



JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd
(Registration number 2003/008063/07)
Annual Financial Statements
for the year ended 30 June 2012

JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

(Registration number 2003/008063/07)

Annual Financial Statements for the year ended 30 June 2012

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
LEGAL FORM OF ENTITY	SOC Limited
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	JOSHCO is appointed as the preferred implementing agent for social and institutional housing developments in the City of Johannesburg and to: a) Manage 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.
CHIEF FINANCE OFFICER (CFO)	Mr Vernon Naidoo
DIRECTORS	Ms Z Jacobs (Chairperson) Mr Y Gordhan Ms N Tshabalala Ms G Sengoara Mr M Mphahlele Mr L Mathhabe Ms T Sethaelo Mr I Makopo Mr E Maphatsoe
REGISTERED OFFICE	137 Sivewright Avenue New Doornfontein 2094
BUSINESS ADDRESS	1st Floor 137 Sivewright Avenue 2094
POSTAL ADDRESS	P O Box 16021 New Doornfontein 2028
PARENT MUNICIPALITY	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
BANKERS	ABSA Bank Limited (011) 641 5516 or (011) 641 5550
AUDITORS	the Auditor General South Africa (AGSA) Registered Auditors
COMPANY SECRETARY	Ms Celiwe Nkosi
COMPANY REGISTRATION NUMBER	2003/008063/07
PREPARER OF FINANCIAL STATEMENTS	These financial statements were internally prepared by the Accountant and reviewed by the CFO.
AUDIT OF FINANCIAL STATEMENTS	These financial statements have been audited in compliance with the applicable requirements of the Companies Act, 2008 and the MFMA, Act 56 of 2003.

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Directors' Responsibilities and Approval

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

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

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The directors have reviewed the company's cash flow forecast for the year ending 30 June 2013 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operation for the foreseeable future.

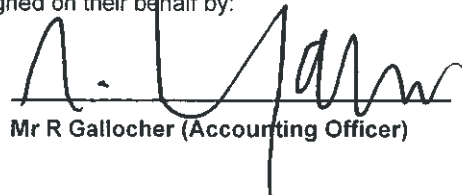
The entity is dependent on the City of Johannesburg Metropolitan Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the company is a going concern and that the City of Johannesburg Metropolitan Municipality has neither the intention nor the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

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

The annual financial statement set out on pages 13 to 48, which have been prepared on the going concern basis, were approved by the directors on 31 August 2012 and were signed on their behalf by:



Ms Z Jacobs (Chairperson)



Mr R Gallocher (Accounting Officer)

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Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2012.

Audit committee members and attendance

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

NAME OF AUDIT COMMITTEE MEMBER	MEMBERSHIP	MEETINGS ATTENDED
TOTAL NUMBER OF MEETINGS		6
K Govender (retired on 24 April 2012)	Independent	6
E Tait	Independent	6
A Kanana	Independent	6
Y Gordhan	Non-Executive	6
M Mphahlele	Non-Executive	6
K Mdutshane (appointed on 24 April 12)	Independent	0

Audit Committee responsibility

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

The effectiveness of internal control and risk management

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

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

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

Evaluation of annual financial statements

We have:

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

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Audit Committee Report

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

Internal audit

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

Auditor-General South Africa

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



Chairperson of the Audit Committee

Date: 29.11.2012

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Directors' Report

The directors submit their report for the year ended 30 June 2012.

1. INCORPORATION

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

2. REVIEW OF ACTIVITIES

Main business and operations

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

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

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

The company operates in South Africa.

During the year ended 30 June 2012 there were no major changes in the activities of the business. The financial position of the company shows a net asset position of R13 629 811 (2011: R8 070 197). The net surplus of the entity was R5 559 614 (2011: R6 222 009), after taxation of R383 265 (2011: R963 327).

3. GOING-CONCERN

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

The annual financial statements have been prepared on the basis of accounting policies applicable to a going-concern. The basis presumes that funds will be available to finance future operations and that the realisation 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 2012, the company had an accumulated surplus of R13 629 691 (2011: R8 070 077); and that the company's current assets exceed its current liabilities by R26 315 840 (2011: R23 253 827).

4. SUBSEQUENT EVENTS

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

5. DIRECTORS' PERSONAL FINANCIAL INTERESTS

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

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Directors' Report

6. ACCOUNTING POLICIES

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

7. SHARE CAPITAL

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

8. BORROWING LIMITATIONS

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

9. CHANGES TO ASSETS AND LIABILITIES

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

10. DIRECTORS

As per resolution at the AGM on the 24th April 2012, the sole shareholder, the City of Johannesburg Metropolitan Municipality, resolved that the directors would be represented as follows:

<i>Initial and Surname</i>	<i>Membership</i>	<i>Effective Date</i>
Ms Z Jacobs (Chairperson)	Non-Executive	24 April 2012
Mr Y Gordhan	Non-Executive	No change
Ms N Tshabalala	Non-Executive	No change
Ms G Sengoara	Non-Executive	No change
Mr M Mphahlele	Non-Executive	No change
Mr L Matlhape	Non-Executive	24 April 2012
Ms T Sethaeolo	Non-Executive	24 April 2012
Mr I Makopo	Non-Executive	24 April 2012
Mr E Maphatsoe	Non-Executive	24 April 2012
Mr R Gallocher	Executive	No change

The following members were retired in terms of the abovementioned resolution on the 24 April 2012:

Mr I Mkhabela (ex-Chairperson)	Non-executive
Ms F P Segole	Non-executive
Mr P G Jackson	Non-executive
Mr V A Booyesen	Non-executive
Ms L Mashamaite	Non-executive

11. COMPANY SECRETARY

The secretary of the company is Ms Celiwe Nkosi.

12. CHANGE IN MANAGEMENT

During the financial year, Ms S Makumbirofa resigned as the Chief Financial Officer (CFO) in August 2011. On the 22nd November 2011, the position was temporarily filled by Mr V Naidoo acting as the CFO. This position has subsequently been filled and Mr V Naidoo has been appointed on a 5 year fixed-term contract that commenced on the 1st July 2012.

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Directors' Report

13. CORPORATE GOVERNANCE

General

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

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

Board of directors

The Board:

- retains full control over the company, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication by the company, both internally and externally;
- is of a unitary structure comprising:
 - 9 non-executive directors, all of whom are independent directors as defined in the Code; and
 - 1 executive director, who is the Chief Executive Officer.

Chairperson and Chief Executive

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

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

Remuneration

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

Board and Board Sub-Committee meetings

The Board of Directors has met on 6 separate occasions during the financial year. Of these meetings, 4 meetings were ordinary and 2 being special meetings to discuss urgent business, such as approval of financial statements. The directors are scheduled to attend 4 ordinary meetings per annum, being one meeting per quarter.

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Directors' Report

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

Attendance at board and sub-committee meetings where as follows:

NAME OF BOARD MEMBER	BOARD MEETINGS ATTENDED	DEVELOPMENT COMMITTEE	AUDIT COMMITTEE	CORPORATE SUPPORT COMMITTEE	RISK MANAGEMENT COMMITTEE	Meetings required to be attended	Meetings attended (%)
TOTAL NUMBER OF MEETINGS	6	4	6	4	4		
1. Ishmael Mkhabela	6	-	-	-	-	6	6 (100%)
2. Yaswant Gordhan	4	-	6	-	4	16	14(87.5%)
3. Paul Jackson	5	4	-	-	-	10	9 (90%)
4. Glenda Sengoara	6	-	-	4	-	10	10 (100%)
5. Mpumi Tshabalala	4	-	-	4	-	10	8 (80%)
6. Fikile Segole	4	3	-	-	-	10	7 (70%)
7. Lethabo Mashamaite	6	-	-	4	-	10	10 (100%)
8. Moope Mphahlele	6	4	6	-	-	16	14 (87.5%)

Audit Committee

For the year ended 30 June 2012 the Chairman of the Audit Committee was Mr K Govender (retired 24 April 2012), an independent member who was appointed at the 2011 AGM. The committee met 6 times during the year to review matters necessary to fulfil its role.

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Directors' Report

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 fulfil its role and to advise the Board of its responsibilities as provided in Section 166 of the Municipal Finance Management Act.

Risk Management Committee

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

Corporate Support Committee

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

V Booyesen (Chairperson)	Non-Executive Director
N Tshabalala	Non-Executive Director
L Mashamaite	Non-Executive Director
G Sengoara	Non-Executive Director
E Mphatsoe	Non-Executive Director
L Matlhape	Non-Executive Director
R Gallocher (CEO)	Executive Director

Development Committee

There have been a total of 4 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
M Mphahlele	Non-Executive Director
T Sethaelo	Non-Executive Director
R Gallocher (CEO)	Executive Director

Internal audit

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

13. 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.

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Directors' Report

14. INTEREST IN JOINTLY CONTROLLED ENTITIES

<i>Name of jointly controlled entity</i>	<i>Net income</i>
JOSHCO Madulamoho (JMJV)	R151 586

The main transactions between JOSHCO and the JMJV were accounts receivable in respect of provincial subsidies payable by the JMJV to JOSHCO. JOSHCO has also accounted for its 55% share of the profit from the joint venture in its financial statements amounting to R151 586 (2011: loss of R59 811).

15. SPECIAL RESOLUTIONS

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

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Company Secretary's Certification

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

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



Ms C Nkosi
Company Secretary
30 November 2012

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Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
ASSETS			
Current Assets			
Inventories	2	281 385	226 095
Loans to parent municipality	4	39 009 370	24 645 715
Current tax receivable	33	-	244 541
Receivables from exchange transactions	6	81 627 943	64 532 167
VAT receivable	7	3 383 859	-
Cash and cash equivalents	8	8 338 391	7 890 573
		132 640 948	97 539 091
Non-Current Assets			
Property, plant and equipment	9	2 727 481	3 109 486
Intangible assets	10	316 443	307 126
Investment in joint venture	11	31 574 679	31 423 094
Deferred tax	13	5 879 678	4 084 755
		40 498 281	38 924 461
Total Assets		173 139 229	136 463 552
LIABILITIES			
Current Liabilities			
Loans from group companies	3	721 053	789 014
Loans from parent municipality	4	64 626 149	42 142 397
Borrowings - DBSA	14	531 958	543 159
Current tax payable	33	1 933 648	-
Finance lease obligation	15	96 382	224 713
Operating lease liability	5	94 306	65 005
Payables from exchange transactions	16	37 407 619	29 524 738
VAT payable	17	-	82 245
Deferred income	18	913 993	913 993
		106 325 108	74 285 264
Non-Current Liabilities			
Borrowings - DBSA	14	18 536 427	19 010 559
Finance lease obligation	15	150 485	58 881
Deferred income	18	34 497 398	35 038 651
		53 184 310	54 108 091
Total Liabilities		159 509 418	128 393 355
Net Assets		13 629 811	8 070 197
NET ASSETS			
Share capital	20	120	120
Accumulated surplus		13 629 691	8 070 077
Total Net Assets		13 629 811	8 070 197

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Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue			
Bad debts recovered	22	16 482	1 919 668
Capital grants released	18	913 993	913 993
Fair value adjustments - revenue	21	(185 672)	(94 696)
Interest received - investment	25	2 660 295	1 970 707
Other income	22	428 295	818 599
Rendering of services	21	2 214 008	908 585
Rental facilities	21	59 071 282	51 147 088
Subsidy received from shareholder		17 764 000	17 173 000
Utility Recoveries	22	208 893	190 179
Total Revenue		83 091 576	74 947 123
Expenditure			
Governance & employee costs	24	(24 470 438)	(22 037 024)
Other housing management costs	30	(8 291 127)	(8 752 936)
Depreciation and amortization	26	(958 980)	(948 472)
Finance costs	27	(1 819 710)	(1 928 992)
Repairs and maintenance	31	(17 194 277)	(11 326 010)
Contracted services	29	(2 269 242)	(1 852 842)
Loss on disposal of assets		-	(19 683)
General Expenses	23	(22 296 509)	(22 762 671)
Total Expenditure		(77 300 283)	(69 628 630)
Profit / (Loss) from investment in JV		151 586	(59 811)
Taxation	28	(383 265)	963 327
Surplus for the year		5 559 614	6 222 009

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Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share capital	Accumulated surplus	Total Net Assets
Balance at 01 July 2010		120	1 848 068	1 848 188
Changes in net assets				
Surplus for the year			- 6 222 009	6 222 009
Total changes			- 6 222 009	6 222 009
Balance at 01 July 2011		120	8 070 077	8 070 197
Changes in net assets				
Surplus for the year			- 5 559 614	5 559 614
Total changes			- 5 559 614	5 559 614
Balance at 30 June 2012		120	13 629 691	13 629 811

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Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rental and development		39 834 755	52 055 673
Grants from shareholder		17 764 000	17 173 000
Interest income		2 660 295	1 970 707
Other cash item		3 556 296	-
		<u>63 815 346</u>	<u>71 199 380</u>
Payments			
Governance & employee costs		(22 791 103)	(21 812 805)
Suppliers		(45 159 249)	(71 829 074)
Finance costs		(1 819 710)	(1 912 808)
Taxes paid	33	-	(625 880)
		<u>(69 770 062)</u>	<u>(96 180 567)</u>
Net cash flows from operating activities	32	<u>(5 954 716)</u>	<u>(24 981 187)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(495 412)	(657 627)
Purchase of other intangible assets	10	(90 876)	(47 432)
Movement in investments (incl. controlled entities, JVs & assoc.)		(541 254)	(521 357)
Loans advanced to group companies		(67 961)	(60 212)
Proceeds from loans from group companies		-	1 542 195
Net cash flows from investing activities		<u>(1 195 503)</u>	<u>255 567</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of DBSA loan		(485 333)	-
Net Increase in loans from parent municipality		8 120 097	32 609 304
Finance lease payments		(36 727)	5 895
Net cash flows from financing activities		<u>7 598 037</u>	<u>32 615 199</u>
Net increase in cash and cash equivalents		447 818	7 889 580
Cash and cash equivalents at the beginning of the year		7 890 573	993
Cash and cash equivalents at the end of the year	8	<u>8 338 391</u>	<u>7 890 573</u>

JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

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Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

1.1 Consolidation

Interests in joint venture

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

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

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

An interest in a jointly controlled company is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with Standard of GRAP on non-current assets held-for-sale and discontinued operations. Under the equity method, interests in jointly controlled entities are carried in the 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 accounting judgements and key sources of estimation uncertainty

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

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

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Accounting Policies

Fair value estimation

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

1.3 Property, plant and equipment

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

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

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

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

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

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

The residual value and the useful life of each asset 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 - (3 – 5 years)
Furniture and fixtures	5 - 8 years
Office equipment	5 - 8 years
IT equipment	5 - 8 years
Leasehold improvements	Lower of lease period or 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 residual values of technological assets such as computers are set at R1 as these items are expected to have a negligible sales value at the end of its useful life.

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

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

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1.4 Intangible assets

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation 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 amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Amortisation 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

1.5 Financial instruments

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

Financial assets

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

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

Reversals of impairment losses are 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.

Loans to / (from) group companies

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

Subsequently these loans are measured at amortised 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 amortised cost would have been had the impairment not been recognised.

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Accounting Policies

1.5 Financial instruments (continued)

Accounts and Other receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised 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 reorganisation, and default or delinquency in payments 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 allowance 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.

Cash and cash equivalents

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

Financial liabilities

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

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

Loans to / (from) group companies

As noted in the financial assets above.

Accounts and other payables

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

Interest bearing borrowings and overdraft

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

Gains and losses

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

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Accounting Policies

1.5 Financial instruments (continued)

De-recognition

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

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

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

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

1.6 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, 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 South African Revenue Services (SARS), using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is 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).

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1.6 Tax (continued)

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.

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 utilised, 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 utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised 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 net assets; or
- a business combination.

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

1.7 Leases

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

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

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.

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Accounting Policies

1.7 Leases (continued)

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

Operating leases - lessor

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

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and 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.

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

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

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

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

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

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

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

When inventories are sold, the carrying amounts of those inventories are 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 realisable value or current replacement cost 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 realisable value or current replacement cost, 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 a company after deducting all of its liabilities. Equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

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Accounting Policies

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits 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.

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.

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

1.12 Revenue from exchange transactions

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

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

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Accounting Policies

1.12 Revenue from exchange transactions (continued)

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.

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 subsidised.

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

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

Interest and dividends

Revenue arising from the use by others of company assets yielding interest and dividends is 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 transactions that are not exchange transactions. For non-exchange transaction, JOSHCO receives value from another entity without directly giving approximately equal value in exchange.

1.14 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. 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.

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Accounting Policies

1.15 Investment income

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

1.16 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 a 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.

1.17 Comparative figures

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

1.18 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.

1.19 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is 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.

1.20 Irregular expenditure

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

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. 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.

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Accounting Policies

1.21 Presentation of currency

These annual financial statements are presented in South African Rand.

1.22 Offsetting

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

1.23 Investments

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

1.24 Budget information

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

1.25 Related party

Transactions are disclosed as related party transactions where JOSHCO has in the normal course of its operations, entered into transactions with entities related to the COJ.

1.26 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised 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).

1.27 Cash flow statement

The cash flow statement is prepared based on the direct method.

1.28 New GRAP Standards

The following GRAP standards have been approved by the ASB and are effective from the 1 April 2012. The application of these additional standards would therefore be applicable for the financial year 2012/13:

Standard	Description	Application Required
GRAP 21	Impairment of Non-Cash Generating Assets	Prospective application
GRAP 23	Revenue from Non-Exchange Transactions	Retrospective application
GRAP 24	Presentation of Budget Information in the Financial Statements	Prospective application
GRAP 26	Impairment of Cash Generating Assets	Prospective application
GRAP 103	Heritage Assets	Retrospective application
GRAP 104	Financial Instruments	Retrospective application

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

Standard	Description
GRAP 18	Segment Reporting
GRAP 20	Related Party Disclosures
GRAP 25	Employee Benefits
GRAP 105	Transfer of Functions between Entities Under Common Control
GRAP 106	Transfer of Functions between Entities Not Under Common Control
GRAP 107	Mergers

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Notes to the Annual Financial Statements

Figures in Rand

	2012	2011
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2. INVENTORIES

Consumable stores	281 385	226 095
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There was no inventory written down in both the current and prior years.

3. LOANS TO / (FROM) GROUP COMPANIES

Fellow group companies

City Housing Company (Pty) Ltd	(721 053)	(789 014)
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The loan to City Housing Company (Pty) Ltd (CHC), was recovered in the prior year (2011) through a liquidation dividend of R3 015 453. The funds received were utilized to settle the full amount receivable from CHC including a recovery of bad debts of R1 255 583 previously provided for and the payments on behalf of CHC incurred in the current year of R67 961. The balance of R721 053 is included in accounts payable as an amount received in advance, and will be utilized to settle future CHC expenditure until the liquidation process is finalized.

Reconciliation of CHC balance

Opening balance	(789 014)	1 948 551
Less: amounts previously provided for	-	(1 255 583)
Current payments on behalf of CHC	67 961	277 886
Liquidation dividends received	-	(3 015 453)
Bad debts recovered	-	1 255 583
Closing balance	(721 053)	(789 014)

The company's management considers that each of the loans to group companies that are not impaired for each of the reporting dates under review 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's Treasury Department.

4. LOANS TO / (FROM) PARENT MUNICIPALITY

City of Johannesburg Metropolitan Municipality - Non Interest bearing	(64 626 149)	(42 142 397)
City of Johannesburg Metropolitan Municipality - Sweeping account	39 009 370	24 645 715
	(25 616 779)	(17 496 682)

The company did not default on any of the loans.

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

Current assets	39 009 370	24 645 715
Current liabilities	(64 626 149)	(42 142 397)
	(25 616 779)	(17 496 682)

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Figures in Rand

	2012	2011
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4. LOANS TO / (FROM) PARENT MUNICIPALITY (continued)

City of Johannesburg Metropolitan Municipality - Non-interest bearing

Salaries	36 918 254	30 481 903
Bellavista	56 072	51 629
Kliptown Golf Course	2 396 676	912 093
Insurance	-	401 575
Transport	23 273	1 188
Utilities	25 231 874	10 294 009
	64 626 149	42 142 397

Sweeping account

Loans at beginning of the year	24 645 715	38 479 438
Receipts	-	(13 833 723)
Advances	14 363 655	-
	39 009 370	24 645 715

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 2012 was R1 749 083 (2011: R1 290 707) (refer to note 25).

5. OPERATING LEASE ASSET / (ACCRUAL)

Current Liabilities	(94 306)	(65 005)
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Operating lease liabilities represent rental payable in respect of offices as a result of straight-lining of lease payments over the duration of the lease term. The lease payments are payable monthly and lease payments are straight-lined over a period of 3 years. The operating lease agreement commenced on 01 November 2010 after it was renegotiated for another three year term. There was no contingent rent on the operating lease. There are no restrictions imposed by the lease arrangement.

Amounts payable under operating leases

Within 1 year	1 050 779	1 022 046
2 to 5 years	318 546	-

6. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	5 443 400	4 733 632
Security deposits	118 091	118 091
Sundry debtors	1 557 708	3 223 861
Prepaid expenses	5 566	13 453
Project debtors	73 069 951	55 108 091
Related party debtors - rentals	1 433 227	1 335 039
	81 627 943	64 532 167

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Figures in Rand 2012 2011

6. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Trade Debtors

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

Security deposits

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

Sundry Debtors

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

Project debtors

Project debtors consist of the following amounts:

CAM / USDG	23 280 302
COJ HOUSING	4 080 332
DED/EPWP	12 393 465
PUBLIC WORKS	4 876 223
PROVINCIAL GRANTS	<u>28 439 029</u>
	<u>73 069 951</u>

Related party debtors

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

Fair value of trade and other receivables

In determining fair value of revenue and receivables, the company used a discount rate of 5.36% as at June 2012 (2011: 7.09%). This was considered to be representative of the risk of the clients' profile which has an expected receipt date of between 30 and 60 days.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 2 months past due are not considered to be impaired. At 30 June 2012, R4 852 372 (2011: R5 605 012) were past due but not impaired.

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

1 month past due	2 823 778	3 532 909
2 months past due	2 028 594	2 072 103

Trade and other receivables impaired

As of 30 June 2012, trade and other receivables of R25 803 394 (2011: R18 817 971) were impaired.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	18 817 971	12 176 021
Provision for impairment - Current year	7 972 083	8 362 771
Write offs of trade debtors amounts previously provided for	(931 913)	(1 058 018)
Recoveries of Maranatha amounts previously provided for	-	(571 334)
Discounting adjustment	(54 748)	(91 469)
	<u>25 803 393</u>	<u>18 817 971</u>

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7. VAT RECEIVABLE

Net VAT refund – prior years	1 998 466	-
VAT returns / claims for 2011/12	1 385 393	-
	<u>3 383 859</u>	<u>-</u>

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	795	451
Bank balances	8 337 596	7 890 122
	<u>8 338 391</u>	<u>7 890 573</u>

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

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

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

The entity had the following bank accounts

Account number / Description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
ABSA BANK - Cheque - 407-197-2149	8 028 696	7 656 673	(1)	8 028 696	7 656 673	(1)
ABSA BANK - Cheque - 407-466-9030	308 900	233 449	(125)	308 900	233 449	(125)
Total	<u>8 337 596</u>	<u>7 890 122</u>	<u>(126)</u>	<u>8 337 596</u>	<u>7 890 122</u>	<u>(126)</u>

9. PROPERTY, PLANT AND EQUIPMENT

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment losses	Carrying value
Land	177 799	-	177 799	177 799	-	177 799
Leasehold property	542 540	(285 406)	257 134	612 716	(420 601)	192 115
Furniture and fixtures	1 157 971	(708 417)	449 554	1 112 710	(690 526)	422 184
Motor vehicles	189 531	(43 384)	146 147	189 531	(33 429)	156 102
Office equipment	822 868	(471 169)	351 699	804 386	(407 785)	396 601
IT equipment	1 915 081	(1 054 701)	860 380	1 672 259	(877 108)	795 151
Leasehold improvements	2 366 815	(1 882 047)	484 768	2 366 815	(1 397 281)	969 534
Total	<u>7 172 605</u>	<u>(4 445 124)</u>	<u>2 727 481</u>	<u>6 936 216</u>	<u>(3 826 730)</u>	<u>3 109 486</u>

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9. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2012

	Opening Balance	Additions	Depreciation	Total
Land	177 799	-	-	177 799
Leasehold property	192 115	187 496	(122 477)	257 134
Furniture and fixtures	422 184	45 261	(17 891)	449 554
Motor vehicles	156 102	-	(9 955)	146 147
Office equipment	396 601	19 834	(64 736)	351 699
IT equipment	795 151	242 821	(177 592)	860 380
Leasehold improvements	969 534	-	(484 766)	484 768
Total	3 109 486	495 412	(877 417)	2 727 481

Reconciliation of property, plant and equipment - 2011

	Opening Balance	Additions	Disposals	Depreciation	Total
Land	177 799	-	-	-	177 799
Leasehold property	238 770	110 193	-	(156 848)	192 115
Furniture and fixtures	431 664	88 872	-	(98 352)	422 184
Motor vehicles	-	189 531	-	(33 429)	156 102
Office equipment	475 265	5 959	-	(84 623)	396 601
IT equipment	682 557	248 076	(19 683)	(115 799)	795 151
Leasehold improvements	1 365 511	14 996	-	(410 973)	969 534
Total	3 371 566	657 627	(19 683)	(900 024)	3 109 486

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

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Leasehold Improvement	2 366 815	(1 692 974)	673 841	2 366 815	(1 397 281)	969 534
Leasehold property	612 716	(509 876)	102 840	612 716	(420 501)	192 215
Total	2 979 531	(2 202 850)	776 681	2 979 531	(1 817 782)	1 161 749

Details of property

Development Land (ERF 2083 Roodepoort Township)

Terms and conditions: Land purchased for development

- Purchase price: 23 July 2009

177 799

177 799

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

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10. INTANGIBLE ASSETS

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortization and accumulated impairment	Carrying value
Computer software	824 480	(508 037)	316 443	733 604	(426 478)	307 126

Reconciliation of intangible assets - 2012

	Opening Balance	Additions	Amortization	Total
Computer software	307 126	90 876	(81 559)	316 443

Reconciliation of intangible assets - 2011

	Opening Balance	Additions	Amortization	Total
Computer software	308 142	47 432	(48 448)	307 126

11. INVESTMENT IN JOINT VENTURE

Name of company	% holding 2012	% holding 2011	Carrying Amount 2012	Carrying Amount 2011	Fair value 2012	Fair value 2011
JOSHCO JV	55 %	55 %	31 574 679	31 423 094	31 574 679	31 423 094

The carrying amount of the joint venture is shown net of profit of R151 586 (2011: loss - R59 811).

Principal activities and reporting dates of joint venture

Name of entity	Principal Activity	Reporting date	Period of Results included
JOSHCO Madulamoho Joint Venture (JMJV)	55%	2012/06/30	1 July 2011 to 30 June 2012

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

The joint venture's ability to distribute reserves is not restricted in terms of the joint venture agreement.

The JMJV has not been pledged as security.

12. FINANCIAL ASSETS BY CATEGORY

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

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12. FINANCIAL ASSETS BY CATEGORY (continued)

2012	Loans and Receivable	Total
Loans to parent municipality	39 009 370	39 009 370
Receivable from exchange transaction	83 883 373	83 883 373
Cash and cash equivalents	8 338 391	8 338 391
Vat receivable	1 385 393	1 385 393
	132 616 527	132 616 527

2011	Loans and Receivable	Total
Loans to parent municipality	24 645 715	24 645 715
Receivable from exchange transaction	64 532 167	64 532 167
Cash and cash equivalents	7 890 573	7 890 573
	97 068 455	97 068 455

13. DEFERRED TAX

Deferred tax asset reconciliation

At beginning of the year	4 084 755	3 168 046
Originating temporary difference on tangible fixed assets	65 672	(54 758)
Straight lining Operating leases	(10 692)	5 949
Provisions	7 457 204	1 776 351
Income received in advance	762 529	76 338
Section 24C	-	(230 794)
Finance leases	(10 284)	6 182
Fair value adjustment	-	5 949
Utilisation of assessed loss	-	(668 496)
Doubtful debts allowance	(6 450 848)	-
Other	(18 658)	(12)
	5 879 678	4 084 755

Recognition of deferred tax asset

The utilisation 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. The company has shown a sustainable accumulated surplus over the years. Cash flow projections and forecasts which are based on current economic conditions and business model indicates that the deferred tax balance will be utilized within the foreseeable future.

14. BORROWINGS - DBSA

Non- Current liabilities		
Development Bank of Southern Africa	18 536 427	19 010 559
Current portion of long term liabilities		
Development Bank of Southern Africa	531 958	543 159

The loan from Development Bank of Southern Africa (DBSA) bears interest at a fixed rate of 8.5% per annum and is repayable half-yearly over 36 equal instalments and which re-payments commenced on the 30 September 2011. These re-payments have commenced after a grace period on capital repayment of two and a half years following the date of the first disbursement. The DBSA loan is covered under guarantees by the City of Johannesburg Metropolitan municipality.

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14. (continued)		
Non-current liabilities		
At amortised cost	18 536 427	19 010 559
Current liabilities		
At amortised cost	531 958	543 159
	19 068 385	19 553 718
15. FINANCE LEASE OBLIGATION		
Minimum lease payments due		
- within 1 year	113 398	241 010
- in 2 to 5 year (inclusive of finance charges)	163 313	62 601
	276 711	303 611
Less: Finance charges	(29 845)	(20 017)
Present value of minimum lease payments	246 866	283 594
Present value of minimum lease payments due		
- within 1 year	96 382	224 713
- in 2 to 5 year	150 484	58 881
	246 866	283 594
Non-current liabilities	150 485	58 881
Current liabilities	96 382	224 713
	246 867	283 594
<p>The finance leases relates to the lease of office equipment. The average lease term ranges between 3 years and 5 years. The company did not default on any of the interest or capital repayments of the finance leases. Interest rates are linked to prime. All leases have fixed repayments and no arrangements have been entered into for contingent rent on the leased asset. The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.</p>		
16. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade payables	23 916 647	19 093 152
Rental received in advance	2 336 404	1 573 875
Accrued leave pay	1 337 417	1 119 077
Accrued performance bonus	1 643 932	1 419 791
Accrued finance costs	404 093	414 378
Accrued PAYE & directors remuneration	1 525 351	288 497
Consumer deposit received	6 056 844	5 615 968
Related party creditors	186 931	-
	37 407 619	29 524 738
17. VAT PAYABLE		
VAT payable	-	82 245

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18. DEFERRED INCOME		
Unspent conditional grants and receipts		
Social Housing Foundation Grant - City Deep	7 813 790	7 441 050
Gauteng Provincial Grant - JMJV	27 419 801	28 333 794
Local Government Grant - Roodepoort	177 800	177 800
	35 411 391	35 952 644
Movement during the year		
Balance at the beginning of the year	35 952 644	51 075 557
Additions / (Repayments) during the year	372 740	(14 208 920)
Income recognition and other adjustments during the year	(913 993)	(913 993)
	35 411 391	35 952 644
Non-current liabilities	34 497 398	35 038 651
Current liabilities	913 993	913 993
	35 411 391	35 952 644

Gauteng Provincial Grant - JMJV

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

Social Housing Foundation (SHF) Grant - City Deep

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

Local Government Grant - Roodepoort

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

19. FINANCIAL LIABILITIES BY CATEGORY

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

2012

	Financial Liabilities at amortized cost	Total
Loans from group companies	721 053	721 053
Loans from parent municipality	64 626 149	64 626 149
DBSA loan	19 068 385	19 068 385
Payables from exchange transaction	40 289 362	40 289 362
Finance lease obligation	246 867	246 867
Operating lease liability	94 306	94 306
	125 046 122	125 046 122

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19. FINANCIAL LIABILITIES BY CATEGORY (continued)		
2011		
	Financial Liabilities at amortised cost	Total
Loans from group companies	789 014	789 014
Loans from parent municipality	42 142 397	42 142 397
DBSA loan	19 553 718	19 553 718
Trade and other payables	29 524 739	29 524 739
Finance lease obligation	283 594	283 594
VAT Payable	82 245	82 245
Operating lease liability	65 005	65 005
	92 440 712	92 440 712
20. 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
21. REVENUE		
Rendering of services	2 214 008	908 585
Rental of facilities & equipment	59 071 282	51 147 088
Fair value adjustments - revenue	(185 672)	(94 696)
	61 099 618	51 960 977
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	2 214 008	908 585
Rental of facilities & equipment	59 071 282	51 147 088
	61 285 290	52 055 673
<p>JOSHCO is a Municipal Owned Entity of the COJ and is mandated to administer social housing projects for the COJ. As such and in terms of the SDA, the COJ leases all rental stock at zero value to JOSHCO for an undisclosed period of time. The COJ however still maintains absolute control and administration over the operations of JOSHCO. JOSHCO is required to operate on a balanced budget (income is equivalent to expenditure) and as such is not permitted to operate as an organization for profit. Over the financial year, the revenue derived by JOSHCO is administered centrally by the COJ.</p> <p>Further the revenue derived from the projects, as determined and approved by the COJ, were insufficient to cover the maintenance and the administration of activities. The revenue shortfall is therefore subsidized by the COJ in order to cater for the socially disadvantaged.</p>		
The amount included in revenue arising from non-exchange transactions is as follows:		
Fair value adjustments - revenue	(185 672)	(94 696)
22. OTHER REVENUE		
Utility recoveries	208 893	190 179
Other income	428 295	819 194
Bad debts recovered	16 482	1 919 073
	653 670	2 928 446

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22. OTHER REVENUE (continued)

The amounts included in utility recoveries relates to the water usage by tenants for the following projects. For all other projects, the cost of water usage is inclusive of rental billing charged to the tenant:

Kliptown	100 584	97 592
Roodepoort	88 066	76 031
Pennyville	20 243	16 556
	208 893	190 179

The amounts included in bad debts recovered relates to tenant debts that were previously written-off and which have since been recovered. The recoveries are noted in terms of the following projects:

Far East Bank	670	400
City Deep	4 236	-
Bad debts recovered - Anthea	2 169	-
Kliptown	5 570	2 874
Bad debts recovered - Klipspruit	1 419	-
Roodepoort	1 000	9
Selby	1 418	-
Finance	-	1 914 380
Claremont	-	1 410
	16 482	1 919 073

The amounts included under other income are as follows:

Refund on transfer fees - acquisition of building for COJ	278 390	-
Repairs and maintenance recoveries and other	149 905	819 194
	428 295	819 194

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23. GENERAL EXPENSES		
Advertising	997 421	635 112
Auditors remuneration	948 912	984 851
Bank charges	210 018	175 050
Computer expenses	138 225	112 761
Conferences and seminars	124 545	173 724
Consumables	139 047	145 842
Electricity	6 390 265	10 180 114
Entertainment	149 683	100 171
Equipment hire	70 186	158 732
Fair value adjustments (expenses)	(197 439)	130 928
Fines and penalties	-	40 406
Fuel and oil	25 403	6 356
Gas	887 183	1 077 995
Insurance	12 177	415 904
Lease rentals on operating lease	1 051 346	1 127 649
Marketing	-	36 328
Placement fees	141 416	67 089
Postage and courier	91 649	98 580
Printing and stationery	304 448	217 500
Project planning fees and consulting	3 301 441	1 134 562
Refuse	997 635	1 042 455
Royalties and license fees	161 173	140 759
Sewerage and waste disposal	8 150	5 412
Subscriptions and membership fees	197 409	175 686
Telephone and fax	1 166 924	1 272 066
Training	400 899	431 589
Travel - local	109 274	183 053
Water	4 469 119	2 491 997
	22 296 509	22 762 671

24. GOVERNANCE AND EMPLOYEE COSTS

Employee related costs : Salaries and wages (note 24.2)	17 217 180	15 072 285
Bargaining council	2 103	1 980
Housing benefits and allowances	21 225	21 670
Overtime payments	225 069	277 696
Bonuses	1 614 130	2 451 380
Travel, motor car, accommodation, subsistence and other allowances	1 423 621	1 552 581
Directors remuneration (note 24.1)	1 048 382	934 415
UIF	95 603	87 417
SDL	183 478	167 664
Leave pay provision charge	218 341	152 068
Pension fund contributions	1 113 114	1 050 812
Leave pay	-	91 326
Acting allowances	13 473	23 123
PAYE	1 294 719	152 607
	24 470 438	22 037 024

The amount reflected as PAYE relates to arrears claimed by SARS.

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24.1 DIRECTORS REMUNERATION

Non - Executive Directors

Services rendered as director of company

Mr I Mkhabela (Chairman)	114 075	105 147
Mr B Moholo	-	64 584
Ms F Segole	56 650	69 570
Ms N Tshabalala	70 580	60 620
Mr P Jackson	73 192	57 616
Mr V Booysen	14 902	41 704
Ms Y Gordhan	107 238	122 140
Ms L Mashamaite	92 438	69 564
Ms G Sengoara	85 500	55 680
Mr M Mphahlele	110 300	63 570
Mr Isaac Makopo	9 920	-
Mr L Matlape	4 960	-
Ms T Sethaelo	4 960	-
Ms Z Jacobs	9 920	-
	754 635	710 195

Audit Committee Members

Mr K Govender (Chairperson)	159 727	109 140
Mr A Kanana	69 500	61 510
Mr E Tait	59 560	53 570
*Ms K Mdutshane	4 960	-
	293 747	224 220

1 048 382 **934 415**

*Attendance does not relate to audit committee meeting

24.2 EXECUTIVE AND SENIOR MANAGER SALARIES

Included in the staff salaries are the salaries of the executive and senior staff members. These are as follows:

Salary	Performance Bonus	Retirement fund contributions	Medial contributions	Other	Total Package 2012	Total Package 2011
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Executive Directors

Mr R Gallocher	1 236 616	89 410	-	76 516	1 402 542	1 359 552
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Executive Managers

Ms S Makumbirofa	194 867	60 246	-	27 970	283 083	889 494
Ms C Holmes	749 346	76 750	-	100 298	926 394	904 267
Ms M Hlaba	-	-	-	-	-	437 349
Ms S Ndumndum	683 949	62 675	101 174	135 103	982 901	979 804
Ms G Mkhize	465 541	39 427	-	134 645	639 613	615 054
Mr G Randal	501 577	37 880	-	19 993	697 371	704 220
Ms C Nkosi	367 500	7 500	-	4 873	379 873	-
Mr V Naidoo	436 333	-	-	-	436 333	-

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25. INVESTMENT REVENUE		
Interest revenue		
Bank	1 749 083	1 290 707
Interest earned - outstanding debtors	911 212	680 000
	2 660 295	1 970 707
26. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	877 418	900 024
Intangible assets	81 562	48 448
	958 980	948 472
27. FINANCE COSTS		
Finance leases	12 126	16 184
Fair value adjustments on payables	225 125	(164 762)
Interest paid - DBSA Loan	1 582 458	2 077 570
	1 819 710	1 928 992
28. TAXATION		
Major components of the tax income		
Current		
Local income tax - current period	2 178 189	(46 618)
Deferred		
Originating and reversing temporary differences	(1 794 924)	(916 709)
	383 265	(963 327)
Reconciliation of the tax expense		
Accounting surplus	5 942 879	5 258 682
Tax at the applicable tax rate of 28% (2011: 28%)	1 664 006	1 472 428
Tax effect of adjustments on taxable income		
Share of JMJV loss	(42 444)	16 747
Non-deductible expenses	-	11 314
Non-taxable grant income	(255 918)	(255 918)
Prior year (over) / under provision - current tax	388 722	(1 609 781)
Prior year (over) / under provision - deferred tax	(1 371 101)	(598 117)
	383 265	(963 327)
Included in taxable income is subsidies received from parent municipality.		
Tax rate reconciliation:		
Statutory rate (%)	28	28
Tax effect of adjustments on taxable income		
Non-temporary differences	12	(4)
Prior year overprovision - current tax	(3)	(31)
Prior year under-provision - deferred tax asset	(119)	(11)
	(81)	(18)

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29. CONTRACTED SERVICES		
Contracted services	2 269 242	1 852 842
Amounts included in contracted services relate to IT services, recruitment agencies and investigation services		
30. OTHER HOUSING MANAGEMENT COSTS		
The following amounts relate to project costs incurred at various projects:		
Bad debts	7 913 665	8 555 042
Collection fees	141 466	167 751
Community development	234 108	30 143
Tenant allocation	1 888	-
	8 291 127	8 752 936
31. REPAIRS AND MAINTENANCE		
The following costs relate to the repairs and maintenance incurred for tenants at the various projects:		
Project cleaning services	2 661 411	2 063 178
Gardening and landscaping	1 353 927	418 423
General Maintenance (plumbing, electrical, etc.)	7 442 171	3 828 729
Security for premises and tenants	5 736 768	5 015 681
	17 194 277	11 326 011

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32. CASH/ (USED IN) GENERATED FROM OPERATIONS		
Surplus/ (deficit)	5 559 614	6 222 009
Adjustments for:		
Depreciation and amortisation	958 980	948 472
Loss on disposal of assets	-	19 683
Loss from equity accounted investments	(151 586)	59 811
Finance costs - Finance leases	-	16 184
Movements in operating lease assets and accruals	29 301	65 419
Movement in tax receivable and payable	2 178 189	(672 498)
Annual charge for deferred tax	(2 616 866)	(916 709)
Changes in working capital:		
Inventories	(55 290)	(44 916)
Receivables from exchange transactions	(16 273 835)	(8 757 881)
Debt impairment	-	8 555 043
Payables from exchange transactions	7 882 882	(13 726 184)
VAT	(3 466 105)	466 936
Deferred income	-	(17 216 556)
	(5 954 716)	(24 981 187)
33. TAX REFUNDED		
Balance due (to) / from at beginning of the year	244 541	(427 957)
Current tax for the year recognised on surplus / deficit	(2 178 189)	46 618
Balance due to / (from) at end of the year	1 933 648	(244 541)
	-	(625 880)
34. CONTINGENT LIABILITIES AND COMMITMENTS		
Commitments in respect of capital expenditure:		
Authorized and contracted for		
• Infrastructure	111 552 000	-
This expenditure was financed from:		
Government Grants	111 371 657	55 500 000
Operating leases – as lessee (Buildings)		
Minimum lease payments due		
- within one year	94 306	65 005

For the financial year, the sole shareholder, authorised capital infrastructure development to the value of R111 552 000. These funds were obtained through various Government Grants through the City of Johannesburg. The development related to social housing and infrastructure in Anthea, AA House, Klipspruit, Randburg Selkirk, City Deep, Orlando Ekhaya, Selby Village and Lynatex. For the year, R111 371 657 expenditure was incurred for the development of these projects. A marginal amount of R180 343 remains as a contingent claim by contracted developers for the project.

Operating lease payments represent rentals payable by the company for its Head Office premises and Eldorado Park site office. 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.

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

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35. RELATED PARTIES

Relationships

Other members of the group

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

Related party balances

Amounts included in Loans,

Trade and other receivables regarding related parties

City of Johannesburg Metropolitan Municipality	576 667	193 649
Pikitup Johannesburg SOC Ltd	-	270 504
City Power Johannesburg SOC Ltd	278 724	280 519
The Johannesburg Zoo NPC	34 688	-
Johannesburg City Parks NPC	366 345	181 513
Johannesburg Roads Agency SOC Ltd	239 126	408 152
The Johannesburg Fresh Produce Market SOC Ltd	64 982	701
Facilities Management Unit	-	17 859
	1 560 532	1 352 897

Amounts included in Loans,

Trade and other payables regarding related parties

City of Johannesburg Metropolitan Municipality	174 436	29 028 041
The Johannesburg Civic Theatre (Pty) Ltd	6 615	-
Johannesburg Metropolitan Bus Services (Pty) Ltd	5 880	-
	186 931	29 028 041

36. 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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36. RISK MANAGEMENT (continued)

The capital structure of the entity consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 3, 4, 15, 14, cash and cash equivalents disclosed in note 8, and equity as disclosed in the statement of financial position.

As stated in note regarding going concern, the company's existence is dependent on the continued support from its 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 on-going review of future commitments and credit facilities. The company also receives an annual subsidy from the City of Johannesburg Metropolitan Municipality which mitigates to a large extent the liquidity risk of the company.

Interest rate risk

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

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

During 2012 and 2011, the entity's borrowings of R19,553,718, from the Development Bank of Southern Africa, at fixed rate of 8.5% and the loan is denominated in the South African Rand.

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36. RISK MANAGEMENT (continued)

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

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

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

Financial instrument	2012	2011
Trade and other receivables	71 467 584	64 532 167
Loans to group companies	35 707 081	24 645 715

37. GOING CONCERN

We draw attention to the fact that at 30 June 2012, the entity had accumulated surplus of R 12 534 558 (2011: R8 070 077) and that the entity's total current assets exceed its liabilities by R24 398 766 (2011: R23 253 827)

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

38. EVENTS AFTER THE REPORTING DATE

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

39. UNAUTHORISED EXPENDITURE

There was no reportable unauthorized expenditure in both the years ended 30 June 2012 and 30 June 2011.

40. FRUITLESS AND WASTEFUL EXPENDITURE

No incidents of fruitless and wasteful expenditure were reported in the financial years ended 30 June 2012 and 30 June 2011.

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	2012	2011
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41. IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure

Opening balance	-	2 289 669
Recovered in the current year	-	(2 289 669)
	-	-

2012

Management was not aware of any irregular expenses incurred during the financial years ended 30 June 2012 and 30 June 2011.

42. 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 / she records the reasons for any deviations and reports them to the next meeting of the directors and includes a note to the 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.

2012

1. PWC	158 804
2. Tremendous Pot Plant hire	6 058
3. Unibyte Data Systems	135 762
4. Simon Mvubu	360 000
TOTAL AMOUNT	<u>660 624</u>

2011

1. Vulcan Catering Equipment	2 232
2. JNPR Media	100 425
3. Eveready Plumbing	120 550
4. Charter Financial Services	16 701
5. Red Ants	71 820
6. Qhawe Consultant	58 074
7. Lincoln Plumbing	33 630
8. Absolute Power Africa	2 554
TOTAL AMOUNT	<u>405 986</u>

The deviations are in terms of the Municipal Supply Chain Management Regulations and have been approved by the Board of Directors.

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43. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

	Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Variance	Actual Outcome as % of final budget
Financial Performance						
Investment revenue	317 000	1 447 000	1 764 000	2 660 295	896 295	151 %
Other own revenue	83 677 000	(854 000)	82 823 000	80 431 281	(2 391 719)	97 %
Total revenue (excluding capital transfers and contributions)	83 994 000	593 000	84 587 000	83 091 576	(1 495 424)	98 %
Governance & employee costs	(26 857 000)	-	(26 857 000)	(24 470 438)	2 386 562	91 %
Debt impairment	(9 635 000)	-	(9 635 000)	(7 972 083)	1 662 917	83 %
Depreciation and asset impairment	(1 025 000)	-	(1 025 000)	(958 980)	66 020	99 %
Finance charges	(1 765 000)	-	(1 765 000)	(1 819 710)	(54 710)	103 %
Other expenditure	(44 336 000)	(571 000)	(44 907 000)	(42 079 072)	2 827 928	94 %
Total expenditure	(83 618 000)	(571 000)	(84 189 000)	(77 300 283)	6 888 717	92 %
Surplus/(Deficit)	376 000	22 000	398 000	5 791 293	5 393 293	1 455 %
Share of surplus (deficit) of associate	-	-	-	151 586	151 586	100%
Taxation	376 000	(22 000)	(398 000)	(383 265)	14 735	96%
Surplus/(Deficit) for the year	-	-	-	5 559 614	5 559 614	100%

The final budget was approved by the City of Johannesburg on the 23 February 2012. The total revenue and total expenditure was within budget as per performance scorecard with the City, hence no details on the variations are provided.

