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**EKURHULENI DEVELOPMENT COMPANY
(REGISTRATION NUMBER 2000/007936/07)
TRADING AS EKURHULENI DEVELOPMENT COMPANY**

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

DIRECTORS' RESPONSIBILITIES AND APPROVAL

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 30, in terms of Section 126(1) of the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973 and which I have signed on behalf of the Entity.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The disclosure requirements as per GRAP 1,2 and 3 have also been incorporated in the financial statements.

The directors acknowledges that it is ultimately responsible for the system of internal financial control established by the EKURHULENI DEVELOPMENT COMPANY to enable the directors to meet these responsibilities. These controls are monitored throughout the EKURHULENI DEVELOPMENT COMPANY in ensuring the Company's operations is conducted accordingly. The focus of risk management in the EKURHULENI DEVELOPMENT COMPANY is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the EKURHULENI DEVELOPMENT COMPANY endeavours to minimise it.

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

Chief Executive Officer

Friday, 29 August, 2008

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Trading in various commodities
DIRECTORS	Daphney Ngoasheng Sipho Mlungisi Twala Michael Mokela Mokgohloa Simon Pieter Gerber Clive Peter Ucko Kara Nazir Ahmed
BUSINESS ADDRESS	Shop no 9 Pharoe Park Cnr Jack & Queen street Germiston 1400
POSTAL ADDRESS	P O Box 1245 Germiston 1400
PARENT	Ekurhuleni Metropolitan Municipality incorporated in South Africa
BANKERS	ABSA
AUDITORS	Auditor General Registered Auditors
SECRETARY	ME von Ronge
COMPANY REGISTRATION NUMBER	2000/007936/07

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

DIRECTORS' REPORT

1. INCORPORATION

The company was incorporated on 13 March 2000 and obtained its certificate to commence business on the same day.

2. GOING CONCERN

The Ekurhuleni Development Company on the yearend of June 30, 2008, showed surplus of R16 902 and the company's total assets exceeded the liabilities by R13,888.

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

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the company has resources in place to continue in operation for the foreseeable future.

The existence of the company is dependant on the continued support of its sole shareholder, Ekurhuleni Metropolitan Municipality. Furthermore the company is dependant on the continued agreement between Pharoeh Park Housing Company, Phase II Housing Company and Lethabong Housing Institute which pay a management fee to the EDC, accordingly it is required that these companies are profitable and sustainable.

3. INTERNAL CONTROLS

3.1. Grant income

Grant income, aside from grant monies received from Ekurhuleni Metropolitan Municipality, is obtained via applications for subsidies made to Gauteng Partnership Fund. As a social housing institution, EDC is able to access housing subsidies from the Gauteng Partnership Fund.

3.2. VAT

EKURHULENI DEVELOPMENT COMPANY is registered with the South African Revenue Services (SARS) for VAT.

4. POST STATEMENT OF FINANCIAL POSITION EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year that materially affect the financial position.

5. ACCOUNTING POLICIES

The International Financial Reporting Standards were not applied. Generally Accepted Accounting Practice, together with the South African Generally Recognised Accounting Practice 1, 2 and 3 were applied, in consistency with prior year.

The Company has prepared its annual financial statements in terms of Standards of Generally Accepted Accounting Practice, except where these have been superseded by the 3 Standards of Generally Recognised Accounting Practice.

There were no changes in accounting policies during the year.

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

DIRECTORS' REPORT

6. AUTHORISED AND ISSUED SHARE CAPITAL

The company was incorporated with an authorised share capital of 1,000 ordinary shares of R1 each of which 100 shares had been issued at par value.

Ekurhuleni Metropolitan Municipality held 100% of the ordinary share capital of the company as at 30 June 2008.

There were no changes in the authorised or issued contributions from owners of the company during the year under review.

Unissued ordinary shares are under the control of Ekurhuleni Metropolitan Municipality.

7. DIRECTORS

The directors of the company during the year and to the date of this report are as follows:

Name	Nationality
Daphney Ngoasheng	
Sipho Mlungisi Twala	SA Citizen
Michael Mokela Mokgohloa	SA Citizen
Simon Pieter Gerber	SA Citizen
Clive Peter Ucko	SA Citizen
Kara Nazir Ahmed	SA Citizen

8. SECRETARY

The secretary of the company is ME von Ronge of:

Business address	No 9 Jack Street Pharoe Park Germiston 1400
Postal address	PO Box 1245 Germiston 1400

9. PARENT

The company's parent is Ekurhuleni Metropolitan Municipality

10. BANKERS

Amalgamated Bank of South Africa Limited

11. AUDITORS

In accordance with Section 92 of the Municipal Finance Management Act No 56 of 2003, Auditor General will continue as the Company's external auditors

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2008

	Note(s)	2008 R	2007 R
NET ASSETS AND LIABILITIES			
NET ASSETS			
Share capital	2	100	100
Accumulated Surplus (Deficit)		13,788	77,530
		13,888	77,630
LIABILITIES			
CURRENT LIABILITIES			
Amount owing to related companies	3	2,641,483	64,150
Loans from shareholders	4	-	10,793,533
Current tax payable		56,944	41,000
Trade and other payables	6	576,655	632,726
		3,275,082	11,531,409
Non-Current Liabilities		-	-
Current Liabilities		3,275,082	11,531,409
Liabilities of disposal groups		-	-
Equities		13,888	77,630
Liabilities		3,275,082	11,531,409
Total Net Assets and Liabilities		3,288,970	11,609,039
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	196,423	263,474
CURRENT ASSETS			
Amounts owing by related companies	3	1,730,877	943,822
Trade and other receivables	9	115,505	28,880
Cash and cash equivalents	7	1,246,165	10,372,861
		3,092,547	11,345,563
Non-Current Assets		196,423	263,474
Current Assets		3,092,547	11,345,563
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		3,288,970	11,609,037

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

	Note(s)	2008 R	2007 R
Revenue	10	5,482,000	4,347,630
Revenue		5,482,000	4,347,630
Cost of sales		-	-
Income	13	237,527	1,228
Operating expenses	17	(5,771,177)	(4,223,873)
		5,482,000	4,347,630
		(5,533,650)	(4,222,645)
Operating (deficit) surplus	14	(51,650)	124,985
Investment revenue	11	40,217	110,906
Finance costs		(23,099)	(14,821)
Operating surplus		(51,650)	124,985
Non-operating expense (NET)		17,118	96,085
(Deficit) surplus before taxation		(34,532)	221,070
Taxation	18	-	(41,000)
Surplus (deficit) for the period from continuing operations		(34,532)	180,070
Surplus (deficit) from discontinued operations		-	-
(Deficit) surplus for the year		(34,532)	180,070

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

	Note(s)	2008 R	2007 R
Revenue			
Management services rendered		5,482,000	4,347,630
		5,482,000	4,347,630
		-	-
Other income			
Recoveries		877	-
Income		75,778	1,228
Interest received - investment	11	40,217	110,906
Government grants		160,872	-
		277,744	112,134
		(5,771,177)	(4,223,873)
Expenses (Refer to page 8)			
		5,482,000	4,347,630
		277,744	112,134
		(5,771,177)	(4,223,873)
Operating (deficit) surplus	14	(11,433)	235,891
Finance costs		(23,099)	(14,821)
		(11,433)	235,891
		(23,099)	(14,821)
(Deficit) surplus before taxation		(34,532)	221,070
Taxation	18	-	41,000
Surplus (deficit) before taxation		(34,532)	221,070
Taxation		-	41,000
(Deficit) surplus for the year		(34,532)	180,070

Refer to Appendix E(1) for comparison with the approved budget

Operating expenses

Advertising		29,021	13,966
Auditors remuneration	15	307,842	122,157
Bank charges		25,012	17,669
Cleaning		-	1,184
Commission paid		374	-
Computer expenses		45,356	64,584
Conferences and seminars		6,062	69,163
Consulting and professional fees		574,552	230,195
Legal fees		122,841	33,830
Deficit on disposal of assets		-	9,642
Depreciation		145,052	116,338
Employee costs	16	3,519,075	2,690,917
Motor vehicle expenses		19,311	12,775
Insurance		61,397	47,943
Lease rentals on operating lease		260,022	254,439
Magazines, books and periodicals		25,811	28,979
Pest control		7,590	-
Printing and stationery		64,748	51,485

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

	Note(s)	2008 R	2007 R
Repairs and maintenance		26,921	41,986
Security		3,852	30,596
Licencing of software		59,864	30,489
Staff welfare		33,705	30,215
Telecommunication costs (Telephone and fax)		253,476	190,855
Training & recruitment cost		110,469	77,671
Travel - local		44,202	31,346
Utilities		24,622	25,449
		5,771,177	4,223,873

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

	Note(s)	2008 R	2007 R
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STATEMENT OF CHANGES IN NET ASSETS

	Note(s)	Share capital R	Accumulate d Surplus (Deficit) R	Net Assets R
Balance at July 1, 2006		100	(102,540)	(102,440)
Changes in net assets				
Surplus for the year			180,070	180,070
Total changes		-	180,070	180,070
Balance at July 1, 2007		100	77,530	77,630
Changes in net assets				
Prior year adjustments			(29,210)	(29,210)
Net income (expenses) recognised directly in equity		-	(29,210)	(29,210)
Deficit for the year			(34,532)	(34,532)
Total recognised income and expenses for the year		-	(63,742)	(63,742)
Total changes		-	(63,742)	(63,742)
Balance at June 30, 2008		100	13,788	13,888

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

CASH FLOW STATEMENT

	Note(s)	2008 R	2007 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		5,657,527	4,348,858
Cash paid to suppliers and employees		(5,737,995)	(3,644,462)
Cash (used in) generated from operations	19	(80,468)	704,396
Interest income		40,217	110,906
Finance costs		(23,099)	(14,821)
Tax received	20	15,944	-
Net cash from operating activities		(47,406)	800,481
CASH FLOWS UTILISED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(78,452)	(37,465)
Proceeds from sale of property, plant and equipment	8	2,417	(9,642)
Grant transferred to Pharoeh Park		(10,793,533)	-
Loans advanced to related companies		-	(879,672)
Increase in loans from related companies		1,790,278	(280,282)
Other non-cash item		-	(1,538)
Net cash utilised in investing activities		(9,079,290)	(1,208,599)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bridging finance received(paid)		-	10,793,533
Net cash from financing activities		-	10,793,533
Net increase(decrease) in cash and cash equivalents		(9,126,696)	10,385,415
Cash and cash equivalents at the beginning of period		10,372,861	(12,554)
Cash and cash equivalents at end of the period	7	1,246,165	10,372,861

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

ACCOUNTING POLICIES

1. Basis of preparation

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations such as Statements issued by the Accounting Practice Board, with the prescribed Standard of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP	Replaced Statement of SA GAAP
GRAP1: Presentation of financial statements	AC 101: Presentation of financial statements
GRAP2: Cash flow statements	AC 118: Cash flow statements
GRAP3: Accounting policies, changes in accounting estimates and errors	AC 103: Accounting policies, changes in accounting estimates and errors

Currently the recognition and measurement principles in the above GRAP & GAAP statements do not differ or resulted in material difference in items presented and disclosed in the financial statements. The implementation of GRAP 1,2 and 3 has resulted in the following changes in the presentation of the financial statements:

1.1. Terminology differences:

Standard of GRAP	Replacement Statement of GAAP
Statement of Financial Position	Balance Sheet
Statement of Financial Performance	Income Statement
Statement of Changes in Net Assets	Statements of Changes in Equity
Net Assets	Equity
Surplus / Deficit	Profit / Loss
Accumulated Surplus / Deficit	Retained Earnings
Contributions from Owners	Share Capital
Distributions to Owners	Dividends

1.2. The cash flow statement can only be prepared in accordance with the direct method.

1.3. Specific information has been presented separately on the Statement of Financial Position, such as:

- (a) Receivables from non-exchange transactions, including taxes and transfers
- (b) Taxes and transfers payable
- (c) Trade and other payables from non-exchange transactions.

1.4. The amount and nature of any restrictions on cash balances is required to be disclosed.

These accounting policies are consistent with the previous year.

1.1 PRESENTATION OF CURRENCY

These annual financial statements are presented in South African Rand.

1.2 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

ACCOUNTING POLICIES

1.3 OWNERS CONTRIBUTIONS AND NET ASSETS

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

1.4 PROPERTY, PLANT AND EQUIPMENT

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

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

Cost model

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

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

Details	Years
Furniture and fixtures	5 years
Motor vehicles	5 years
Office equipment	3 years
Computer equipment	3 years
Computer software	3 years

The residual value and the useful life of each asset are reviewed at each financial period-end.

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

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

Repairs and maintenance are generally charged to expenses during the financial period in which they are incurred.

Where the carrying amount of an item of property, plant and equipment 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.

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

ACCOUNTING POLICIES

1.5 IMPAIRMENT OF ASSETS

The company assesses at each statement of financial position date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

1.6 FINANCIAL INSTRUMENTS

Initial recognition

Recognition.

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

Measurement .

Financial Instruments are initially measured at cost, which includes transaction costs.

Subsequent recognition

Subsequent to initial recognition these instruments are measured as set out below

Fair value determination

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

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

ACCOUNTING POLICIES

1.6 FINANCIAL INSTRUMENTS (continued)

Amounts owing by (to) related companies

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

Subsequently these loans are measured at 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.

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

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss 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 (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within annual financial statements. 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 company in the income statement.

Trade and other receivables are classified as loans and receivables.

Debtors are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the Statement of Financial Performance.

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

Trade and other payables

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

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

ACCOUNTING POLICIES

1.6 FINANCIAL INSTRUMENTS (continued)

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.

1.7 PROVISIONS

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 will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the company.

1.8 EMPLOYEE BENEFITS

1.8.1 Defined contribution plans

The company contributes to a provident fund on the basis of a fixed contribution. The provident fund is a defined contribution fund.

A defined contribution plan is a retirement plan under which the company pays fixed contributions into a separate entity.

The company's contributions to the defined contribution plans are charged to the Statement of Financial Performance in the financial year to which they relate.

The company has no further payment obligations once the contributions have been paid.

1.9 REVENUE

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

1.9.1 REVENUE FROM EXCHANGE TRANSACTIONS

Interest are recognised on a time proportion basis.

1.10 LEASES

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance on a straight-line basis over the period of the lease.

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

ACCOUNTING POLICIES

1.11 TAX

Current tax assets and liabilities

The tax currently payable is based on taxable income for the year. Taxable income differs from surplus as reported in the statement of financial performance, because it includes income and expenses that are taxable or tax deductible in other years and it further excludes items that are never taxable or tax deductible.

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

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred income tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method.

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 reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax against current tax liabilities and when they relate to income taxes levied by the same tax authority and the company intends to settle its current tax assets and liabilities on a net basis.

A deferred tax liability is recognised for all taxable temporary differences to the extent that it is probable that taxable profit 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:

- a) is not a business combination; and
- b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

- a) the initial recognition of goodwill; or
- b) goodwill for which amortisation is not deductible for tax purposes; or
- c) 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 profit nor taxable profit (tax loss).

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

ACCOUNTING POLICIES

1.11 TAX (continued)

Taxation

Income Tax expense represents the sum of current and deferred tax.

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

- a) a transaction or event which is recognised, in the same or different period, directly in net assets, or
- b) a business combination.

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

1.12 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. Where unauthorised expenditure is not approved, it is recovered from the responsible person and the amount received is accounted for as revenue in the Statement of Financial Performance.

1.13 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority it is treated as a current asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

1.14 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. If the expenditure is not condoned by the relevant authority it is accounted for as a current asset in the Statement of Financial Position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

1.15 COMPARATIVES INFORMATION

1.15.1 CURRENT YEAR COMPARATIVES

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.15.2 PRIOR YEAR COMPARATIVES

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2008	2007
R	R

2. SHARE CAPITAL

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

2. SHARE CAPITAL (continued)

Authorised

1000 Ordinary shares of R1 each	-	1,000
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Issued

Ordinary	100	100
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100 share at R1 each had been issued and are held by Ekurhuleni Metropolitan Municipality.

3. AMOUNTS OWING BY(TO) RELATED COMPANIES

Related Companies

Phase II Housing Company	156,224	(64,150)
Pharoe Park Housing Company	1,574,653	478,741
Lethabong Housing Institute	(2,641,483)	465,081
	(910,606)	879,672

Current assets	1,730,877	943,822
Current liabilities	(2,641,483)	(64,150)
	(910,606)	879,672

4. LOANS TO/FROM SHAREHOLDERS

Shareholder: Gauteng Partnership Fund	-	(10,793,533)
Terms and conditions (Refer to note 4.1)		

The carrying amount of loans to and from shareholders are denominated in the following currencies:

4.1. SHAREHOLDER: GAUTENG PARTNERSHIP FUND

Notional loans movement for the year

Gauteng Partnership Fund	-	(10,793,533)
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Gauteng Partnership Fund gave a bridging finance facility to EDC for President Place project amounting to R10,793,533. Notice has been received on 14 March 2008 that the facility has been settled and is no longer liable to be repaid in terms of the signed agreement. The loan amount was transferred to Pharoe Park Housing Company for the acquisition of Presidents Place

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2008 R	2007 R
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5. OPERATING LEASE ASSET (ACCRUAL)

At balance sheet date the company had outstanding lease commitments under an operating lease which falls due as follows:

Gestetner - 1 Photo copying machine

The Photo copying machine from Gestetner is on a straight line operating lease with no escalations in the monthly rental over the five year period. Additional text

6. TRADE AND OTHER PAYABLES

Trade payables	33,573	59,888
VAT	124,841	370,666
Salaries & Wages Control	109,291	29,858
Accrued bonus	-	64,701
Unallocated Receipts	-	359
Leave Accrual	131,185	107,254
Bonus Accrual	67,498	-
Other Creditors	104,717	-
Related party creditor	21	5,550
Total Creditors	576,655	632,726

The accruals for leave pay was not discounted as the accruals is already reflected at its present value on the reporting date. When the accruals for leave pay is calculated it is based on the employees' salary scales as at the reporting date, when the accruals realises, it will realise at the employees' new salary scales, i.e. after their annual salary increase.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	750	750
Bank balances	1,245,415	488,475
Call investment deposits	-	9,883,636
	1,246,165	10,372,861

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2008 R	2007 R
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8. PROPERTY, PLANT AND EQUIPMENT

	2008			2007		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	162,022	(72,366)	89,656	112,492	(44,451)	68,041
Motor vehicles	117,957	(76,672)	41,285	117,957	(55,047)	62,910
Office equipment	21,667	(11,496)	10,171	24,084	(8,277)	15,807
Computer equipment	172,104	(116,793)	55,311	143,182	(70,632)	72,550
Computer software	133,284	(133,284)	-	133,284	(89,118)	44,166
Total	607,034	(410,611)	196,423	530,999	(267,525)	263,474

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Disposals	Depreciation	Total
Computer software	44,166	-	-	(44,166)	-
Furniture and fixtures	68,041	49,530	-	(27,915)	89,656
IT equipment	72,550	28,922	-	(46,161)	55,311
Motor vehicles	62,910	-	-	(21,625)	41,285
Office equipment	15,807	-	(2,417)	(3,219)	10,171
	263,474	78,452	(2,417)	(143,086)	196,423

Reconciliation of property, plant and equipment - 2007

	Opening Balance	Additions	Depreciation	Total
Furniture and fixtures	86,524	-	(18,483)	68,041
Motor vehicles	88,739	-	(25,829)	62,910
Office equipment	7,337	15,095	(6,625)	15,807
IT equipment	69,620	22,370	(19,440)	72,550
Computer software	88,589	-	(44,423)	44,166
	340,809	37,465	(114,800)	263,474

9. TRADE AND OTHER RECEIVABLES

Sundry debtor	106,815	-
Sundry Receivables	-	20,190
Electricity deposit - Municipality	8,690	8,690
	115,505	28,880

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2008 R	2007 R
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EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

10. REVENUE

Management services rendered	5,482,000	4,347,630
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11. INVESTMENT REVENUE

Interest revenue

Interest earned - external investments	40,217	110,906
	-	-
	40,217	110,906

12. GOVERNMENT GRANTS AND SUBSIDIES

Provincial government

Current-year receipts	-	10,793,533
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An application to Gauteng Partnership Fund was approved and the subsidies earmarked for the acquisition of Presidents Place was received. The transaction was not yet completed as at 30 June 2007

13. OTHER INCOME

Recoveries	877	-
Sundry revenue	75,778	1,228
Government grants	160,872	-
	237,527	1,228

14. OPERATING SURPLUS

Operating profit for the year is stated after accounting for the following:

Operating lease charges

Premises		
• Contractual amounts	180,000	180,000
Equipment		
• Contractual amounts	80,022	74,439
	260,022	254,439

Surplus (deficit) on sale of property, plant and equipment	-	(9,642)
Depreciation on property, plant and equipment	145,052	116,338
Employee costs	16	3,519,075
Consulting and professional fees	574,552	230,195
Insurance	61,397	47,943
Repairs and maintenance	26,921	41,986
Security	3,852	30,596

15. AUDITORS' REMUNERATION

Fees	307,842	122,157
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EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

Notes to the Annual Financial Statements

	2008 R	2007 R
16. EMPLOYEE COSTS		
Basic	3,014,860	2,388,606
Medical aid - company contributions	42,122	54,032
UIF	18,635	16,180
SDL	27,755	10,782
Leave pay provision charge	50,406	21,034
Company contribution to Provident Fund	173,296	152,283
Directors Fees	192,001	48,000
	3,519,075	2,690,917
Remuneration of the Chief Executive Officer		
Annual Remuneration	385,431	322,000
Car Allowance	99,000	108,000
Performance Bonuses	39,384	50,000
Contributions to UIF, Medical and Pension Funds	32,383	57,785
	556,198	537,785
Remuneration of the Chief Finance Officer		
Annual Remuneration	273,073	187,096
Car Allowance	77,000	54,000
Bonuses	28,158	28,169
Contributions to UIF, Medical and Pension Funds	42,861	41,733
	421,092	310,998
Remuneration of the Business Development Manager		
Annual Remuneration	223,152	188,417
Performance Bonuses	29,124	22,642
Contributions to UIF, Medical and Pension Funds	26,475	35,542
Car Allowance	20,565	38,000
	299,316	284,601
Remuneration of Non Executive Directors		
Directors fees	192,001	48,000
Remuneration per Director		
S Twala - Non executive director	48,000	16,000
D Ngoasheng - Non executive director	69,333	32,000
C Ucko - Non executive director	32,000	-
P Gerber - Non executive director	40,000	-
N Kara - Non executive director	2,667	-
	192,000	48,000

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

Notes to the Annual Financial Statements

		2008 R	2007 R
17. GENERAL EXPENSES			
Advertising		29,021	13,966
Auditors remuneration	15	307,842	122,157
Bank charges		25,012	17,669
Cleaning		-	1,184
Commission paid		374	-
Computer expenses		45,356	64,584
Conferences and seminars		6,062	69,163
Consulting and professional fees		574,552	230,195
Debt collection		122,841	33,830
Fleet		19,311	12,775
Insurance		61,397	47,943
Lease rentals on operating lease		260,022	254,439
Magazines, books and periodicals		25,811	28,979
Pest control		7,590	-
Printing and stationery		64,748	51,485
Repairs and maintenance		26,921	41,986
Security (Guarding of municipal property)		3,852	30,596
Software expenses		59,864	30,489
Staff welfare		33,705	30,215
Telecommunication costs (Telephone and fax)		253,476	190,855
Training		110,469	77,671
Travel - local		44,202	31,346
Utilities		24,622	25,449
		2,107,050	1,406,976
18. TAXATION			
Major components of the tax expense (income)			
Current			
South African Income tax - current period		-	41,000
Current		-	41,000
Deferred		-	-
19. CASH (USED IN) GENERATED FROM OPERATIONS			
(Deficit) surplus before taxation		(34,532)	221,070
Adjustments for:			
Depreciation and amortisation		145,052	116,338
Deficit on sale of assets		-	9,642
Interest received		(40,217)	(110,906)
Finance costs		23,099	14,821
Prior year adjustment		(29,210)	-
Changes in working capital:			
Trade and other receivables		(86,625)	(10,502)
Trade and other payables		(58,035)	463,933
		(80,468)	704,396
20. TAX (PAID) REFUNDED			
Balance at beginning of the year		(41,000)	-

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

Notes to the Annual Financial Statements

	2008	2007
	R	R
20. TAX (PAID) REFUNDED (continued)		
Current tax for the year recognised in Statement of financial performance	-	(41,000)
Balance at end of the year	56,944	41,000
	15,944	-

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

Notes to the Annual Financial Statements

	2008 R	2007 R
21. RELATED PARTIES		
Relationships		
Parent		Ekurhuleni Metropolitan Municipality
Other members of the group		Pharoe Park Housing Company Phase II Housing Company Lethabong Housing Institute
Related party balances		
Loan accounts - Owing by related parties		
Pharoe Park Housing Company	1,574,653	478,741
Germiston Phase II Housing Company	156,224	-
Lethabong Housing Company	-	465,081
	1,730,877	943,822
Loan accounts - Owing to related parties		
Gauteng Partnership Fund	-	10,793,533
Lethabong Housing Company	2,641,483	-
Germiston Phase II Housing Company	-	64,150
	2,641,483	10,857,683
Amounts included in Trade Payable regarding related parties		
Ekurhuleni Metropolitan Municipality	5,550	-
Related party transactions		
Management Services rendered to related parties		
Pharoe Park Housing Company	2,191,000	1,711,147
Phase II Housing Company	2,196,000	1,754,833
Lethabong Housing Institute	1,095,000	881,650
	-	-
	5,482,000	4,347,630
Purchases from related parties		
Ekurhuleni Metropolitan Municipality	24,623	25,449
	-	-
	24,623	25,449
Financial Management Grant		
Ekurhuleni Metropolitan Municipality	183,394	-

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

Notes to the Annual Financial Statements

	2008 R	2007 R
22. PRIOR YEAR ERRORS		
During the year ended 30 June 2006, improvements to land were erroneously expensed as repairs and maintenance: The correction of the error(s) results in adjustments as follows:		
Statement of financial position		
Provision for Company tax	29,210	-
Statement of financial performance		
Contribution to Provision for Company Tax	(29,210)	-

23. RISK MANAGEMENT

Liquidity risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

The company is exposed to a number of guarantees for the overdraft facilities of Group companies and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

Notes to the Annual Financial Statements

	2008	2007
	R	R

24. GOING CONCERN

We draw attention to the fact that at June 30, 2008, the company had accumulated surplus of R 13,788.

Ekurhuleni Metropolitan Municipality together with Gauteng Partnership Fund commissioned a due diligence report on the viability of the company. The company is experiencing cash flow challenges on a monthly basis. Several factors contribute to the viability and ultimately the going concern of the company. Therefore a long term sustainability strategy is being prepared for the company. The company is however dependant on continued support from the shareholders to remain a going concern.

EKURHULENI DEVELOPMENT COMPANY

APPENDIX E(1) for the ended Monday, 30 June, 2008
June 2008

GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

	Current year 2007 Act. Bal.	Current year 2007 Bud. Amt	Variance		Explanation of Significant Variances greater than versus Budget
	Rand	Rand	Rand	Var	
Revenue					
Trading and general (Filtered)	5,482,000	6,278,796	(796,796)	-	
	5,482,000	6,278,796	(796,796)	-	
Other income					
Income	237,527	451,791	(214,264)	-	
Interest received - investment	40,217	300,160	(259,943)	-	Investment income over budgeted
	277,744	751,951	(474,207)	-	
Total Revenue	5,759,744	7,030,747	(1,271,003)	-	
Expenses					
Employee related costs	(3,519,074)	(3,563,840)	44,766	-	
Depreciation - N/A	(145,052)	(159,996)	14,944	-	
Repairs and maintenance	(26,921)	(41,388)	14,467	-	
Finance costs	(23,099)	(25,000)	1,901	-	
General expenses	(2,080,130)	(2,405,783)	325,653	-	
	(5,794,276)	(6,196,007)	401,731	-	
Operating profit	(34,532)	834,740	(869,272)	-	
Other revenue and costs					
Net surplus/ (deficit) for the year	(34,532)	834,740	(869,272)	-	

EKURHULENI DEVELOPMENT COMPANY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

Certificate by Company Secretary for the year ended June 30, 2008

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

ME von Ronge
Of: EKURHULENI DEVELOPMENT COMPANY
Company Secretary
Friday, 29 August, 2008