R165k. Over R1million worth of invoices were only received in June 2010, which was too late to control the expenditure.

Bad debts were over budget by R589k. This is due to deteriorating rent collection levels from former Council estates, namely Bellavista, Claremont and Eldorado Park. These estates also contributed a total operating deficit of R6.4million. Bad debts were also high on Kliptown Square where payment levels were affected by a rent boycott that took place in August 2009.

Security costs were over-spent by R1.3m. R547k was a once-off occurrence where high level security was required to facilitate evictions at Kliptown Square, following a civil unrest and rent boycott. This expenditure was not budgeted for. The rest was due to additional security services required on early take on of some projects to avoid illegal invasions and these include Vannin Court, La Rosabel, Europa House and Lynatex. These projects are not occupied and therefore do not earn revenue, as a result they contributed a total operating deficit of R654k.

3.3 Cash Flow

Although cash and cash equivalents reflected in the statement of financial position at the end of the year were only R1.1k, the cash position remains positive at a total of R38.4million. This amount is included in the sweeping account being managed by the parent municipality. R22.4million relates to funds from the conditional Social Housing Foundation grant plus interest and R16million on the main account. As at 30 June 2010, the City of Johannesburg Treasury Department swept all the funds to the City's main account and the funds are reported under loans to parent municipality of R38.4million.

3.4 Statement of Financial Position

Assets and liabilities

The opening balances for investment property, capital work in progress and the deferred grant income have been restated. This follows the agreed opinion from between COJ/JOSHCO and the Auditor General on the correct accounting treatment of JOSHCO rental stock and rental revenue. The parties agreed that JOSHCO does not have control over the risks and rewards of ownership of the assets and as a result the assets should not be accounted for in JOSHCO's books. The parties also agreed that the rental has been legally ceded to JOSHCO and should be accordingly accounted for in JOSHCO's books. This position resulted in the reversal of audit adjustments that were raised at 30 June 2009, as follows: investment property R151million, capital work in progress R145million, accumulated depreciation R4.6m, deferred grant income R284million and project debtors R11.7m. The parties agreed that in substance, Joshco leases property from the City of Johannesburg Metropolitan Municipality, however there is no formal agreement in place. Discussions are on-going to resolve the matter.

Details of the prior year adjustments are disclosed in the notes to the financial statements.

Included in current trade and other receivables are project debtors amounting to R54.02m for the developments and refurbishments of the rental stock managed by JOSHCO on behalf of the City of Johannesburg and which are capitalized by the City of Johannesburg.

Loans to parent municipality of R38.479m relates mainly to the balances in the sweeping account explained above.

The total trade and other payables of R44.916m are mainly amounts owed to the contractors for the projects developed for the City of Johannesburg. The loans from parent municipality of R21.698m mainly relates to salaries paid by the City of Johannesburg on behalf of JOSHCO.

JOSHCO is solvent as the total assets exceed its total liabilities by R1.848m. JOSHCO's continued existence however is dependent on its parent municipality, the City of Johannesburg, with reference to its service delivery mandate.

The ability of the Company to meet its financial obligations increased over the previous year, with the current ratio increasing to 1,52 : 1 (2008 = 1.37: 1).

DRAFT

SECTION 4: CAPITAL PROJECTS

The table below depicts the capital expenditure against budget throughout the financial year and the variances:-

JOSHCO BUDGET			
PROJECT NAME	TOTAL APPROVED ADJUSTED BUDGET	TOTAL SPENT TO DATE	PERFORMANCE AGAINST BUDGET
Pennyville (Family Units)	2 333 536	2 332 066	99.9%
BG Alex	1 039 000	1 039 000	100%
Bellavista	12 396 407	12 349 041	99.6%
Anthea	31 234 095	21 197 859	99.9%
Citrine Court	22 786 204	22 764 261	99.9%
Klipspruit	1 365 758	1 340 751	98.2%
Orlando Ekhaya	8 600 000	8 500 000	100%
Selby Village	521 000	521 000	100%
Raschers Project	500 000	499 965	100%
	80 776 000	80 643 943	99.8%

TOTAL INCLUDING EXTERNAL FUNDING			
Project Name	Total Approved Adjusted Budget	Total Spent to date	Performance Against Budget %
Pennyville (Family Unit)	2,333,536	2,332,066	99%
Sol Plaatjie	20,000,000	20,000,000	100%
Roodepoort	31,454,688	18,554,967	59.00%
BG Alexander	2,079,000	2,078,646	100.00%
City Deep Phase 3	35,519,345	0	0.00%
Bellavista	12,396,407	12,349,041	99.60%
Anthea	31,234,095	31,197,859	99.90%
Eldorado Park	600,000	594,873	99.01%
Citrine Court	22,786,204	22,764,261	99.90%
Klipspruit	1,365,758	1,340,751	98.20%
Orlando Ekhaya	13,261,400	13,260,601	100%
Selby Village	521,000	521,000	100%
Claremont	1,060,000	1,028,325	97%
Raschers Project	500,000	499,965	100%
	175,111,433	126,522,354	72.3%

SECTION 5: PERFORMANCE AGAINST IDP AND CITY SCORECARD

The following data shows that in almost all instances the JOSHCO has met or bettered its targets. This can be attributed to solid corporate governance, sound management and management systems, clearly focused objectives, and effective staff performance.

The report analyses the performance of the JOSHCO in terms of the balanced scorecard, measuring performance in terms of both the JOSHCO's impact and its financial and resource management.

1. Key performance area: DEVELOPMENT OF HOUSING

Number of new units built

A total of 243 new units were completed compared with a target for the year of 261.

Number of new units built (Special Projects – Project Linked)

A total of 61 units were completed which was also the target for the year.

Number of Inner City units upgraded

A total of 50 units were completed which was also the target for the year.

Number of public rental stock refurbishments completed

A total of 261 units were completed which was also the target for the year.

Number of hostel unit re-developments completed

A total of 213 units were completed which was also the target for the year.

In summary terms, of the 828 units completed for delivery during the year, some 846 units were planned. This represents 98% of the adjusted target.

2. Key performance area: MANAGEMENT OF HOUSING

Number of units procured and under management

8304 units were procured and brought under JOSHCO management as at the end of the June 2010, this is 12 units less than the target of 8316.

Number of allocations administered (leases signed)

742 Lease contracts were signed for billing as at the end of the June 2010, this is 99 more than the target of 643.

% of planned maintenance programme implemented

Some 100% of the planned maintenance programme for the year was implemented, thus meeting the target for the year.

% of customer complaint case files closed

Some 94% of the customer complaints received by JOSHCO had been resolved at 30 June 2010 thereby exceeding the planned target by 4%.

Number of illegal occupants regularized as a % of total illegal RSA unit residents

63% of the illegal occupants identified within JOSHCO managed units had been regularized and had signed formal lease agreements by the end of the reporting period. This achievement exceeded the planned target of 30% by 33%.

3. **Key performance area: COLLECTION OF HOUSING REVENUE**

Number of contracts loaded on database for billing purposes

742 Lease contracts were signed for billing as at the end of the June 2010, this is 99 more than the target of 643.

Housing revenue collected as % of amount billed

The collection performance rate achieved for the year was 85%, with the total amount billed for the whole year equaling to R41,962m and the total amount collected being R35,481m. This is against the yearend target of 80%. The collection performance rate for the 2007/08 financial year was 84% and the current year was 1% higher than prior year.

% rent defaulters evicted

One eviction was carried out during the course of the financial year against a target of 2.

4. **Key performance area: Effective Financial Management**

% Variance against ME's operating budget

The actual expenditure was more than the budgeted expenditure by 4% which was within the projected range of between 0 and 5%.

% of ME's capital budget spent

The target for this key performance indicator was met as 99.8% of the budget was spent.

Fully GRAP compliant register of assets.

The company, after the final audit results has achieved the target of 100%.

Reconciliation of Inter-company balances with the CoJ.

This key performance indicator has been achieved as the balances have been agreed between the company and the CoJ.

Reconciliation of Intra-company balances with other ME's.

The yearend confirmations between JOSHCO and the affected ME's were signed and the financial statements were finalized in terms of those confirmations.

% Attainment of clean audit report

For the fourth time in a row, the company has once again obtained an unqualified audit report.

Procurement spent on BEE and SME's as a percentage of total procurement.

As indicated above the percentage of 84% exceeded the expected percentage of 75%.

5. Key performance area: ACHIEVEMENT OF CORPORATE GOVERNANCE STANDARDS

Risk management reviews performed

A total of two (2) risk reviews were performed during the year under review. This assisted the organization in identifying and managing all strategic and operational risks.

% Compliance with Corporate Governance Protocols

The target set for the year for compliance with corporate governance protocols required that 100% compliance with the protocols be achieved during the year under review. No non-compliance to these protocols was reported during the reporting year and therefore the target was fully met.

6. Key performance area: MANAGEMENT OF HUMAN RESOURCES

% Compliance with Skills Development Plan

The skills development plan for the organization was fully implemented for the year with more than 1% of the salary bill being expended within the year under review.

% Compliance with EE Plan

The target for the year of 77.8% was exceeded by 7.8%.

% Compliance with HIV/Aids programme

The planned programme for HIV and Aids awareness at JOSHCO was fully implemented thus representing a 100% achievement.

Number of Jobs Created

JOSHCO lent the full weight of its efforts toward supporting the Extended Public Works Programme (EPWP) with the creation of some 1,397 jobs in the year. This achievement is also a factor of the positive expenditure performance on the capital budget, and the resultant increase in the numbers of houses produced.

7. Key performance area: MANAGEMENT OF CLIENT SERVICES

% satisfactory rating by customers for JOSHCO services

59% was attained in the customer survey as opposed to a target of 65%.

Number of communication products distributed

11 communications products were produced during the year thus exceeding the target by 183%.

Number of communications events concluded

4 communication events were held during the year under review.

SECTION 6: ASSESSMENT OF ARREARS ON MUNICIPAL TAXES AND SERVICE CHARGES

6.1 Assessment of Municipal Taxes and Service Charges owed to JOSHCO

Detail	0-30 days	31-60 days	61-90 days	91-120 days	121& over	Total
Debtor's Age Analysis by income source	2,232,190	1,327,052	2,184,617	1,335,508	10,260,377	17,339,744

The total debtor's amount of R17.3million relate to the debtors managed by JOSHCO. The accumulated provision for bad debts amounts to R11.6million or 67% of the accumulated debtors.

6.2 Amounts owed by JOSHCO for service charges

Name of Entity	Amount Owed	Status	Comments
Johannesburg City Parks	R1,039,752	Amount provided for in the entity's books	Invoices were received late and raised as accruals.
City Power	R1,030,887	Amount provided for in the entity's books.	Invoices were received late and raised as accruals.
Egoli Gas	R190,813.87	Amount provided for in the entity's books	This figure reflects the current not in excess of 30 days

6.3. Assessment of Directors' and senior managers' municipal accounts

Name of Director/Senior Managers	Designation	Name of Municipality	Municipal Account Name & Number	Account Status as at June 2007
Ishmael Mkhabela	Non-Executive Director	City of Johannesburg	Mkhabela I & SS 206645940	Current
Vuyo Booysen	Non-Executive Director	City of Johannesburg	V Booysen 900612492	Current
Paul Jackson	Non-Executive Director	City of Johannesburg	P Jackson 440281426	Current
Brian Moholo	Non-Executive Director	Ekurhuleni	B Moholo 2201918375	Current
Yaswant Gordhan	Non-Executive Director	City of Johannesburg	Burma Close Body Corporate	Current
Fikile Segole	Non-Executive Director	Ekurhuleni	F Segole 2601534187	Current
Lethabo Mashamaite	Non-Executive Director	City of Johannesburg	J R 2023 INV CC 302478692	Current
Nompumelelo Tshabalala	Non-Executive Director	Ekurhuleni	N Tshabalala 1800721200	Current
Glenda Sengoara	Non-Executive Director	City of Cape Town	Chancer Investment (Pty) Ltd	Current
Executive Committee Members				
Rory Gallocher	Executive Director	City of Johannesburg	R Gallocher 400775820	Current
Sinikiwe Makumbirofa	Chief Executive Director	City of Johannesburg	S Makumbirofa 901073491	Current
Skhumbuzo Ndumndum	EM: Development	City of Johannesburg	S Ndumndum 402971690	Current
Cheryl Holmes	EM: Housing Management	City of Johannesburg	C Holmes 501615381	Current
Gary Randall	SM: Business Planning and Risk Management	Ekurhuleni	G Randall 2603746073	Current
Gugu Mkhize	SM: Corporate Support	Ekurhuleni	Preston Pace Body Corporate Alberton	Current
Mapula Hlaba	Company Secretary	Mogale City	NV Hlaba	Current

SECTION 7: STATEMENT ON AMOUNTS OWED BY GOVERNMENT DEPARTMENTS AND PUBLIC ENTITIES

Name of Department	Amounts owed	Account Status	Comments
Gauteng Department of Transport and Public works	R 5m	Overdue	Account waiting for JOSHCO to provide tax clearance certificate

SECTION 8: RECOMMENDATION AND PLANS FOR NEXT FINANCIAL YEAR

The economic slowdown has impacted on both revenue and resource availability for JOSHCO from its Shareholder. The 2010/2011 financial year will therefore have to be managed very tightly in order to ensure that service delivery is maximized from squeezing maximum value from every cent in the budget.

The company needs sufficient capital allocation from the shareholder in order to achieve the Mayoral goal of developing rental stock in accordance with the Housing Sector Plan by the end of the Mayoral term. The operating grant will also be needed to fund the poorer communities for the rental units inherited from the shareholder.

In view of the operating deficit, the company has put the following measures in place.

Measures to address revenue shortfall

JOSHCO is putting pressure on contractor performance, so as to deliver on Housing development and allow for the planned take on of rental units by Housing Management. The company resolved to relook at the penalty clauses in the contracts so that penalties are charged as a percentage of potential revenue lost due to poor performance by contractors. The risk, however is that contractors may factor in the high penalties in their contract pricing when bidding for tenders. Putting pressure on contractor performance will help in completion of projects within agreed deadlines and billing for project implementation fees can also be realized.

The allocation of tenants to new units will be speeded up particularly in projects where JOSHCO handles the tenant allocation process, so as to push up the revenue billing. The company has also approved the appointment of an additional leasing administrator to speed up the processing of tenants applications.

Measures to address overspending on budget

JOSHCO has taken a zero based budgeting approach in allocating the operating expenditure budget to business units. Each business unit manager has to justify the budget allocation with well supported planned operational activities. Business unit managers will be held accountable for their budgets and would be required to monitor their budgets at requisition stage. Actual performance against budget

will be monitored on a monthly basis. Expenditure will also be monitored against actual revenue realized. Un-prioritized expenditure will be minimized.

JOSHCO has also started monitoring utilities costs and where the billings do not look reasonable investigations will be conducted. Housing supervisors have been tasked with the responsibility of taking monthly meter readings for water and electricity. These will be compared with billings received from City Power and Joburg water and where variances are encountered follow ups will be made.

JOSHCO is also tightening up on credit control and debt collection processes so as to reduce the amount of bad debts provision. The defaulting tenants will be reviewed on a project by project basis. In former council estates, such as Bellavista, Claremont and Eldorado Park, JOSHCO is currently conducting a tenant profiling exercise, so as to distinguish tenants who can afford but are not willing to pay from those who cannot afford to pay due to social ills such as unemployment and pensioners. This distinction will assist management in taking appropriate action on each type of defaulters.

In hostels, JOSHCO is currently engaging with other MEs with the intention of getting them to deduct rental in arrears from the employees' salaries.

There are plans to reduce security costs in Kliptown Golf course. The levies received from this project are not sufficient to cover security and other operating costs. The projects contributed a deficit of R424k in the current year.

In all other projects, JOSHCO's strategy is to target the high value projects such as Kliptown Square, Roodepoort and AA House, as these have a major impact on overall revenue collection performance, at the same time monitoring performance on smaller projects so that performance does not deteriorate.

Appreciation

I wish to record my appreciation for the wise counsel and on-going support provided by the Joshco CEO, Mr Rory Gallocher. I also wish to thank my predecessor Mr SB Jwili and wish him well in his retirement.



Sinikiwe Makumbirofa
Chief Financial Officer

CHAPTER FOUR: CORPORATE GOVERNANCE

SECTION 1: CORPORATE GOVERNANCE STATEMENT

DIRECTORS' REPORT

The Board of Directors and Executives endorses the values and principles of good corporate governance, integrity, openness and accountability and recognise the need to conduct the enterprise with accepted corporate practices advocated by the King III Code on Corporate Governance. The requirement of openness and accountability is recognised as an inclusive process that gives due recognition to the importance of all stakeholders in respect to ensuring continued viability and sustainability of the Company's operations.

Through this process, the Shareholder and other stakeholders may derive assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices.

The Board of Directors has incorporated the principles of the City of Johannesburg's Corporate Governance Protocol in its Board Charter, which *inter alia*, regulates its relationship with the City of Johannesburg as its sole shareholder and parent municipality in the interest of good corporate governance and good ethics. Corporate governance is concerned with the structures and processes for decision making, the exercising of responsibility and accountability starting at the Management level of the organisation cascading to the lower levels.

The current members of the Board of Directors as well as the Board Sub-Committees membership are noted in section 2 below.

LEGAL COMPLIANCE

The Municipality of Johannesburg has created JOSHCO for service delivery in the field of rental housing. The legislative framework within which the organization works, being the Municipal Finance Management Act 2003, the Companies Act and the Municipal Systems Act, 2000 (as amended) will aid in a clearer understanding of the necessary governance and management framework that will enable the organization to achieve the objective for which it has been created.

No non-compliance has been identified and no non-compliance has been brought to management's attention throughout the year.

FINANCIAL IRREGULARITIES

No financial irregularities have been brought to the attention of the Company Secretary during the financial year.

SECTION 2: BOARD OF DIRECTORS

Board Charter

The Board of Directors is presided over by a non-executive Chairperson. The non-executive Directors take responsibility for ensuring the Chairperson encourages proper deliberation of all matters requiring the Board's attention. The Board, under the Chairmanship of Mr Mkhabela, meets at least quarterly, retains full and effective control over the Company and monitors executive management through the structured approach to reporting and accountability. The Board of Directors comprises of eight non-executive and two executive Directors. The Directors have a range of skills and experience that they bring to the benefit of JOSHCO.

A Board Charter exists for the board of Directors which regulates how business is to be conducted by the Directors in accordance with the principles of good corporate governance. It constitutes a vital element of the Corporate Governance framework Protocol compiled for the benefit of the Board of Directors of JOSHCO and the COJ, and sets out all appropriate and applicable guidelines and regulations governing the conduct of JOSHCO. The main objective of the charter is to ensure that all Board members acting on behalf of the municipal entity are aware of their duties and responsibilities as Directors and the legislation affecting their conduct.

Board Evaluation

Evaluation of the Board of Directors as well as the Independent Audit Committee Members is done by external assessment firms in conjunction with the COJ: Shareholder Unit. The assessment is undertaken in order to evaluate individual Board Member effectiveness and to establish if the Board is meeting its objectives, and establish where performance can be improved.

Board Composition

Board movements were as follows during the financial yeas:-

- a) Miss Glenda Sengoara was appointed as a Board member and a member of the Corporate Support Committee;
- b) Mr Sesula Jwili retired as the CFO and an Executive Director.

The Directors for the year 2009/ 2010 as at 30 June 2010 were as follows:

Board member	Capacity: Executive/Non- Executive	Race	Gender	Age	Board Committee Membership
1. I Mkhabela	Non-Executive Director	Black	M	59	Chairperson, Board of Directors
2. V Booysen	Non-Executive Director	Black	M	39	Chairperson: Corporate Support Committee
3. P Jackson	Non-Executive Director	White	M	50	Chairperson: Development Committee
4. F Segole	Non-Executive Director	Black	F	49	Development Committee Corporate Support Committees
5. B Moholo	Non-Executive Director	Black	M	53	Development Committee
6. N Tshabalala	Non-Executive Director	Black	F	42	Corporate Support Committee
7. L Mashamaite	Non-Executive Director	Black	F	34	Corporate Support Committee
8. Y Gordhan	Non-Executive Director	Black	M	59	Audit Committee
9. G Sengoara [#]	Non-Executive Director	Black	F	43	Corporate Support Committee
10. S Jwili	Executive Director	Black	M	62	Chief Financial Officer
11. R Gallocher	Executive Director	White	M	44	Chief Executive Officer

* Retired February 2010

Appointed January 2010

It should be noted that the new CFO appointed February 2010 is not an Executive Director.

The Board Charter encapsulates the City of Johannesburg Governance Protocol and includes matters of ethics, procedure and the conduct of committee members. Registers are kept and updated on the disclosure and declaration of interests of directors and senior management. The Board and Senior Management ensure that there is full material compliance to all relevant legislation. The Company Secretary has certified in terms of section 268(d) of the Companies Act that all statutory returns have been submitted to the Registrar of Companies.

i. Board Resolutions

Notices are issued within the prescribed timelines. Minutes of the meeting of the Board of Directors including resolutions are circulated to members of the Board for consideration and approval.

ii. Board minutes and Processes

Minutes and appropriate minute books are kept for all meetings of the Board of Directors and subcommittees as well as management meetings.

iii. Register of Directors' Interest

Directors of the Company declare any material interests they hold in any contracts that the Company might enter into. To this end Directors are supplied with a form on which to declare their interests and declared interests are then entered in the Company Register. As at date of this report there has not been any material interests declared.

v. Movement of directors

One Executive Director retired and another Non-Executive Director was appointed as mentioned in Board Composition above. Composition of the Board of Directors was still in line with the Articles and Memorandum of Association throughout the year.

Contact between management and the Board was regular and positive. This has taken the form of communication between the Board Chairperson and the CEO, as well as regular meetings of Board Sub-Committees being Audit Committee, Corporate Support Committee, Development Committee as well as the Risk Management Committee, attended by management. The Board of Directors currently consists of ten directors, eight of whom are non-executive.

The table below represents Board meeting attendances throughout the financial year:-

NAME	BOARD			CORPORATE SUPPORT			AUDIT			DEVELOPMENT			RISK		
	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies
Total Number of Meetings	6			4			7			6			4		
1. I Mkhabela	6	0	0	n/a	n/a	n/a	n/a	n/a	n/a	1	0	0	n/a	n/a	n/a
2. Y Gordhan	6	0	0	n/a	n/a	n/a	7	0	0	n/a	n/a	n/a	4	0	0
3. B Moholo	6	0	0	n/a	n/a	n/a	n/a	n/a	n/a	2	0	4	n/a	n/a	n/a
4. N Tshabalala	5	0	1	4	0	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
5. F Segole	6	0	0	2	0	1	n/a	n/a	n/a	6	0	0	n/a	n/a	n/a
6. P Jackson	6	0	0	n/a	n/a	n/a	n/a	n/a	n/a	6	0	0	n/a	n/a	n/a
7. V Booysen	5	0	1	3	0	1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
8. L Mashamaite	5	0	1	4	0	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
9. G Sengoara	1	0	1	1	0	1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10. R Gallocher	6	0	0	4	0	0	6	0	1	5	0	1	2	0	0
11. S Jwilli	5	0	0	3	0	0	6	0	0	3	0	0	2	0	1
12. S Makumbirofa	2	0	0	2	0	0	1	0	0	4	0	0	2	0	0

* CFO Retired February 2010; # CFO appointed February 2010

Throughout the year, the Board has met on six occasions to deliberate on company business including but not limited to approval of quarterly reports and the mid-year report, approval of the Business plan and budget, approval of revenue performance collection reports as well as the management accounts. Various project feasibilities were also approved by the Board during the year.

SECTION 3: BOARD SUB-COMMITTEES

Attendance at meetings held during the year in the different board committees was as follows:

A. AUDIT COMMITTEE

The Audit Committee has met seven times during the financial year. Three ordinary meetings were held, one each quarter and four special meetings throughout the financial year in order to receive reports on Audit matters concluded. The composition of the Committee is compliant with the Municipal Finance Management Act. However, in the third quarter, the ordinary meeting was not held as there was no quorum for the meeting. The terms of reference of the Audit Committee were adopted by the Audit Committee meeting.

The Chairperson of the Audit Committee as well as the CFO represent the Company at the City's Group Audit Committee Meetings.

Membership of the Audit Committee was not amended during the financial year in question and remained as follows:-

Cleopas Sanangura	Chairperson, Independent Member till January 2010
Krishna Govender	Independent Member till January 2010
Yaswant Gordhan	Non-Executive Director

Members	Capacity Type	Year to Date (R) Gross
Yaswant Gordhan*	Non-Executive Director/Member	See table above
Ayanda Kanana [#]	Independent Member	23,850.00
Errol Tait [#]	Independent Member	16,870.00
Cleopas Sanangura*	Independent Member	69,223.00
Krishna Govender*	Independent Member	32,131.00

* includes Remuneration for Special Board Sub Committee Meeting attendance

[#] Members appointed January 2010

* Members retired in January 2010

Audit Committee Meeting Attendance				
		Attendance	Absent	Apology
	Number of Meetings	7		
1.	Cleopas Sanangura [#]	5	0	1
2.	Krishna Govender [^]	5	0	1
3.	Ayanda Kanana*	1	0	0
4.	Errol Tait*	1	0	0

* Appointed January 2010

[#] Retired on 23 January 2010

[^]Retired on January 2010

The mandate of the Audit Committee as delegated by the Board of Director in the Audit Charter includes:-

- i. Financial Reporting and Reliability of Financial Information;
- ii. Business Planning and Budget Implementation

- iii. In liaison with and assist the Risk Committee to identify financial, business and operational risk areas of the company to be covered in the scope of internal and external Audits.
- iv. Ensure that the Accounting Officer of the company has put in place appropriate internal control systems Monitor and review the effectiveness of the internal Audit function
- v. Oversee the relationship of the company with the Auditor-General;
- vi. Review the consistency of, and any changes to, the accounting policies of the company both on a year-on-year basis and across the company and the City of Johannesburg;
- vii. review the company's arrangements for its employees to raise concerns, in absolute confidence and confidentiality, about possible wrongdoing or improprieties in financial reporting and other matters;
- viii. Monitor and review the performance information provided by the company against the approved business plan, the City's Integrated Development Plan and the Growth and Development Strategy and provide to the Board of Directors an authoritative and credible view of the performance of the company.

B. 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

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.

The Corporate Support Committee Charter bestows the following responsibilities on the Committee:-

- i. Overseeing of the setting and administering of remuneration at all levels in the company;
- ii. Overseeing the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance;
- iii. Reviewing the outcomes of the implementation of the remuneration policy for whether the set objectives are being achieved;
- iv. Ensuring that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
- v. Consider the results of the evaluation of the performance of the CEO and other executive directors, both as directors and as executives in determining remuneration;
- vi. Select an appropriate comparative source when comparing remuneration levels;
- vii. Advise on the remuneration of non-executive directors;
- viii. Management development and succession plans for executive levels and
- ix. Make recommendations to the Board where necessary or take approved action within its delegated authority

C. 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

The Development Committee is responsible for, amongst other things:-

- i. To approve reports on detailed investigation stage of new developments, and to give approval to proceed with the development i.e. Design and Business Plan development stage;
- ii. To recommend to the Board approval of new engagements in developments where appropriate;
- iii. To evaluate proposed financing mechanisms where external financing is required;
- iv. To set benchmarks to be used to evaluate risk/return relationship on significant projects to be undertaken by the Company.

D. RISK MANAGMENT COMMITTEE

The Risk Management Committee has had 4 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. The Committee acts in terms of the delegated authority of the Audit Committee as recorded in the Committees Charter as follows:-

- i. Oversee the development and annual review of a policy and plan for risk management to recommend for approval to the Audit Committee and Board;
- ii. Monitor implementation of the policy and plan for risk management taking place by means of risk management systems and processes;
- iii. Oversee that the risk management plan is widely disseminated throughout the company and integrated in the day-to-day activities of the Company;
- iv. Ensure that risk management assessments are performed on a continuous basis;
- v. Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- vi. Express the Committee's formal opinion to the Audit Committee on the effectiveness of the system and process of risk management;
- vii. Review reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive and relevant

SECTION 4: REMUNERATION OF DIRECTORS AND SENIOR MANGEMENT

The remuneration of directors is in accordance with the Council approved rates. A schedule of the total fees paid to Non-Executive Directors is presented below:

Name	Designation	Meeting Attendance	2008/2009 Retainer	Year to date total (R)
I. Mkhabela	Chairperson of the Board	85 720.00	39 675,00	125 395.00
V. Booysen	Non-Executive Director	65 065.00	19 840,00	84 905.00
F. Segole	Non-Executive Director	47 876.00	19 840,00	67 716.00
N. Tshabalala	Non-Executive Director	51 535.00	19 840,00	71 375.00
B. Moholo	Non-Executive Director	50 906.00	19 840,00	70 746.00
P. Jackson	Non-Executive Director	44 615.00	19 840,00	64 455.00
Y. Gordhan	Non-Executive Director	107 657.00	19 840,00	127 497.00
L. Mashamaite	Non-Executive Director	35 044.40	9 920,00	44 964.40
G. Sengoara	Non-Executive Director	8 950.00	-	8 950.00

SENIOR MANAGEMENT REMUNERATION AS AT 30JUNE 2010

DESIGNATION	AGE	SALARY	MEDICAL AID	TRAVEL	SDL	BONUS	PENSION	UIF	YEAR TO DATE (R)
Chief Executive Officer	44	1,075,638.00	-	62,652.00	10,701.45	94,819.58	-	1,497.36	1,245,308.39
Chief Financial Officer (Retired)	62	494,799.36	-	26,434.00	6,121.87	91,359.63	73,859.92	998.24	693,573.02
Chief Financial Officer (Current)	39	279,583.36	-	40,000.00	3,099.85	-	-	632.90	323,307.10
Executive Manager: Housing	52	645,351.96	-	90,000.00	7,486.03	61,254.83	-	1,497.36	805,590.18
Executive Manager: Development	39	585,825.00	-	125,640.00	6,928.19	66,466.74	86,455.44	1,497.36	872,812.73
Senior Manager: Business Planning and Risk Management		421,568.91	18,468.00	124,894.62	5693.34	60,664.48	-	1,497.36	632,786.71
Company Secretary	29	339,954.00	-	102,000.00	4,135.74	36,814.73	-	1,497.36	484,401.83
Senior Manager: Corporate Support	34	356,760.00	-	127,200.00	4,631.55	33,594.89	-	1,497.36	523,683.80
Total									5,581,463.76

All Directors' remunerations have been taxed according to South African Revenue Services guidelines.

SECTION 5: COMPANY SECRETARIAL FUNCTION

The responsibility of the Company Secretariat's office is to provide support for the company's directors as well as other officers of the company on issues relating to governance as well as compliance. It is also to make them aware of relevant laws and legislation relevant to and affecting the company as well as any deviations from any legislation. This function also extends to providing directors individually and collectively as well as the company with guidance as to their responsibilities, duties and powers.

The Company Secretary also serves as a link between the company and the parent municipality. The company secretary has to ensure that all obligations arising from these relationships in particular the Service Delivery Agreements are met.

Lastly, within the company, the Company Secretary functions as a legal advisor to all the internal departments of the company, therefore providing advice to all staff and also the safekeeping of legal documents such as leases and contracts.

On the overall, the Company Secretary ensures that approved company policies and procedures are properly implemented, understood and adhered to by the company as a whole, playing a pivotal role in ensuring good corporate governance and ethics throughout.

SECTION 6: RISK MANAGEMENT AND INTERNAL CONTROLS

Risk management as a discipline has been part of JOSHCO's day to day operations for the last four years. As a result it has matured into an accepted practice within the organization. Clarity now exists as to the various roles and responsibilities of the role players and the responsibilities of each individual involved in the risk management process. The department heads are actively involved in the Risk Management Committee. Everyone is required to review the department risk register and report on the progress made/not made at the Risk Management Committee, which has the added benefit of fresh risks being identified and added to the various operational risk registers. This activity also influences the strategic risk register in that risks are moved between the two risk registers based on the assessment being done.

JOSHCO has an established partnership and other business relationships with a number of both public and private organizations, including the City of Johannesburg Metropolitan Municipality, the Gauteng Provincial Government, National Treasury, banking institutions, other funding bodies as well as other housing institutions. As a result JOSHCO's relationship base is extremely varied this means that the risk profile remains very important. The planned expansion has had to be curtailed as a result of the economic downturn and the resultant loss of funding sources.

The organization conducts risk reviews of the key risks on a half yearly basis. Risks are monitored on a quarterly basis against the risk register to ensure that mitigating controls are implemented as planned, particularly in the light of the recommendations made by the Risk Management Committee.

In preparing the operational risk review, operational staff, management as well as staff from the City's Risk Department are co-opted to participate. The strategic risks are monitored as agreed to by the Risk Management and the Audit Committees.

The risk registers, by their nature, are not exhaustive but adequately address most, if not all, of the current risks facing the various departments. Each operational risk register is reviewed on a departmental basis and all of the departmental risks are based on Joshco's objectives. This is also reflected in the strategic risks, which is now a separate and distinct document.

Once approved by the various committees, the risk registers are utilized by the internal auditors to assist in their annual risk assessment process. The risk assessments are used as the source of the internal auditor's coverage plan together with the business plan and other audit committee requirements.

The risk registers are kept current by ensuring that all of the mitigating controls which are implemented become current controls and any newly identified actions to improve risks are added to the register. Any progress is then reflected as a change in the severity of the risk which is indicated by a change in the color of the residual risk, where applicable. As actions to improve controls are implemented the identified risks become less of a risk to JOSHCO. Some of the risks are more difficult to overcome and because of this, additional actions are added. Once a risk no longer poses a risk it is removed.

It is JOSHCO's desire to reduce risk wherever possible. To this end risk owners will monitor and report on a quarterly basis that ownership is taken of the identified risks and that implementation of the controls have taken place as per the agreed date. It needs to be mentioned that Joshco's internal controls have been tightened significantly with the introduction of routing forms to monitor the flow of the documents and obtain all the necessary signatures and authorizations before payment is made to a third party.

Liquidity Risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company, in conjunction with the City of Johannesburg and other MOE's, manages liquidity risk through an ongoing review of future commitments.

SECTION 7: INTERNAL AUDIT FUNCTION

By the end of the last quarter, all the planned audits except the Performance against Objectives Audit had been completed. This audit was completed in July in time for the July 2010 Audit Committee meeting. The Audit Committee requested that a Payroll Audit be conducted. This was the only additional audit that was requested to be carried out for the year.

	Name of Audit	Start date planned	Status	Comments
1	Compliance	Aug 09 (Oct 09 (R))	Completed	April 2010
2	Housing Management	Aug 09	Completed	September 2010
3	IT Governance	Sep 09	Completed	January 2010
4	Management of Billing	Sep 09	Completed	February 2010
5	Payroll Audit	Oct 09	Completed	January 2010
6	Financial Disciplinary Review	Mar 10	Completed	April 2010
7	Follow up Audits	Mar 10	Completed	May 2010
8	Performance Against Objectives	Apr 10 (July 10)	Completed	Late start by GFIA July 2010

SECTION 8: RESPONSE TO THE AUDITOR-GENERAL (AG) REPORT

These matters as well as the corrective actions taken were communicated to the Group Audit Committee of the City of Johannesburg and the Shareholder Unit (SHU) after interrogating the evidence to ensure the actions taken by management were sufficient to address the problems adequately.

The audit findings for 2008/09 financial year have been addressed.

SECTION 9: CORPORATE ETHICS AND ORGANISATIONAL INTEGRITY

The Company has implemented its financial management Policy, Supply Chain Management Policy and the Human Resource Management Policy which policies provide a framework for ethical conduct of the Company and its employees.

The company has developed a Code of Conduct ('the Code') which has been fully endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behavior and professionalism.

It is a requirement of any Director and Executive Management at any meeting of the Board of Directors and its sub-committees to declare and sign a declaration of conflict of interest should any matter being discussed compromise their objectivity. Should such conflicts exist, the director concerned is recused from the proceedings.

SECTION 10: SUSTAINABILITY REPORT

The following **Strategic objectives** provide guidelines on how JOSHCO's resources are mobilized to achieve maximum alignment with the shareholder compact and optimize community benefit from community development programmes.

- To achieve optimal social inclusion, JOSHCO will leverage every opportunity at its disposal to end different forms of exclusions.
- To empower communities, community development will establish a Community Engagement Framework in support of JOSHCO's mission to provide sustainable housing solutions and promote sound relationships with all stakeholders.
- To increase JOSHCO's contribution towards poverty alleviation by stimulating economic activities in the communities it operates in.
- To ensure sustainability of operations, JOSHCO pledges to reduce the negative impact of its business operations to the environment.

CHAPTER FIVE: HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

SECTION 1: HUMAN RESOURCE MANAGEMENT

This section relates to Corporate Support activities throughout the year where the company had accomplished the implementation of key strategic Human Capital Development and Corporate Support milestones. This included staff development through planned training of all employees, planned recruitment in all business units; implementation of the performance management system, employment equity, centralizing HR systems, planning and implementing the Employee Assistance Programme for 2009/10 and corporate branding of JOSHCO. Greater detail of all JOSHCO activities under each of the corporate support categories is supplied below.

SECTION 2: EMPLOYMENT EQUITY

JOSHCO is committed to the four pillars of employment equity which are:

- Elimination of discrimination in decision-making;
- Promotion of employee diversity;
- Reduction of barriers to advancement of the disadvantaged; and
- Introduction of measures and procedures for transformation.

2.1 STAFF MOVEMENT

During the year 2009/2010, JOSHCO's staff complement consisted of sixty (60) employees which was a slight increase from 58 employees at the end of the previous financial year. Each staff member has been placed against an approved job profile and approved budget for the specified position. Of the total number of staff members, twenty (20) employees are on fixed term performance-based contracts whilst forty (40) are on permanent performance-based contracts. The reduced rate of recruitment was caused by the economic challenges during 2009/2010 and shortage of financial resources which resulted in freezing of some positions during the financial year.

In the 2009/2010 financial year, staff movements were made up of eleven (11) staff appointments of which six (6) were external appointments and five (5) internal appointments. Appointments were made up of the Chief Financial Officer, Portfolio Manager, Contracts Manager, Project Planner, Human Resources Officer, Accountant, IT Officer, Bookkeeper, Project Support Officer, and two (2) Leasing Administrators. By the end of the financial year there was one (1) staff retirement namely the Chief Financial Officer and one (1) resignation namely the Leasing Administrator.

All these appointments enhanced the JOSHCO employee profile in the Finance Department, Development Department, Corporate Support Unit, Business Planning & Risk and the Housing Management Department. In terms of staff turnover JOSHCO's levels are very low and this is a result of its organizational culture and high performance approach. Planned recruitment will undertaken provided there will be availability of financial resources.

2.2 EMPLOYMENT EQUITY TARGETS AND RATIOS

2.2.1 Senior Management Category

JOSHCO's employment equity ratio target for management category staff from previously disadvantaged backgrounds was 75%. By the end of the Fourth Quarter of 2009/10, JOSHCO has far exceeded its target with an 85.7% management team that is drawn from individuals from previously disadvantaged backgrounds (6 of the 7 members of the management team).

JOSHCO's employment equity ratio target for staff falling within the management category being women is 30%. By the end of the financial year, JOSHCO had far exceeded this target with 57.1% of the management team being women (4 of the 7 members of the management team).

2.2.2 Middle Management Category

In the middle management level, 83.3% (10 out of 12) of the staff were drawn from PDI designated groups against an employment equity target ratio of 40% and 33.3% (4 out of 12) of staff in this category were women, against a target of 30%. The appointment of a female Project Planner in the Development Department increased the number of females in this category.

2.2.3 Supervisor / Skilled Category

In the skilled/supervisory level, 92.86% (13 out of 14) of the staff were drawn from PDI designated groups against an employment equity target ratio of 40% and 42.86% (6 out of 14) of staff in this category were women against a target ratio of 30%. Although the Project Support Officer, Human Resources Officer and the Bookkeeper were appointed in this category, there was no change in the ratios since these were internal appointments.

2.2.4 Semi Skilled Category

In the semi skilled and unskilled categories some 100% of staff were drawn from PDI designated groups, against a target of 80% out of which 46.15% (13 out of 27) of staff in this category were women, against a target of 60%. In this category the appointment of two (2) Leasing Administrators in Housing Management enhanced the staff capacity. JOSHCO acknowledged that this was below the targeted ratio and would continue to recruit more females in this category in future.

2.2.5 Overall Race and Gender Analysis

As far as JOSHCO's overall employment equity targets were concerned, across all job types, JOSHCO employed 45% (27 out of 60) of women against an overall target of 50% and 93.3% (56 out of 60) of staff were from designated PDI groups against an overall target of 75%.

During the year 2009/2010, JOSHCO had employed 81.67% Africans (49 out of 60), 3.33% Indians (2 out of 60), 8.33% Coloureds (5 out of 56) and 6.67% Whites (4 out of 56).

As far as disability is concerned, JOSHCO has a target of 2% which has not yet been achieved (total number of staff with disabilities employed by JOSHCO is 0%). JOSHCO will endeavor to recruit persons from this category to ensure that the target is met during 20010/11. However, JOSHCO has actively gone out to recruit disabled persons into two positions. Interviews have taken place but appointments have not yet been agreed.

Overall, there are 9 categories in which JOSHCO's performance in employment equity is measured. JOSHCO has met and exceeded its targets in seven categories except in the disability category (0% against a target of 2%) and women in the semi skilled category (46.15% against a target of 60%). This represents an achievement of 77.78%.

SECTION 3: SKILLS DEVELOPMENT AND TRAINING

During 2009/2010, staff training and development has been done in line with Individual Learning Plan (ILPs) was received from all departments and against available budget. ILPs include short, medium and long-term training interventions to equip employees to better perform their responsibilities. As per each financial year, JOSHCO had committed one percentage (1%) of the salary budget to develop and train staff in line with the statutory requirements. By the end of the financial year of 2009/2010, the following training interventions were attended:

Training Attended in 2009/2010

Attendees	Course/Training	Service Provider/ Facilitator	Dates
Housing Management	National Credit Act	Compulsory Academy	20 April 2010
Housing Management	Professional Development for Secretaries & PA's	KumaloGreen	22 April 2010
Finance Department	IFRS 2010	Global Prospectus	7 March 2010
Finance Department	Asset Management Best Practice 2010	Price Knowledge Consulting	26 March 2010
Finance Department	Requirements & Implications for listed, non-listed private and public organizations: King III	IIR Training	22 July 2009
Company Secretary	Company Secretaries' Symposium	IIR Training	22 July 2009
Corporate Support	Implementation of Performance Management System	Averile Rider Reward Specialist	22 September 2009
Corporate Support	Job grading and benchmarking		5 October 2009
Corporate Support	Finance For Non-finance Managers	Execuprime Training	19 August 2009
Executive Management	Insight into King III	Institute of Directors	03 March 2010
Skhumbuzo Ndumndum	Advanced MS Excel	IIR	19 February 2010
Development Department	JBCC	Contracts on Demand	Resumed on 28 Feb – 30 Nov 2010

The commitment of JOSHCO to equip employees with the necessary soft and hard skills will continue to enhance new thinking and alternative ways of serving the clients it serves. During the year 2009/201, JOSHCO spent approximately R 134 000 to train staff which represents 1.6% of the salary bill was expended on skills training.

SECTION 4: SUCCESSION PLANNING AND RETENTION

JOSHCO continued to harness and develop talent in-house in line with its Talent Identification and Succession Policy. The identified critical, hard to fill and core positions were kept at the focal point and as a result the recruitments made were a direct contribution towards attracting the best talent. The recommendations of the City's Group Retention exercise undertaken in 2008/2009 were currently being implemented by JOSHCO. By the end of the financial year there were five employees placed in more senior positions than they previously occupied namely the Accountant, Human Resource Officer, Project Support Officer, Bookkeeper and IT Officer. Furthermore, JOSHCO has other mechanisms for retaining and incentivizing employees which were being implemented throughout the year such as payment of overtime in terms of policy, employee recognition awards and other benefits.

The table below indicates the positions held by the employees previously and the new positions in which the employees were promoted during 2009/2010:

PREVIOUS POSITION	NEW POSITION	DEPARTMENT
Bookkeeper	Accountant	Finance
Accounts Administrator	Bookkeeper	Finance
IT Contract Employee	IT Manager	Business Planning and Risk
Administrator: Development	Project Support Officer	Development
HR Administrator	HR Officer	Corporate Support

SECTION 5: PERFORMANCE MANAGEMENT

Responsibility for the management of human resources capital continued to be delegated to all line managers and supervisory staff (team leaders) but Corporate Support administers the process once the performance sessions begin. This arrangement will remain unchanged as it is consistent with best practice standards for human resources management in which line managers carry the primary responsibility for human resources management, and Corporate Support provides a back office professional support function. JOSHCO prides itself in the manner in which it has put in place a performance management tool that is effective. The Senior Manager Corporate Support attended two (2) performance management workshops hosted by the City Johannesburg and the briefing sessions were useful although JOSHCO was ahead of many Municipal Entities and some departments within the City.

SECTION 6: HIV/AIDS IN THE WORKPLACE

During the year 2009/2010, the JOSHCO's HIV and AIDS Committee and Katannuta organized and hosted a successful JOSHCO Employee Wellness and HIV/AIDS Awareness Day on 1 December 2009 in line with the World AIDS Day. This whole day event took place at JOSHCO's Head Office, 3rd Floor and was attended by all employees. The event commenced with a prayer for those lives that had been lost due to HIV and AIDS and a formal programme which included candle lighting, role plays and presentations on HIV and

AIDS. Employees were encouraged to use the services of Katannuta for more assistance with queries relating to HIV and AIDS on a regular basis.



SECTION 7: EMPLOYEE WELLNESS PROGRAMME

In 2009/2010, the use of the EAP by employees was on average at 60%, 68% of those were females and 32% were males. It was also interesting that management also took a keen interest in the EAP by making enquiries and referring staff and this represented 13% of enquiries from management. About 77% of the employees that participated in the EAP were African. Also, a 24 hour toll free number accessible to employees was active and used by the employees who felt at ease to discuss their issues telephonically. It was noted that of the employees who participated in the EAP, a larger amount of them were junior staff and only a small percentage was management. It was encouraging to note that most referrals were self-initiated, indicating that employees are willing to take responsibility for their own well-being. It is also worth noting that colleagues are referring employees to the call centre. In terms of the referral source eighty one (81%) of the employees were self referrals.

In order to determine the impact of the EAP, Katannuta conducted a survey and interviewed 34 employees. The survey was focusing on stress levels and 52% of the employees believed that they had low to mid stress levels whilst 48% said their stress levels were very high. Out of the 48% of employees with high stress levels, 65% of them said that the biggest contributor was their work environment. Corporate Support in conjunction with Katannuta will propose the way forward and dig deeper on the issues so that employees may find it easy to cope under the stressful environment.

SECTION 8: SUPPLY CHAIN MANAGEMENT AND BLACK ECONOMIC EMPOWERMENT

The company has adopted Supply Chain Management systems in compliance with the provisions of the MFMA and the National Treasury: Municipal Supply Chain Management Regulations, 2005. An SCM unit comprising of the CFO and the Procurement Officer was established which monitors the implementation of the company's SCM policies in line with the regulations which seeks to modernize financial governance and improve accountability and transparency in the entity's processes. The company is in the process of recruiting a Supply Chain Manager. The entity's SCM policies provide for the exclusion of awards to persons

in the service of the state subject to the exemptions and regulations issued by National Treasury from time to time.

The company has implemented the three –stage bidding processes with separate Bid Specification, Bid Evaluation and Bid Adjudication committees having been set out.

The Board has ensured that the procurement policy embraces the objectives of broad-based Black Economic Empowerment and the Chief Executive Officer, as the Accounting Officer of the Company, was tasked as the custodian for effective implementation. The Capital projects implemented during this period served as valuable foundations for ensuring community participation in our BEE programmes. This pace will be enhanced and the Company will continue to be sensitive to the financial constraints facing emerging black businesses.

No unsolicited bids were made by the company.

The table below reflects both capital and operation expenditure in terms of black economic empowerment.

BEE SCORE

BEE Figures as at 30 June 2010:-

Capex	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Actual Expenditure on Capex	24,321,760	52,637,631	13,652,419	36,443,553	127,055,362
Actual spent on BEE	23,053,715	46,908,553	13,203,510	33,634,143	116,799,921
% Spent on BEE	95%	89%	97%	92%	92%
Opex					
Actual Expenditure on Opex	10,587,159	12,814,781	14,875,442	20,506,326	58,783,708
Actual spent on BEE	9,158,014	7,743,931	8,055,077	13,556,775	38,513,797
% Spent on BEE	87%	60%	54%	66%	66%
Total Spent Overall	34,908,919	65,452,411	28,527,862	56,949,879	185,839,070
Actual spent on BEE	32,211,728	54,652,484	21,258,587	47,190,919	155,313,718
% Spent on BEE	92%	83%	75%	83%	84%

The procurement requirements of the institution are being complied with and are in accordance with the approved Supply Chain Management Policy. The tenders issued were in line with the Preferential Procurement Framework and the MFMA. Management was able to extract statistics relating to the BEE purchases.

NOTE: [Due to the lack of the monitoring capacity it would require the entity cannot quantify the number and value of awards made to spouses, children or parent of persons in the service of the state or have been in the service of the state in the previous twelve months as required by Regulation 45 of the Local Government: Supply Chain Management Regulations, 2005.]

CHAPTER SIX: FUNCTIONAL AREA SERVICE DELIVERY REPORTING
PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2010

BALANCE SCORECARD WITH KEY PERFORMANCE AREAS AND INDICATORS

Five-Year Strategic Objective	Five-Year IDP Programmes and Key Programme achievement	2009/10 Delivery Agenda	Key Performance Area	Key Performance Indicator	Baseline	Total Target 2009/10	Quarterly Targets and Actual 2009/2010							
							Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual
Introduce the Sustainable Human Settlements approach to all new housing developments	Sustainable human settlements programmes (Housing component)	Details in Business Plan	Development of Housing	Number of new units built (green/brown/in st)	268	261	0	0	0	162	0	0	261	81
Introduce the Sustainable Human Settlements approach to all new housing developments	Sustainable human settlements programmes (Housing component)	Details in Business Plan		Number of new units built (Special Projects – Project Linked)	1484 ¹	61 ²	0	61	61	0	0	0	0	0
Through a hostel upgrading programme that is sensitive to issues of affordability and quality living environments upgrade 5000 units.	Hostels conversion programme	Details in Business Plan		Number of hostel unit re-developments completed	126	213 ³	0	0	56	111	24	0	133	102

Structure partnerships with stakeholders to promote an inner city and older centers residential accommodation programme.	Inner-city and older centers residential Upgrade Programme	Details in Business Plan		Number of inner city unit refurbishments completed	262	50 ⁴	0	0	0	50	0	0	50	0
Promote good management				Public housing stock units Refurbishment	722	261 ⁵	0	0	0	182	36	0	225	79
Quarterly Targets and Actual 2009/2010														
Five-Year Strategic Objective	Five-Year IDP Programmes and Key Programme achievement	2009/10 Delivery Agenda	Key Performance Area	Key Performance Indicator	Baseline	Total Target 2009/10	Qtr 1 Target	Qtr 1 Actual	Qtr 2 Target	Qtr 2 Actual	Qtr 3 Target	Qtr 3 Actual	Qtr 4 Target	Qtr 4 Actual
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Introduce the Sustainable Human Settlements approach to all new housing developments	Management of Housing	Number of units procured and under management X	7613	8316	7979	7871	8119	8011	8155	8119	8316	8304
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		Number of allocations administered (leases signed)	1668	643	306	101	140	237	36	186	161	218
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		% of planned maintenance programme implemented X	90	100	0	0	40	0	60	0	100	100

Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		% of customer complaint case-files closed	99.6	90	90	97	90	98	90	92	90	94
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		Number of illegal occupants regularized as a % of total illegal RSA unit residents X	25	30	0	0	15	23	15	32	30	63

X = cumulative

Five-Year Strategic Objective	Five-Year IDP Programmes and Key Programme achievement	2009/10 Delivery Agenda	Key Performance Area	Key Performance Indicator	Baseline	Total Target 2009/10	Quarterly Targets and actual 2009/2010							
							Qtr 1 Target	Qtr 1 Actual	Qtr 2 Target	Qtr 2 Actual	Qtr 3 Target	Qtr 3 Actual	Qtr 4 Target	Qtr 4 Actual
Promote good management and maintenance of City housing stock and associated infrastructure.	Effective financial sustainability of the city is promoted by JOSHCO turning around the performance of the city's rental housing stock portfolio		Collection of Housing Revenue	Number of contracts loaded on database for billing purposes	1688	643 ¹	306	101	140	237	36	186	161	218
Promote good management and maintenance of City housing stock and associated infrastructure.	Effective financial sustainability of the city is promoted by JOSHCO turning around the performance of the city's rental housing stock portfolio			Housing revenue collected as % of amount billed	84	80	75	76	77	83	78	80	80	85
Settlement restructuring	Restore order and liveability in council estates			% recovered on default accounts handed over	New	50	50	40	50	**	50	23.39	50	4.94
Promote good management and maintenance of City housing stock and associated infrastructure	Effective financial sustainability of the city is promoted by JOSHCO turning around the performance of the city's rental housing stock portfolio			% rent defaulter evicted	1	2	0	0	0	1	1	0	1	0

Five-Year Strategic Objective	Five-Year IDP Programme and Key Programme achievement	2009/10 Delivery Agenda	Key Performance Area	Key Performance Indicator	Baseline	Total Target 2009/10	Quarterly Targets and actual 2009/2010							
							Qtr 1 Target	Qtr 1 Actual	Qtr 2 Target	Qtr 2 Actual	Qtr 3 Target	Qtr 3 Actual	Qtr 4 Target	Qtr 4 Actual
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan	Effective Financial Management	% Variance against ME's operating budget	-1	0-5	60	-35	40	-26	20	13.8	0-5	6.9
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		% of ME's capital budget spent	92	100	10	27.5	30	56	70	72.5	100	99.8
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		Fully SA GAAP compliant register of assets	100	100	100	100	100	100	100	100	100	100
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		Reconciliation of Intercompany balances with the CoJ	100	100	100	100	100	100	100	100	100	100

Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		Reconciliation of Intra company balances with other ME's	100	100	100	100	92	100	58.33	100
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		% Attainment of clean audit report in previous year	100	0	100	100	100	100	100	100
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		Procurement spent on BEE and SME as a percentage of total procurement	75	75	92	75	87	75	84	92
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan	Achievement of Corporate Governance Standards	Risk management reviews performed	2	2	-	-	1	1	1	1

Five-Year Strategic Objective	Five-Year IDP Programmes and Key Programme achievement	2009/10 Delivery Agenda	Key Performance Area	Key Performance Indicator	Baseline	Total Target 2009/10	Qtr 1 Target	Qtr 1 Actual	Qtr 2 Target	Qtr 2 Actual	Qtr 3 Target	Qtr 3 Actual	Qtr 4 Target	Qtr 4 Actual
Promote good management and maintenance of City housing stock and associated infrastructure.	City public housing stock upgrade and transfer programme	Details in Business Plan		% compliance with corporate governance protocols	100	100	100	100	100	100	100	100	100	100

Quarterly Targets and actual 2009/2010														
Five-Year Strategic Objective	Five-Year IDP Programmes and Key Programme achievement	2009/10 Delivery Agenda	Key Performance Area	Key Performance Indicator	Baseline	Total Target 2009/10	Qtr 1 Target	Qtr 1 Actual	Qtr 2 Target	Qtr 2 Actual	Qtr 3 Target	Qtr 3 Actual	Qtr 4 Target	Qtr 4 Actual
Promote good management and maintenance of City housing stock and associated infrastructure	City public housing stock upgrade and transfer programme	Details in Business Plan	Management of Human Resources	% compliance with Skills Development Plan	100	100	-	100	50	100	80	100	100	100
Promote good management and maintenance of City housing stock and associated infrastructure	City public housing stock upgrade and transfer programme	Details in Business Plan		% compliance with EE Plan	78	70	67	78	67	74	70	77.8	70	77.78
Promote good management and	City public housing stock upgrade and transfer programme	Details in Business Plan		% compliance with HIV/AIDS programme	100	100	20	20	60					

CHAPTER SEVEN: AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

SECTION 1: REPORT OF THE AUDIT COMMITTEE

Report of the Audit Committee required by Treasury Regulations 27.1.7 and 27.1.10 (b) and (c) issued in terms of the Municipal Finance Management Act 1, as amended

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. During the period the Audit Committee met on seven occasions, and appropriate feedback was provided to the Board on matters that fell within the mandate of the Audit Committee.

The Audit Committee met 07 times for the period 01 July 2009 to 30 June 2010. Three ordinary meetings were held, one each quarter and four special meetings throughout the financial year.

	CHAIRPERSON	DESIGNATION	CONSTITUENCY
1	Krishna Govender	Chairperson	Independent Member
2	Errol Tait	Member	Independent Member
3	Ayanda Kanana	Member	Independent Member
4	Cleopas Sanangura	(Chairperson, retired January 2010)	Independent Member
5	Moope Mphahlele	Member	Non-executive Director
6	Yaswant Gordhan	Member	Non-executive Director

Audit Committee Responsibility

The Audit Committee reports that it has adopted appropriate formal terms of reference as its Audit Committee charter, and has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, which include the following:

- Financial Reporting and Reliability of Financial Information;
- Business Planning and Budget Implementation
- In liaison with and assist the Risk Committee to identify financial, business and operational risk areas of the company to be covered in the scope of internal and external Audits.
- Ensure that the Accounting Officer of the company has put in place appropriate internal control systems Monitor and review the effectiveness of the internal Audit function
- Oversee the relationship of the company with the Auditor-General;
- Review the consistency of, and any changes to, the accounting policies of the company both on a year-on-year basis and across the company and the City of Johannesburg;

- g) review the company's arrangements for its employees to raise concerns, in absolute confidence and confidentiality, about possible wrongdoing or improprieties in financial reporting and other matters;
- h) Monitor and review the performance information provided by the company against the approved business plan, the City's Integrated Development Plan and the Growth and Development Strategy and provide to the Board of Directors an authoritative and credible view of the performance of the company.

Internal Control and Risk Management

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. 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 adequate and effective to mitigate the risks applicable to JOSHCO. The parent municipality has adopted King III and further guidance is being obtained to ensure compliance. 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. In order to enhance the risk management process JOSHCO has a Risk Management Committee in place.

The Audit Committee is of the opinion, based on the information and explanations given by management and the internal auditors and discussions with the independent external auditors on the results of their audits, that the internal accounting controls are operating to ensure that the financial records may be relied upon for preparing the annual financial statements, and accountability for assets and liabilities is maintained.

The breakdown in the internal controls over electronic fund transfers which occurred in the prior year, wherein the entity incurred financial losses, was repaired in that the monies were recovered in the current financial year, details of which are disclosed in note 45 of the audited financial statements.

The going concern of the business is dependent on funding from the parent company. However, management is working towards making JOSHCO a self sustaining business.

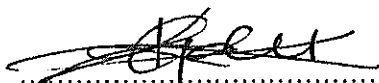
For the period under review the Audit Committee is satisfied that it has carried out the mandate in accordance with its charter, good governance principles and the requirements of the Municipal Finance Management Act.

We can report that the key systems of internal controls for the period under review were adequate and operating moderately except for the area of concern raised above. This point is necessary to make readers aware of the corrective action taken so please include it.

Evaluation of Annual Financial Statements

Following our review of the Annual Financial Statements for the year ended 30 June 2010, we are of the opinion that they comply in all material respects with the relevant provisions of the Municipal Finance Management Act, as amended, South African Statements of Generally Recognized Accounting Practice, IFRS, including any interpretations of such statements where no GRAP standards exist. We therefore recommend that the financial statements submitted be approved.

The Audit Committee concurs with members of the Board that the adoption of the going concern assertion in the preparation of the annual financial statements is appropriate.



K GOVENDER
AUDIT COMMITTEE CHAIRPERSON
22 NOVEMBER 2010
JOHANNESBURG

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SECTION 2: AUDITOR-GENERAL'S REPORT

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND COUNCIL ON JOHANNESBURG SOCIAL HOUSING COMPANY (PTY) LTD

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying consolidated financial statements of the Johannesburg Social Housing Company (Pty) Ltd, which comprise the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out in the financials.

Accounting Officer's responsibility for the consolidated financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), and the Companies Act of South Africa, 1973 (Act No. 61 of 1973). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004)(PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Johannesburg Social Housing Company (Pty) Ltd as at 30 June 2010, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), and the Companies Act of South Africa, 1973 (Act No. 61 of 1973).

Emphasis of matter

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

Unauthorised expenditure

9. As disclosed in note 48 to the financial statements, the entity incurred unauthorised expenditure amounting to R4 242 501 due to utility charges, security costs and bad debts that exceeded the operating budget.

Restatement of corresponding figures

10. As disclosed in note 44 to the financial statements, the corresponding figures for 30 June 2009 financial year was restated as a result of errors discovered during the current year.

Leasing of rental stock

11. As disclosed in note 2 to the financial statements, the substance of the service delivery agreement between Johannesburg Social Housing Company (Pty) Ltd and the City of Johannesburg Metropolitan Municipality is that of an operating lease; however a formal lease agreement was not in place.

Additional matters

12. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

13. The supplementary budget information does not form part of the financial statements and is presented as additional information. Accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

14. As required by the PAA of South Africa and in terms of *General Notice 1570 of 2009*, issued in *Government Gazette No. 32758 of 27 November 2009* I include below my findings on the report on predetermined objectives, compliance with the MFMA and the Companies Act, 1973 (Act No. 61 of 1973) and financial management internal control.

Predetermined objectives

15. There were no material findings on the report on predetermined objectives.

Compliance with laws and regulations

Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

Companies Act, 1973 (Act No. 61 of 1973)

16. There were no material findings concerning noncompliance with the key laws and regulations listed above.

INTERNAL CONTROL

17. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), but not for the purposes of expressing an opinion on the effectiveness of internal control.
18. The matters reported below are limited to the significant deficiencies regarding the basis for the opinion paragraph, the findings on the report on predetermined objectives and the findings on compliance with laws and regulations. There were no material findings to report with regard to the aforementioned.

Auditor-General
Johannesburg

29 November 2010



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

SECTION 3: STATEMENT BY COMPANY SECRETARY

DECLARATION BY THE COMPANY SECRETARY FOR THE YEAR ENDED 30 JUNE 2010

JOSHCO has complied with all statutory and regulatory requirements in accordance with the Companies Act, MFMA, Treasury Regulations and the relevant applicable legislation. In terms of section 268G (d) of the Companies Act, as amended, I hereby confirm that the Company has lodged with the Registrar of Companies all such returns as are required of a private company in terms of this Act and that all such returns are true, correct and up to date.

The company secretary acts as an adviser to the board and plays a pivotal role in ensuring compliance with procedures and applicable statutes and regulations. The activities in which the company secretary engages includes, inter alia:

- induction of new directors;
- assisting with other strategic issues of an administrative nature;
- guiding the board and managers in the proper discharge of their responsibilities; and
- Acting as a central source of guidance on matters of ethics and governance.

All directors may liaise with the company secretary on agenda items for board meetings. Where appropriate, the directors may also consult with independent professionals and advisers.

The company secretary is furthermore responsible for the functions specified in section 268(G) of the Companies Act No 61 of 1973, as amended (the Act). All meetings of board sub-committees are properly recorded as per the requirements of section 242 of the Act.

SECTION 4: ANNUAL FINANCIAL STATEMENTS

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SECTION 4: ANNUAL FINANCIAL STATEMENTS



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

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 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.
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	
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

JOHANNESBURG SOCIAL HOUSING COMPANY (PTY) LTD

(Registration number 2003/008063/07)

Consolidated Annual Financial Statements for the year ended 30 June 2010

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

JOHANNESBURG SOCIAL HOUSING COMPANY (PTY) LTD

(Registration number 2003/008063/07)

Consolidated Annual Financial Statements for the year ended 30 June 2010

Index

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

JOHANNESBURG SOCIAL HOUSING COMPANY (PTY) LTD

(Registration number 2003/008063/07)

Consolidated Annual Financial Statements for the year ended 30 June 2010

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.

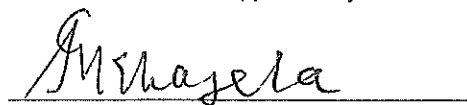
The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal 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:



Mr I Mkhabela (Non Executive, Chairman)

22 November 2010



Mr R Gallocher (Chief Executive Officer)

22 November 2010

JOHANNESBURG SOCIAL HOUSING COMPANY (PTY) LTD

(Registration number 2003/008063/07)

Consolidated Annual Financial Statements for the year ended 30 June 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 therefrom. 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.

JOHANNESBURG SOCIAL HOUSING COMPANY (PTY) LTD

(Registration number 2003/008063/07)

Consolidated Annual Financial Statements for the year ended 30 June 2010

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: _____

JOHANNESBURG SOCIAL HOUSING COMPANY (PTY) LTD

(Registration number 2003/008063/07)

Consolidated Annual Financial Statements for the year ended 30 June 2010

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 going concern.

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to 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 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)

Joshco 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.

JOHANNESBURG SOCIAL HOUSING COMPANY (PTY) LTD

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Consolidated Annual Financial Statements for the year ended 30 June 2010

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 2009 year 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

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Consolidated Annual Financial Statements for the year ended 30 June 2010

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

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Directors' Report

12. DIRECTORS' AND EXECUTIVE MANAGERS' EMOLUMENTS

	Salary or Fee	Bonuses and performance related payments	Retireme nt Fund contribut ions	Medical contribut ions	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 Booyesen	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	771 879
Ms C Holmes	645 352	61 255	-	-	98 983	805 590	408 589
Ms M Hlaba	339 954	36 815	-	-	107 633	484 402	836 213
Mr S Ndumndum	585 825	66 467	86 455	-	134 065	872 812	373 451
Ms G Mkhize	356 760	33 595	-	-	133 329	523 684	640 386
Mr G Randall	421 569	60 664	-	18 468	132 085	632 786	200 980
Ms S Shongwe	-	-	-	-	-	-	-
	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

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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.

JOHANNESBURG SOCIAL HOUSING COMPANY (PTY) LTD

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Consolidated Annual Financial Statements for the year ended 30 June 2010

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

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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

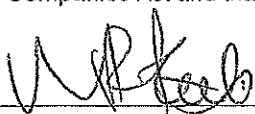
Bank	ABSA Bank Limited
Phone number	(011) 641 5516
	(011) 641 5550/40/45

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

JOHANNESBURG SOCIAL HOUSING COMPANY (PTY) LTD

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Consolidated Annual Financial Statements for the year ended 30 June 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	489 947
Cash and cash equivalents	10	1 119	1 948 391
		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	31 325 731
Deferred tax	15	3 168 046	1 864 285
		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	388 111
Finance lease obligation	17	113 808	107 220
Operating lease liability	6	-	50 324
Trade and other payables	18	44 915 582	58 576 611
Deferred income	19	913 993	913 993
Bank overdraft	10	126	-
		68 616 779	101 758 307
Non-Current Liabilities			
DBSA loan	16	19 010 559	19 553 718
Finance lease obligation	17	147 707	163 311
Deferred income	19	52 255 207	47 993 842
Conditional grant - Val Der Marne	20	-	1 778 807
		71 413 473	69 489 678
Total Liabilities		140 030 252	171 247 985
Net Assets		1 848 188	3 547 307
NET ASSETS			
Share capital	22	120	120
Accumulated surplus		1 848 068	3 547 187
Total Net Assets		1 848 188	3 547 307

JOHANNESBURG SOCIAL HOUSING COMPANY (PTY) LTD

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Consolidated Annual Financial Statements for the year ended 30 June 2010

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

JOHANNESBURG SOCIAL HOUSING COMPANY (PTY) LTD

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Consolidated Annual Financial Statements for the year ended 30 June 2010

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

JOHANNESBURG SOCIAL HOUSING COMPANY (PTY) LTD

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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
		<u>125 467 680</u>	<u>62 666 664</u>
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)
		<u>(66 511 346)</u>	<u>(33 387 088)</u>
Net cash flows from operating activities	35	<u>58 956 334</u>	<u>29 279 576</u>
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	667 740
Net cash flows from investing activities		<u>(577 907)</u>	<u>(18 042 486)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from DBSA loan		-	19 553 710
Repayment of DBSA loan		-	-
Movement in conditional grant - Val Der Mame		(1 778 807)	-
Repayment of shareholders loan		(58 503 323)	(28 791 600)
Finance lease payments		(43 701)	(60 500)
Net cash flows from financing activities		<u>(60 325 831)</u>	<u>(9 298 500)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(1 947 404)</u>	<u>1 938 500</u>
Cash and cash equivalents at the beginning of the year		1 948 397	9 800
Cash and cash equivalents at the end of the year	10	<u>993</u>	<u>1 948 300</u>

JOHANNESBURG SOCIAL HOUSING COMPANY (PTY) LTD

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Consolidated Annual Financial Statements for the year ended 30 June 2010

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

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Consolidated Annual Financial Statements for the year ended 30 June 2010

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

JOHANNESBURG SOCIAL HOUSING COMPANY (PTY) LTD

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Consolidated Annual Financial Statements for the year ended 30 June 2010

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

JOHANNESBURG SOCIAL HOUSING COMPANY (PTY) LTD

(Registration number 2003/008063/07)

Consolidated Annual Financial Statements for the year ended 30 June 2010

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 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 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 adjusts 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, its 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.

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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.

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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.

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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 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 take the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferre

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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.

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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.

JOHANNESBURG SOCIAL HOUSING COMPANY (PTY) LTD

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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.

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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, whichever 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.

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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.

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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).

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Notes to the Consolidated Annual Financial Statements

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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

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 88
Adjustment	-	11 242 28
	-	134 504 16

Current tax receivable

Previously stated	-	404 01
Adjustment	-	(908 21)
	-	(504 19)

Deferred income

Previously stated	-	332 334 06
Adjustment	-	(284 340 2)
	-	47 993 8

Accumulated surplus

Previously stated	-	4 590 1
Adjustment	-	(1 042 9)
	-	3 547 1

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2. CHANGES IN ACCOUNTING POLICY (continued)

Statement of financial performance

Taxation

Previously stated

- 267 01

Adjustment

- (628 61)

- (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 46

Taxes paid

Previously stated

- (743 11)

Adjustment

- 958 69

- 215 581

Cash flow from investing activities

Purchase of property, plant and equipment

Previously stated

- (53 076 82)

Adjustment

- 52 585 74

- (491 083)

Cash flow from financing activities

3. INVENTORIES

Consumable stores

180 588

157 40

Electricity vouchers

591

59

181 179

157 99

Carrying value of inventories carried at fair value less costs to sell

181 179

157 99

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 25

Fellow group companies

City Housing Company (PTY) LTD

692 969

392 95

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.

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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.

Current assets	692 969	1 987 207
Current liabilities	(4 100)	-
	<u>688 869</u>	<u>1 987 207</u>

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

Controlling entity	(4 100)	-
Fellow controlled entities	692 969	1 987 207
	<u>688 869</u>	<u>1 987 207</u>

Fair value of loans to and from group companies

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:

3 months past due	<u>692 969</u>	<u>392 952</u>
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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:

Over 6 months	<u>1 948 549</u>	<u>1 648 536</u>
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	2010	2009
4. LOANS TO/FROM GROUP COMPANIES (continued)		
Reconciliation of unimpaired portion of loans to group companies		
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		
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.		
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		
Salaries	20 784 261	4 909 761
Bellavista	53 283	47 444
Kliptown	458 936	165 656
Insurance	401 575	
	21 698 055	5 122 855
Fair value of loans to and from parent municipality		
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.		

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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	-
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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
	<u>38 479 438</u>	<u>(36 599 084)</u>

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 32)
	<u>414</u>	<u>(50 32)</u>

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 1
Security deposits	63 918	63 9
Sundry debtors	4 177 915	1 734 6
Prepaid expenses	352 176	23 0
Project debtors	54 019 981	126 840 1
Related party debtors	4 472 915	3 240 *
	<u>64 329 329</u>	<u>134 504 *</u>

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.

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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 45

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 34

Over 4 months

8 149 332

3 292 95

Reconciliation of provision for impairment of trade and other receivables

Opening balance

5 884 333

1 463 73

Provision for impairment

6 388 713

3 526 553

Amounts written off as uncollectible

64 597

245 47

Provision for impairment - Other Receivable

340 362

648 57

12 678 005

5 884 333

8. VAT RECEIVABLE

VAT

384 691

489 94

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.

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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:		
Cash on hand	1 119	5 473
Bank balances	-	1 942 924
Bank overdraft	(126)	-
	<u>993</u>	<u>1 948 397</u>
Current assets	1 119	1 948 397
Current liabilities	(126)	-
	<u>993</u>	<u>1 948 397</u>

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	<u>(126)</u>	<u>1 942 924</u>	<u>-</u>	<u>(126)</u>	<u>1 942 924</u>	<u>-</u>

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	<u>6 546 876</u>	<u>(3 175 310)</u>	<u>3 371 566</u>	<u>4 759 872</u>	<u>(2 516 475)</u>	<u>2 243 397</u>

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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

- Capitalised expenditure

160 000

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.

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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).

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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
	<u>104 543 516</u>	<u>104 543 516</u>

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
	<u>134 012 191</u>	<u>134 012 191</u>

15. DEFERRED TAX

Deferred tax asset

Deferred tax asset

3 168 046

1 864 283

Deferred tax asset

At beginning of the year	1 864 283	1 100 141
Originating temporary difference on tangible fixed assets	(11 538)	(111 700)
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	(6 400)
Fair value and amortized cost adjustment	(60 068)	(92 292)
Other movements	(1 068)	(3 477)
	<u>3 168 046</u>	<u>1 864 283</u>

Deferred Tax Summary

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

Development Bank of Southern Africa

19 010 559

19 553 718

Current portion of long term liabilities

Development Bank of Southern Africa

543 159

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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 9
Payments received in advance	1 507 955	1 506 2
Accrued leave pay	994 627	846 6
Accrued Performance Bonus	-	107 9
Accrued Bonus	729 404	614 3
Accrued Finance Costs	414 378	414 3
Accrued Directors Remuneration	236 408	233 4
Consumer Deposit Received	4 386 276	2 521 8
Related party creditor	2 713 879	574 8
	44 915 582	58 576 6

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18. TRADE AND OTHER PAYABLES (continued)

Fair value of trade and other payables

Trade payables and other payables

44 947 247

58 162 27

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

19. DEFERRED INCOME

Unspent conditional grants and receipts comprises of:

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

Subtotal

53 169 200

48 907 80

53 169 200

48 907 805

Movement during the year

Balance at the beginning of the year

48 907 806

15 548 486

Additions during the year

5 175 387

34 273 31

Income recognition and other adjustments during the year

(913 993)

(913 993)

53 169 200

48 907 805

Non-current liabilities

52 255 207

47 993 812

Current liabilities

913 993

913 993

53 169 200

48 907 80

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

Balance at beginning of the year

2010

1,778,807

2009

1,778,807

Conditions met - transfer to revenue

(1, 778,807)

-

Balance at the end of the year

-

1,778,807

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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

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

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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	15 548 480
Current year receipts	-	15 527 280
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	51 583 670
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.

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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	3 739 296
Consumables	208 175	259 456
Debt collection	51 326	99 074
Entertainment	98 005	108 928
Equipment hire	122 490	103 422
Insurance	522 811	307 937
Community development and training	187 943	192 811
Conferences and seminars	173 618	250 711
Lease rentals on operating lease	1 083 181	687 641
Marketing	477 987	494 000
Placement fees	246 768	
Postage and courier	97 558	133 451
Printing and stationery	206 310	295 821
Protective clothing	2 362	3 961
Royalties and license fees	121 375	123 861
Security (Guarding of municipal property)	6 069 480	3 870 811
Subscriptions and membership fees	49 821	36 011
Telephone and fax	1 197 248	850 911
Training	134 579	271 311
Travel - local	79 324	162 711
Travel - overseas	-	63 511
Electricity	3 463 386	4 108 511
Gas	1 112 140	
Water	3 050 513	10 911
Refuse	470 696	
Audit committee fees	142 074	133 611
Billing charges	795	
Fair value adjustments (expenses)	(115 412)	(253 411)
	30 141 954	19 553 211

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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 30
Bonus	1 067 258	1 138 09
Travel, motor car, accommodation, subsistence and other allowances	1 575 951	1 631 018
Less: Employee costs included in other expenses	738 489	661 56
UIF	74 608	63 86
SDL	137 592	112 97
Leave pay provision charge	148 009	167 926
Pension costs	960 313	685 047
Leave pay	4 674	6 97
Acting allowances	94 728	72 033
PAYE - CFO Pension	31 792	1 478
	18 513 648	15 366 95

28. DEBT IMPAIRMENT

Contributions to bad-debt provision	6 729 075	4 416 693
Bad debts written off	64 597	245 47
	6 793 672	4 662 17

29. INVESTMENT REVENUE

Interest revenue		
Bank	3 419 045	398 293
Interest earned - outstanding debtors	561 284	179 07
	3 980 329	577 37

30. DEPRECIATION AND AMORTISATION

Property, plant and equipment	658 830	957 783
Intangible assets	55 262	116 596
	714 092	1 074 38

31. FINANCE COSTS

Finance leases	34 644	37 9
Fair value adjustments on payables	(140 041)	304 80
Interest paid - DBSA Loan	2 007 820	1 049 66
	1 902 423	1 392 46

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32. TAXATION		
Major components of the tax (income) expense		
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		
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)	(255 916)
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

Contracted services - projects	384 582	802 995
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35. CASH GENERATED FROM OPERATIONS

(Deficit) surplus Adjustments	(1 699 112)	1 548 357
for: Depreciation and amortization	714 092	1 074 37
Gain on sale of assets and liabilities	-	8 89
Income from equity accounted investments	364 187	192 108
Finance costs - Finance leases	34 644	37 975
Debt impairment	6 793 672	4 662 17
Movements in operating lease assets and accruals	(50 738)	8 46
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 61)
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 93
VAT	105 257	(662 44)
Deferred income	4 261 395	33 359 319
	58 956 334	29 279 57

36. TAX PAID

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:

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	
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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)

Minimum lease payments due

- within one year	11 100	845 200
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Operating lease payments represent rentals payable by the company for its Head office premises. Leases are negotiated for an average term of three years and rentals are fixed for one year and subject to escalation clauses. No contingent rent is payable.

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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

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39. RELATED PARTIES

Relationships

Parent Municipality

Other members of the group

The City of Johannesburg Metropolitan Municipality
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
Refer to note 13
Joshco JM/JV

Joint ventures

Related party balances

Amounts included in Loans,

Trade and other receivables regarding related parties

City of Johannesburg Metropolitan Municipality
Johannesburg Metropolitan Bus Services (Pty) Ltd
Pikitup Johannesburg (Pty) Ltd
City Power Johannesburg (Pty) Ltd
Johannesburg Water (Pty) Ltd
The Johannesburg Zoo
Johannesburg City Parks
Johannesburg Roads Agency (Pty) Ltd
The Johannesburg Fresh Produce Market (Pty) Ltd
FMMU
Egoli Gas

2 030 852	-
80 718	39 600
249 479	1 104 790
208 292	241 381
132 952	199 051
60 111	12 050
253 738	250 910
1 432 782	1 336 617
9 332	8 018
-	35 740
10 010	11 920
<u>4 468 266</u>	<u>3 240 106</u>

Amounts included in Loans,

Trade and other payables regarding related parties

City of Johannesburg Metropolitan Municipality

21 670 500	41 721 939
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Related party transactions

Administration fees paid to (received from) related parties

City of Johannesburg Metropolitan Municipality

11 794 000	15 132 000
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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.

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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:

Statement of financial position

Accumulated surplus	(744 642)	(21 191)
Property, plant and equipment	(144 741 343)	23 900
Accumulated depreciation	-	(27 621)
Project debtors	11 732 231	-
Deferred tax assets	-	5 521
Finance lease obligation	-	(10 411)
Investment property	(151 331 162)	-
Deferred income	284 340 274	-
Trade & other payables	(414 378)	6 721
Taxation expense	116 026	-
	(1 042 994)	(23 031)

Statement of financial performance

Depreciation	(4 590 461)	31 761
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	-	(3 211)
	1 042 994	23 031

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.

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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 terms of approved policy and credit terms. No changes occurred in the management of these risks from the previous 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 the refinancing of existing borrowings are positioned according to expected movements in interest rates.

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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 11

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

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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**

Current year fees	733 484	939 8
Amount paid - current year	(505 682)	(939 8)
	<u>227 802</u>	

The amount outstanding is included in trade and other payables.

UIF

Current year	106 400	63 8
Amount paid - current year	(106 400)	(63 8)
	<u>-</u>	

Pension and Medical Aid Deductions

Current year contributions	960 313	685
Amount paid - current year	(960 313)	(685)
	<u>-</u>	

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

VAT

VAT receivable

384 691

489 940

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

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)	-	-	

