

LETHABONG HOUSING INSTITUTE
(REGISTRATION NUMBER 2000/005573/08)
TRADING AS LETHABONG HOUSING INSTITUTE
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

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 23, 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 LETHABONG HOUSING INSTITUTE to enable the directors to meet these responsibilities. These controls are monitored throughout the LETHABONG HOUSING INSTITUTE in ensuring the Company's operations is conducted accordingly. The focus of risk management in the LETHABONG HOUSING INSTITUTE is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the LETHABONG HOUSING INSTITUTE 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

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

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	Housing Institute registered in terms of Section 21 of the Companies Act . The main purpose is to provide affordable housing. Vacant land is acquired, services installed and homes erected and sold.
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	First National Bank
AUDITORS	Kwinana and Associates (Gauteng) incorporated (on behalf of the Auditor General) Registered Auditors
SECRETARY	ME von Ronge
COMPANY REGISTRATION NUMBER	2000/005573/08

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

Annual Financial Statements for the year ended June 30, 2008

CONTENTS

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

CONTENTS	PAGE
Directors' Report	4 - 5
Statement from secretary	23
STATEMENT OF FINANCIAL POSITION	6
STATEMENT OF FINANCIAL PERFORMANCE	7
DETAILED STATEMENT OF FINANCIAL PERFORMANCE	8 - 9
Statement of Changes in Net Assets	10
CASH FLOW STATEMENT	11
Accounting Policies	12 - 16
Notes to the Annual Financial Statements	16 - 22

The following supplementary information does not form part of the annual financial statements and is unaudited:

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

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 deficit of R1 424 709 and the company's total assets exceeded the liabilities by R19,542,543.

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 successful development of land donated by Ekurhuleni Metropolitan Municipality to remain profitable and sustainable.

3. INTERNAL CONTROLS

3.1. GRANT INCOME

Originally the Association obtained a donation from an agency of the Chinese Government for the erection of 664 dwellings on land acquired and developed by this association.

The acquisition of land was financed by the then Edenvale Metropolitan Council.

LHI is in the process of developing 10 affordable housing units in Bedfordview in a joint venture to ensure that surplus realised are reinvested in social housing projects.

Stanford Gardens Phase III will be developed in the 2008- 2009 financial year and similarly profit realised will be reinvested in social housing projects.

3.2. VAT

LETHABONG HOUSING INSTITUTE is registered with the South African Revenue Services (SARS) for Value Added Tax.

3.3. FINANCES

During July 2007 the finance function was handed over from Alec Chesler & Co who formerly was responsible for compiling Financial reports and annual financial statements. The finances are now managed and controlled from the Germiston premises of Ekurhuleni Development Company and are the responsibility of the Chief Executive officer and the Finance Manager employed by the board.

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.

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

Annual Financial Statements for the year ended June 30, 2008

DIRECTORS' REPORT

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. 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

7. SECRETARY

Michael Mokgohloa resigned as acting secretary of the company on Friday, 27 July, 2007 and ME von Ronge was appointed in his stead on the same day .

Business address

No 9 Jack Street
Pharoe Park
Germiston
1400

Postal address

PO Box 1245
Germiston
1400

8. PARENT

The company's parent is Ekurhuleni Metropolitan Municipality

9. BANKERS

First National Bank.

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

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

Annual Financial Statements for the year ended June 30, 2008

STATEMENT OF FINANCIAL POSITION

	Note(s)	2008 R	2007 R
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	1	1
CURRENT ASSETS			
Inventories	7	14,194,755	13,625,409
Loans to group companies	2	2,833,117	-
Trade and other receivables	8	2,446,955	2,319,638
Cash and cash equivalents	5	650,292	6,084,495
		20,125,119	22,029,542
Non-Current Assets		1	1
Current Assets		20,125,119	22,029,542
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		20,125,120	22,029,543
NET ASSETS AND LIABILITIES			
NET ASSETS			
Accumulated Surplus (Deficit)		19,542,543	21,055,707
LIABILITIES			
CURRENT LIABILITIES			
Amount owing to related companies	2	-	465,082
Trade and other payables	3	298,502	126,670
Provisions	4	284,075	382,083
		582,577	973,835
Non-Current Liabilities		-	-
Current Liabilities		582,577	973,835
Liabilities of disposal groups		-	-
Equities		19,542,543	21,055,707
Liabilities		582,577	973,835
Total Net Assets and Liabilities		20,125,120	22,029,542

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

Annual Financial Statements for the year ended June 30, 2008

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2008 R	2007 R
Revenue	9	-	186,140
Cost of sales	11	-	(51,516)
Revenue		-	186,140
Cost of sales		-	(51,516)
Gross surplus		-	134,624
Operating expenses		(1,653,324)	(1,561,521)
		-	134,624
		(1,653,324)	(1,561,521)
Operating deficit	12	(1,653,324)	(1,426,897)
Investment revenue	10	228,616	462,968
Finance costs		-	(581)
Profit (loss) for the period from continuing operations		(1,424,708)	(964,510)
Profit (loss) from discontinued operations		-	-
Deficit for the period		(1,424,708)	(964,510)

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

Annual Financial Statements for the year ended June 30, 2008

DETAILED STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2008 R	2007 R
Revenue			
Sale of goods		-	186,140
Cost of sales			
Opening stock		(13,625,409)	-
Purchases		(569,346)	(13,676,925)
Closing stock		14,194,755	13,625,409
	11	-	(51,516)
		-	186,140
		-	(51,516)
Gross surplus		-	134,624
Other income			
Interest received	10	228,616	462,968
		(1,653,324)	(1,561,521)
Expenses (Refer to page 9)		(1,653,324)	(1,561,521)
		-	134,624
		228,616	462,968
		(1,653,324)	(1,561,521)
Operating deficit	12	(1,424,708)	(963,929)
Finance costs		-	(581)
Profit (loss) before taxation		(1,424,708)	(964,510)
Taxation		-	-
Deficit for the period		(1,424,708)	(964,510)

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

Annual Financial Statements for the year ended June 30, 2008

DETAILED STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2008 R	2007 R
Operating expenses			
Assessment rates & municipal charges		24,980	-
Auditors remuneration	13	281,727	344,676
Bank charges		2,726	5,116
Cleaning		1,208	-
Consulting and professional fees 1		112,033	45,970
Employee costs		16,000	275,914
Entertainment		-	3,717
Expense 4		1,095,000	881,650
Insurance		1,327	3,671
Legal expenses		81,528	-
Printing and stationery		3,030	807
Repairs and maintenance		27,926	-
Telephone and fax		725	-
Training		5,114	-
		1,653,324	1,561,521

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

Annual Financial Statements for the year ended June 30, 2008

STATEMENT OF CHANGES IN NET ASSETS

	Note(s)	Share capital R	Accumulate d Surplus (Deficit) R	Net Assets R
Balance at July 1, 2006		-	21,912,436	21,912,436
Changes in net assets				
Deficit for the year			(964,510)	(964,510)
Prior year adjustments			107,781	107,781
Total changes		-	(856,729)	(856,729)
Balance at July 1, 2007		-	21,055,707	21,055,707
Changes in net assets				
Prior year adjustments			(88,456)	(88,456)
Net income (expenses) recognised directly in equity		-	(88,456)	(88,456)
Deficit for the year			(1,424,708)	(1,424,708)
Total recognised income and expenses for the year		-	(1,513,164)	(1,513,164)
Total changes		-	(1,513,164)	(1,513,164)
Balance at June 30, 2008		-	19,542,543	19,542,543

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

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		-	585,920
Cash paid to suppliers and employees		(2,364,619)	(7,165,689)
Cash used in operations	17	(2,364,619)	(6,579,770)
Interest income		228,616	462,968
Net cash from operating activities		(2,136,003)	(6,116,802)
CASH FLOWS UTILISED IN INVESTING ACTIVITIES			
Loans advanced to related companies		(3,298,199)	465,082
Net increase(decrease) in cash and cash equivalents		(5,434,202)	(5,732,301)
Cash and cash equivalents at the beginning of period		6,084,494	11,816,796
Cash and cash equivalents at end of the period	5	650,292	6,084,495

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

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.

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

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 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.

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

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

Annual Financial Statements for the year ended June 30, 2008

ACCOUNTING POLICIES

1.4 FINANCIAL INSTRUMENTS (continued)

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.

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 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.

1.6 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.

1.6.1 REVENUE FROM EXCHANGE TRANSACTIONS

Interest are recognised on a time proportion basis.

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

Annual Financial Statements for the year ended June 30, 2008

ACCOUNTING POLICIES

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 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).

TAXATION

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

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) 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.

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

Annual Financial Statements for the year ended June 30, 2008

ACCOUNTING POLICIES

1.8 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.

1.9 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.

1.10 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.

1.11 COMPARATIVES INFORMATION

1.11.1 CURRENT YEAR COMPARATIVES

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

1.11.2 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 R	2007 R
2. AMOUNTS OWING BY(TO) RELATED COMPANIES		
SUBSIDIARIES		
Ekurhuleni Development Company	2,641,483	(465,082)
Pharoe Park Housing Company	100,000	-
Germiston Phase II Housing Company Terms and conditions	91,634	-
	2,833,117	(465,082)
Current assets	2,833,117	-
Current liabilities	-	(465,081)
	2,833,117	(465,081)

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

Annual Financial Statements for the year ended June 30, 2008

3. TRADE AND OTHER PAYABLES

Trade payables	298,502	126,670
----------------	---------	---------

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.

4. Provisions

The warranty provision represents management's best estimate of the company's liability under one period warranties granted on (electrical) (products), based on (prior experience) (and) (industry averages for defective products).

There is no expected reimbursement (from the manufacturer) in respect of this provision.

The restructuring provision relates to redundancy costs incurred on the disposal of. At , approximately -% of the staff had been retrenched. The remainder departed in .

The company moved from its previous leased premises. The lease is non-cancellable and the lease continue for the next - years. The company cannot find a lessee to occupy the premises.

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

Annual Financial Statements for the year ended June 30, 2008

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2008 R	2007 R
5. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Bank balances	150,292	4,601,982
Call investment deposits	500,000	1,482,513
	650,292	6,084,495

6. PROPERTY, PLANT AND EQUIPMENT

	2008			2007		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Office equipment	10,901	(10,900)	1	10,901	(10,900)	1

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2008

	Opening Balance	Total
Office equipment	1	1

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2007

	Opening Balance	Depreciation	Total
Office equipment	10,901	(10,900)	1

7. INVENTORIES

Inventories 1	8,404,475	8,277,597
Inventories 2	5,790,280	5,347,812
	14,194,755	13,625,409

Inventory consists of spares and consumables which will be utilized by the company in their daily business operations.

8. TRADE AND OTHER RECEIVABLES

VAT	2,446,955	2,239,136
Sundry debtor	-	78,793
Prepaid expenses	-	1,709
	2,446,955	2,319,638

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2008 R	2007 R
--	-----------	-----------

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

Annual Financial Statements for the year ended June 30, 2008

9. REVENUE

Sale of goods	-	186,140
---------------	---	---------

10. INVESTMENT REVENUE

INTEREST REVENUE

Bank	228,616	462,968
	-	-
	228,616	462,968

11. COST OF SALES

SALE OF GOODS

Cost of goods sold	-	51,516
	-	51,516
	-	-
	-	-

12. OPERATING SURPLUS

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

Employee costs	14	16,000	275,914
Consulting and professional fees		193,561	45,970
Insurance		1,327	3,671
Legal expenses		81,528	-
Repairs and maintenance		27,926	-

13. AUDITORS' REMUNERATION

Fees	281,727	344,676
------	---------	---------

14. EMPLOYEE COSTS

Directors Fees	16,000	275,914
----------------	--------	---------

15. GENERAL EXPENSES

Assessment rates & municipal charges		24,980	-
Auditors remuneration	13	281,727	344,676
Bank charges		2,726	5,116
Cleaning		1,208	-
Consulting and legal fees		193,561	45,970
Entertainment		-	3,717
Management Fees		1,095,000	881,650
Insurance		1,327	3,671
Printing and stationery		3,030	807
Repairs and maintenance		27,926	-
Telecommunication costs (Telephone and fax)		725	-
Training		5,114	-
		1,637,324	1,285,607

16. TAXATION

MAJOR COMPONENTS OF THE TAX EXPENSE (INCOME)

17. CASH USED IN OPERATIONS

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

Annual Financial Statements for the year ended June 30, 2008

Notes to the Annual Financial Statements

	2008 R	2007 R
17. CASH USED IN OPERATIONS (continued)		
Deficit before taxation	(1,424,708)	(8,368,709)
ADJUSTMENTS FOR:		
Interest received	(228,616)	462,968
Movements in provisions	(98,008)	-
Prior year adjustment	(88,456)	-
Auditors remuneration	-	87,906
Directors remuneration	-	275,914
CHANGES IN WORKING CAPITAL:		
Inventories	(569,346)	-
Trade and other receivables	(127,317)	80,502
Trade and other payables	171,832	881,650
	(2,364,619)	(6,579,769)
18. RELATED PARTIES		
Relationships		
Parent		Ekurhuleni Metropolitan Municipality
Other members of the group		Ekurhuleni Development Company Pharoe Park Housing Company Germiston Phase II Housing Company Group co ID 21
RELATED PARTY BALANCES		
LOAN ACCOUNTS - OWING BY (TO) RELATED PARTIES		
Ekurhuleni Development Company	2,641,483	(465,080)
Pharoe Park Housing Company	100,000	-
Germiston Phase II Housing Company	91,634	-
	2,833,117	(465,080)
AMOUNTS INCLUDED IN TRADE RECEIVABLE REGARDING RELATED PARTIES		
Ekurhuleni Metropolitan Municipality	293,501	-
RELATED PARTY TRANSACTIONS		
SALES TO RELATED PARTIES	-	-
PURCHASES FROM RELATED PARTIES		
Ekurhuleni Metropolitan Municipality	488,354	44,870
	488,354	44,870
MANAGEMENT FEES PAID TO RELATED PARTIES		
Ekurhuleni Development Company	1,095,000	881,650

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

Annual Financial Statements for the year ended June 30, 2008

Notes to the Annual Financial Statements

	2008 R	2007 R
19. DIRECTORS' EMOLUMENTS		
Non Executive Directors are paid a sitting allowance per meeting attended		
EXECUTIVE		
NON-EXECUTIVE		
2008		Emoluments
For services as directors		16,000
2007		Emoluments
For services as directors		10,985
DIRECTORS PAYMENTS		
2 Non executive directors payments		
DIRECTORS REMUNERATION		
SP Gerber	5,000	49,250
D Ngoasheng	11,000	-
P Ucko	-	13,500
E Sigasa	-	7,500
N Kara	-	16,000
	16,000	86,250
20. PRIOR YEAR ERRORS		
The correction of the error(s) results in adjustments as follows:		
STATEMENT OF FINANCIAL POSITION		
Trade and other receivables	(46,007)	-
Trade and other payables	136,301	-
Accruals	(178,750)	-
STATEMENT OF FINANCIAL PERFORMANCE		
Prior year income	(136,301)	-
Audit Fees	178,750	-
Prior year expense	46,007	-
Net effect on surplus/ deficit) for the year	88,456	-

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

Annual Financial Statements for the year ended June 30, 2008

Notes to the Annual Financial Statements

	2008	2007
	R	R

21. 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.

22. GOING CONCERN

We draw attention to the fact that at June 30, 2008, the company had accumulated surplus of R 19,542,543.

Ekurhuleni Metropolitan Municipality together with Gauteng Partnership Fund commissioned a due diligence report on the viability of the EDC Group companies. 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.

LETHABONG HOUSING INSTITUTE

(Registration number 2000/005573/08)

Trading as Lethabong Housing Institute

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: LETHABONG HOUSING INSTITUTE
Company Secretary
Friday, 29 August, 2008