GERMISTON PHASE II HOUSING COMPANY PTY (LTD)
(REGISTRATION NUMBER 2000/007937/07)
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 s 4 to 24, 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 Genereally Accepted Accounting Practices. 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 GERMISTON PHASE II HOUSING COMPANY PTY (LTD) to enable the directors to meet these responsibilities. These controls are monitored throughout the GERMISTON PHASE II HOUSING COMPANY PTY (LTD) in ensuring the Company's operations is conducted accordingly. The focus of risk management in the GERMISTON PHASE II HOUSING COMPANY PTY (LTD) is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the GERMISTON PHASE II HOUSING COMPANY PTY (LTD) 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.

Executive Director

Friday, 29 August, 2008

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Social Housing Institution
DIRECTORS	Sipho Mlungisi Twala Daphney Ngoasheng Clive Peter Ucko Kara Nazir Ahmed Simon Pieter Gerber Michael Mokela Mokgohloa
BUSINESS ADDRESS	No 9 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	Kwinana and Associates(Gauteng) incorporated (on behalf of the Auditor General)
SECRETARY	ME von Ronge

CONTENTS

The reports and statements set out below comprise the annual financial statements presented to the shareholder:

DIRECTORS' REPORT

1. INCORPORATION

The company was incorporated on 26 April 2000 and obtained its certificate to commence business on the same day.

2. GOING CONCERN

The Phase II Housing Company PTY(LTD) at the year end at June 30, 2008,showed a surplus of R57 540 and the company's total assets exceeded the liabilities by R4 015 462.

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 shareholders and furthermore the company is dependant on achieving sustainable profitability through the rental of properties at a social rate.

3. INTERNAL CONTROLS

3.1. VAT

GERMISTON PHASE II HOUSING COMPANY PTY (LTD) is exempt from VAT registration.

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.

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.

6. CONTRIBUTION FROM OWNERS

The company was incorporated with an authorised share capital of 1,000 ordinary shares of R1 each of which 108 were issued at par value.

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

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

Ekurhuleni Metropolitan Municipality held 92.6% of the ordinary share capital of th company as at 30 June 2007.

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:

Michael Mokgohloa is the only executive director appointed as the Chief Executive officer.

All other directors are independant non-executive directors appointed by the Ekurhuleni Metropolitan Municipality.

DIRECTORS' REPORT

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

8. PARENT

The company's parent is Ekurhuleni Metropolitan Municipality

9. BANKERS

Amalgamated Bank of South Africa Limited

10. AUDITORS

In accordance with Section 92 of the Municipal Finance Management Act No 56 of 2003,Kwinana and Associates(Gauteng) incorporated (on behalf of the Auditor General) will continue as the Company's external auditors

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: GERMISTON PHASE II HOUSING COMPANY PTY (LTD)
Company Secretary
Friday, 29 August, 2008

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2008

	Note(s)	2008 R	2007 R
NET ASSETS AND LIABILITIES			
NET ASSETS			
Contribution from owners	2	4,000,100	4,000,100
Accumulated Surplus (Deficit)		15,361	(75,898)
		4,015,461	**3,924,202**
LIABILITIES			
NON-CURRENT LIABILITIES			
Shareholders Loan	4	2,011,593	1,796,065
Long-term liabilities	5	19,849,327	21,286,595
Deferred income	7	1,382,520	1,416,240
		23,243,440	**24,498,900**
CURRENT LIABILITIES			
Loans from group companies	3	247,858	-
Current portion of long-term liabilities	5	1,497,118	1,608,742
Trade and other payables	6	760,132	753,381
Rental Deposits		1,349,528	1,248,737
		3,854,636	**3,610,860**
Total Liabilities		**27,098,076**	**28,109,760**
Total Net Assets and Liabilities		**31,113,537**	**32,033,962**
ASSETS			
NON-CURRENT ASSETS			
Investment property	9	26,396,042	26,977,455
CURRENT ASSETS			
Loans to group companies	3	819,210	643,777
Trade and other receivables	10	322,105	570,369
Cash and cash equivalents	8	3,576,180	3,842,361
		4,717,495	**5,056,507**
Total Assets		**31,113,537**	**32,033,962**

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

	Note(s)	2008 R	2007 R
Revenue	11	8,517,257	8,068,924
Other income	12	638,258	412,734
Operating expenses	15	(6,855,038)	(6,168,707)
Operating surplus		**2,300,477**	**2,312,951**
Investment revenue		399,152	269,047
Finance costs	14	(2,642,090)	(2,557,668)
Surplus for the year		**57,539**	**24,330**

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

	Note(s)	2008 R	2007 R
Revenue			
Rental facilities and equipment		8,517,257	8,068,924
Other income			
Recoveries		463,961	299,416
Sundry Income		140,577	6,102
Interest received - investment		399,152	269,047
Deferred income on asset-based Goverment grants recognised during the year		33,720	33,720
Gain on receipt of shareholders loan carried at amortised cost		-	73,496
		1,037,410	**681,781**
Operating expenses			
Administration and management fees		(2,196,000)	(1,931,517)
Auditors remuneration	13	(239,103)	(213,095)
Bad debts	16	(265,338)	(447,201)
Bank charges		(93,704)	(79,055)
Cleaning		(223,353)	(209,722)
Conferences and seminars		-	(1,480)
Consulting and professional fees		(36,518)	-
Debt collection		(88,620)	(94,593)
Depreciation, amortisation and impairments		(581,413)	(581,413)
Insurance		(371,731)	(74,610)
Levies		-	(1,029)
Magazines, books and periodicals		-	(1,800)
Pest control		(38,524)	(42,597)
Printing and stationery		-	(848)
Repairs and maintenance		(481,387)	(585,840)
Security (Guarding of municipal property)		(797,670)	(781,590)
Staff welfare		(307,440)	-
Telecommunication costs (Telephone and fax)		-	(1,069)
Utilities		(1,134,237)	(1,121,248)
		(6,855,038)	**(6,168,707)**
Operating surplus		**2,699,629**	**2,581,998**
Finance costs	14	(2,642,090)	(2,557,668)
Surplus for the year		**57,539**	**24,330**

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

STATEMENT OF CHANGES IN NET ASSETS

	Note(s)	Share capital	Share premium	Total share capital	Accumulated Surplus (Deficit)	Net Assets
		R	R	R	R	R
Balance at July 1, 2006		**108**	**3,999,992**	**4,000,100**	**(100,228)**	**3,899,872**
Changes in net assets						
Surplus for the year				-	24,330	24,330
Total changes		-	-	-	24,330	24,330
Balance at July 1, 2007		**108**	**3,999,992**	**4,000,100**	**(75,898)**	**3,924,202**
Prior Year adjustment				-	33,720	33,720
Net income (expenses) recognised directly in equity		-	-	-	33,720	33,720
Surplus for the year					57,539	57,539
Total recognised income and expenses for the year		-	-	-	91,259	91,259
Total changes		-	-	-	91,259	91,259
Balance at June 30, 2008		**108**	**3,999,992**	**4,000,100**	**15,361**	**4,015,461**

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)

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		9,155,515	8,341,449
Cash paid to suppliers and employees		(6,052,330)	(4,967,933)
Cash generated from operations	17	3,103,185	3,373,516
Interest income		399,152	269,047
Finance costs		(2,642,090)	(2,557,668)
Net cash from operating activities		**860,247**	**1,084,895**
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans to group companies repaid		72,425	-
Loans advanced to group companies		-	57,501
Proceeds from amaortisation of interest free loan		-	73,496
Net cash from investing activities		**72,425**	**130,997**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term liabilities		(1,548,892)	(1,489,665)
Increase (Decrease) in rental deposits		100,791	(17,335)
Proceeds from shareholders loan		215,528	-
Repayment of shareholders loan		-	(73,496)
Other non-cash item		33,720	-
Net cash from financing activities		**(1,198,853)**	**(1,580,496)**
Net (decrease) increase in cash and cash equivalents		**(266,181)**	**(364,604)**
Cash and cash equivalents at the beginning of the year		3,842,361	4,206,965
Cash and cash equivalents at end of period	8	**3,576,180**	**3,842,361**

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, the prescribed standards of Generally Recognised Accounting Practices(GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statements 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 and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP1, 2 and 3 has resulted in the following changes in 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 seperately 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;
must be presented separately on the statement of financial position.

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 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.

ACCOUNTING POLICIES

1.2 INVESTMENT PROPERTY

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Investment properties, which are properties held to earn rental revenue or for capital appreciation, are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property.

COST MODEL

Investment property is carried at cost less depreciation less any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

ITEM	USEFUL LIFE
Property - land	indefinite
Property - buildings	50 years

1.3 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. The redution is an impairment loss.

If its 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..
Investment property 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.

1.4 FINANCIAL ASSETS AND LIABILITIES

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 assets and financial liabilities are initially measured at cost, which include transaction costs.

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

ACCOUNTING POLICIES

1.4 FINANCIAL ASSETS AND LIABILITIES (continued)

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.

LOANS TO (FROM) GROUP COMPANIES

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

Subsequently these loans are measured at 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.

ACCOUNTING POLICIES

1.4 FINANCIAL ASSETS AND LIABILITIES (continued)

TRADE AND OTHER PAYABLES

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

CASH AND CASH EQUIVALENTS

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

1.5 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.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts and after eliminated revenue within departments of the Municipality. Revenue is recognised as follows:

1.6 CONDITIONAL GRANTS AND RECEIPTS

Government grants are recognised as deffered income when there is reasonable assurance that:
- the company will comply with the conditions attached to the government grant, and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match the grants with the related costs which they are intended to compensate.

In particular, the government grant pertaining to land received from the parent municipality is recognised as income at cost over a straight-line period of fifty years, being the estimated useful life of the residential accomodation on the land.

1.7 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 statement of financial position date.

ACCOUNTING POLICIES

1.7 TAX (continued)

DEFERRED TAX ASSETS AND LIABILITIES

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 rate that are expected to apply to the period when the asset is realised or the liability setttled, 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 assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its curreent tax assets and liablities on a net basis.
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 profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible 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 taxabel 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 deductable for tax purposes; or
c) the initial recognition of an asset or liability in a transaction which:
i) is not a business combination; and
ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

TAXATION

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

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:
a) a transaction or event which is recognised, in the same or a different period, directly in equity, 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2008 R	2007 R
2. CONTRIBUTION FROM OWNERS		
AUTHORISED		
1000 Ordinary shares of R1 each	1,000	1,000
ISSUED		
Ordinary	108	108
Share premium	3,999,992	3,999,992
	4,000,100	**4,000,100**

108 Ordinary shares @ R1 each.

3. LOANS TO/FROM GROUP COMPANIES

SUBSIDIARIES

	2008 R	2007 R
Ekurhuleni Development Companny	(156,224)	64,149
Pharoe Park Housing Company	819,210	579,628
Lethabong Housing Institute	(91,634)	-
	571,352	**643,777**

AMOUNTS OWING BY(TO) RELATED COMPANIES

Inter company loans are interest free with no fixed repayment terms

	2008 R	2007 R
Current assets	819,210	643,777
Current liabilities	(247,858)	-
	571,352	**643,777**

4. LOANS FROM SHAREHOLDERS

	2008 R	2007 R
Gauteng Partnership Fund (GPF) The loan from GPF is interest free and repayable by equal instalments of R700000 annually from the1st of February 2011. The loan was received in February 2005 when GPF acquired 7.5% shareholding of the company.	(2,011,593)	(1,796,065)

4.1. GAUTENG PARTNERSHIP FUND (GPF)

NOTIONAL LOANS MOVEMENT FOR THE YEAR

	2008 R	2007 R
Loan at nominal amount	(1,796,065)	(1,869,561)
(Less) Gain on receipt of interest free loan	(215,528)	73,496
Balance at end of year	**(2,011,593)**	**(1,796,065)**

5. LONG-TERM LIABILITIES

	2008 R	2007 R
Secured Loan - NHFC @ prime less 1% interest The loan from National Housing Finance Corporation is secured by a first continuous covering mortage bond over the consolidated property and is repayable in 186 equal instalments. Interest on the loan was charged at 14% until January 2005 and then negotiated to prime less 1% from February 2005.	21,346,445	22,895,337

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2008 R	2007 R
5. LONG-TERM LIABILITIES (continued)			
CURRENT PORTION OF LONG TERM LIABILITIES			
Current portion of NHFC Loan		1,497,118	1,608,742
Terms and conditions			
NON-CURRENT LIABILITIES			
National Housing Funding Corporation		19,849,327	21,286,595
CURRENT LIABILITIES			
National Housing Funding Corporation		1,497,118	1,608,742
		21,346,445	**22,895,337**

6. TRADE AND OTHER PAYABLES

		2008 R	2007 R
Trade payables		139,463	133,344
Payments received in advance		204,931	273,462
Sundry Creditors		34,098	-
Unallocated Receipts		9,819	75,689
Related party creditor	18	371,821	270,886
Total Creditors		**760,132**	**753,381**

7. DEFERRED INCOME

DEFERRED INCOME COMPRISES:

	2008 R	2007 R
Non-monetary Government Grants	1,382,520	1,416,240

MOVEMENT DURING THE YEAR:

	2008 R	2007 R
Balance at the beginning of the year	1,416,240	1,449,960
Income recognition during the year	(33,720)	(33,720)
Balance at the end of the year	**1,382,520**	**1,416,240**

Deferred income resulted from land donated to Phase II by Ekurhuleni Metropolitan Municipality and is recognised as revenue over the useful life of the investment property.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2008 R	2007 R

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2008 R	2007 R
Bank balances	576,180	142,361
Call investment deposits	3,000,000	3,700,000
	3,576,180	**3,842,361**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2008	2007
	R	R

9. INVESTMENT PROPERTY

	2008			2007		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	30,756,639	(4,360,597)	26,396,042	30,756,639	(3,779,184)	26,977,455

RECONCILIATION OF INVESTMENT PROPERTY - 2008

	Opening Balance	Depreciation	Total
Investment property	26,977,455	(581,413)	26,396,042

RECONCILIATION OF INVESTMENT PROPERTY - 2007

	Opening Balance	Accumulated Depreciation	Total
Investment property	30,756,639	(3,779,184)	26,977,455

PLEDGED AS SECURITY

The loan from NHFC is secured by a first continuous covering mortageover the consolidated property of Airport Park and Delville Flats

DETAILS OF PROPERTY

The property comprises of:
- ERF 59,61and 62 Airport Park Extension 2 Township registration division I.R measuring 1.3394, 1,1486 and 1.5477 hectares respectively
- and ERF 905, 906, 907 and 908 Dellville Extension 3 Township measuring 4.708, 4.212, 4.400 and 2.007 hectares respectively.

The property was developed in 2002 for the purpose of earning rental income and meeting housing service delivery needs. The property has 548 rental units.

Fair value of investment property amounting toR68 300 000(R65 800 000 June 07) was determined as at year end 30 June 2007 by an independent sworn property appraiser based on most recent prices achieved in arms length transactions of similar properties in the area.

As at 30 June 2008 the fair value adjustment was determined by the House Price Index of ABSA at 3.8 % as per fair value policy of the company which states that a Independant valuation has to be done every 3 years there after an adjustment can be done in terms of a published house prices index from one of the Financial Institutions eg. ABSA

Investment property at cost	
Land	R 1 686 000
Buildings	R 29 070 639
Total	**R 30 756 639**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2008 R	2007 R

10. TRADE AND OTHER RECEIVABLES

		2008 R	2007 R
Trade debtors	10.1	285,743	568,978
Interest receivable		36,362	1,391
		322,105	**570,369**

10.1. TRADE DEBTORS

	2008 R	2007 R
Gross trade receivables	1,236,872	1,680,595
Less Provision for bad debts	(951,129)	(1,111,617)
	-	-
	285,743	**568,978**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2008 R	2007 R

11. REVENUE

Rental facilities and equipment		8,517,257	8,068,924

12. OTHER INCOME

Recoveries		463,961	299,416
Sundry revenue		140,577	6,102
Deferred income on asset-based Government grants recognised during the year		33,720	33,720
Gain on receipt of shareholders loan carried at amortised cost		-	73,496
		638,258	**412,734**

13. AUDITORS' REMUNERATION

Fees		239,103	213,095

14. FINANCE COSTS

Interest paid on long term loans		2,412,244	2,538,433
Amortisation of held to maturity liabilities		215,528	-
Interest paid on deposits held		14,318	19,235
		2,642,090	**2,557,668**

15. OPERATING EXPENSES

Administration and management fees		2,196,000	1,931,517
Auditors remuneration	13	239,103	213,095
Bad debts	16	265,338	447,201
Bank charges		93,704	79,055
Cleaning		223,353	209,722
Conferences and seminars		-	1,480
Consulting fees		36,518	-
Legal & Debt collection		88,620	94,593
Depreciation		581,413	581,413
Insurance		371,731	74,610
Levies		-	1,029
Magazines, books and periodicals		-	1,800
Pest control		38,524	42,597
Printing and stationery		-	848
Repairs and maintenance		481,387	585,840
Security (Guarding of municipal property)		797,670	781,590
Staff welfare		307,440	-
Telecommunication costs (Telephone and fax)		-	1,069
Utilities		1,134,237	1,121,248
		6,855,038	**6,168,707**

16. BAD DEBTS

Contributions to bad-debt provision		265,338	447,201

Notes to the Annual Financial Statements

	2008 R	2007 R
17. CASH GENERATED FROM OPERATIONS		
Surplus before taxation	57,539	24,330
ADJUSTMENTS FOR:		
Depreciation and amortisation	581,413	581,413
Gain on interest free loan from shareholders	-	(73,496)
Interest received	(399,152)	(269,047)
Finance costs	2,642,090	2,557,668
CHANGES IN WORKING CAPITAL:		
Trade and other receivables	248,264	116,580
Trade and other payables	6,751	469,788
Deferred income	(33,720)	(33,720)
	3,103,185	**3,373,516**

18. RELATED PARTIES

Relationships	
Parent	Ekurhuleni Metropolitan Municipality
Other members of the group	Ekurhuleni Development Company
	Pharoe Park Housing Company
	Lethabong Housing Institute

RELATED PARTY BALANCES

	2008 R	2007 R
LOAN ACCOUNTS - OWING (TO) BY RELATED PARTIES		
Ekurhuleni Development Company	(156,224)	64,149
Pharoe park Housing Company	819,210	579,628
Lethabong Housing Institute	(91,634)	-
AMOUNTS INCLUDED IN TRADE RECEIVABLE (TRADE PAYABLE) REGARDING RELATED PARTIES		
Ekurhuleni Metropolitan Municipality	371,821	270,886

RELATED PARTY TRANSACTIONS

	2008 R	2007 R
PURCHASES FROM RELATED PARTIES		
Ekurhuleni Metropolitan Municipality	1,134,237	1,121,248
ADMINISTRATION FEES PAID TO (RECEIVED FROM) RELATED PARTIES		
Ekurhuleni Development Company	2,196,000	1,931,517

Notes to the Annual Financial Statements

	2008 R	2007 R

19. 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:

	2008 R	2007 R
STATEMENT OF FINANCIAL POSITION		
Trade and other receivables	-	33,720
STATEMENT OF FINANCIAL PERFORMANCE		
Retained Income	-	(33,720)

20. 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 counter-party.

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.

21. GOING CONCERN

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

Ekurhuleni Metropolitan Municipality together with Gauteng Partnership Fund commissioned a due dilligence report on the sustainability 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 form the shareholders in order to remain a going concern.

GERMISTON PHASE II HOUSING COMPANY PTY (LTD)
APPENDIX E(1) for the ended Monday, 30 June, 2008
July 2007

GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2006

	Current year 2008 Act. Bal. Rand	Current year 2008 Bud. Amt Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Rental facilities and equipment	8,517,257	8,955,670	(438,413)	-	Over budgeted
	8,517,257	8,955,670	(438,413)	-	
Other income					
Other income	638,257	372,400	265,857	-	Recoveries improved
Interest received - investment	399,152	112,000	287,152	-	Cash Investments gained higher interest than expected
	1,037,409	484,400	553,009	-	
Total Revenue	9,554,666	9,440,070	114,596	-	
Expenses					
Bad debts	(265,338)	(267,340)	2,002	-	
Depreciation - N/A	(581,413)	(800,004)	218,591	-	Over budgeted
Repairs and maintenance	(481,387)	(486,500)	5,113	-	
Finance costs	(2,642,089)	(2,426,682)	(215,407)	-	Under budgeted Interest rate increased by 3% per annum
General expenses	(5,526,899)	(4,897,401)	(629,498)	-	Management fees under budgeted.
	(9,497,126)	(8,877,927)	(619,199)	-	
Operating profit	57,540	562,143	(504,603)	-	
Other revenue and costs					
Net surplus/ (deficit) for the year	57,540	562,143	(504,603)	-	