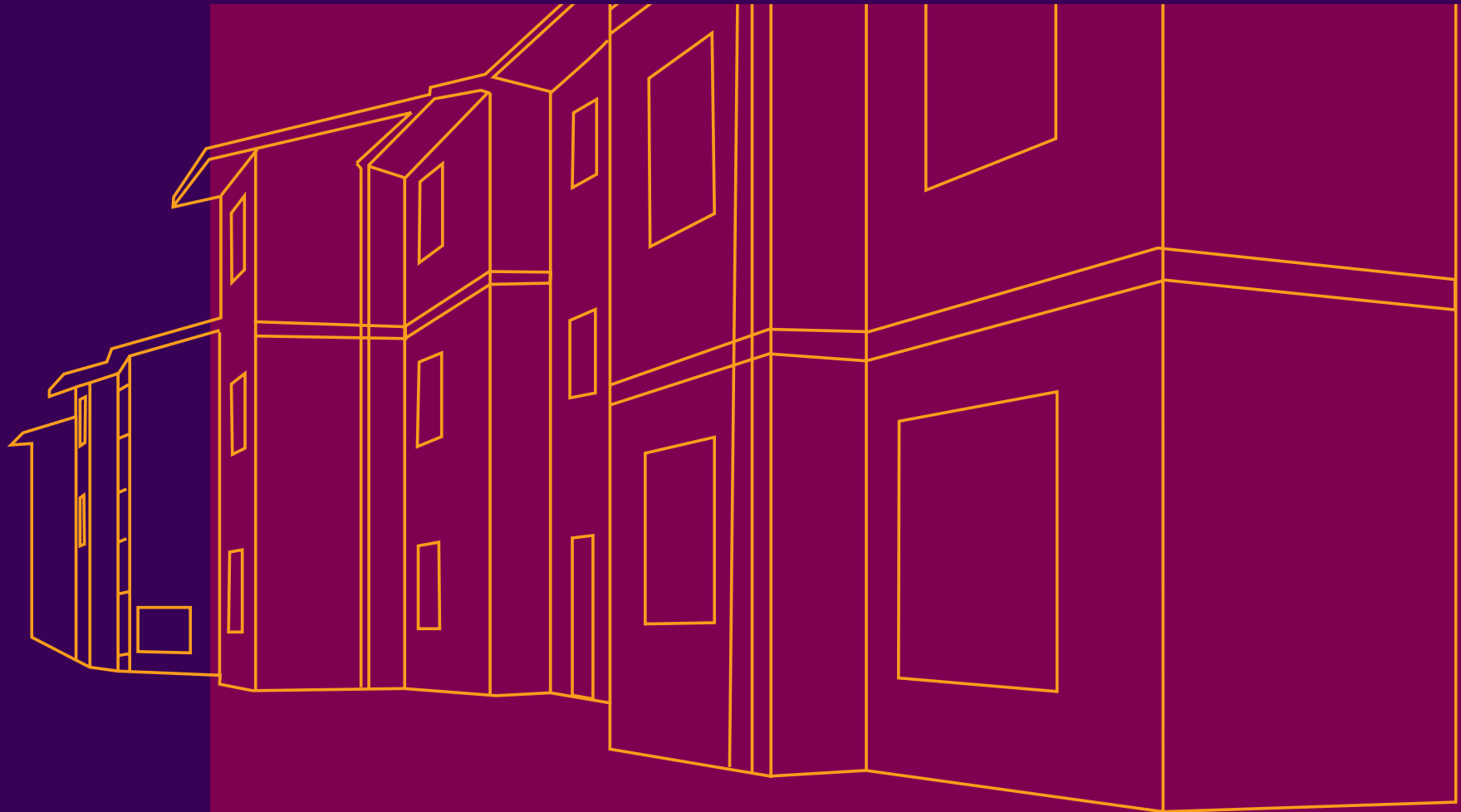


Annual Report

2 0 0 5 - 2 0 0 6



Mandate

The Social Housing Foundation is a Section 21 Company, established in 1997 by the National Department of Housing. The organisation was established as a national institution and formally mandated by the National Department of Housing to develop and build capacity for social housing institutions and to develop a policy framework for the social housing sector through the Housing Amendment Act, 1999 [Act. 20 of 1999].

Mission

The mission is to provide strategic services towards creating a sustainable and vibrant social housing sector in South Africa.

Strategic Objectives

- To provide the social housing sector with strategic information
- To mobilize resources for social housing development
- To facilitate capacity building within the sector
- To facilitate stakeholder alignment and
- To achieve business excellence

Definition of Social Housing

A rental or co-operative housing option for low income persons at a level of scale and built form which requires institutionalised management, and which is provided by accredited social housing institutions or in accredited social housing projects in designated restructuring zones (as per Social Housing Policy).



Table of Contents

	Page
• Message from the Chairperson	4
• Report of the Managing Director	6
• SHF Directorate & Organisational Structure	9 - 10
• Human Resource Management	11
• Activities of the divisions: 2005 - 6	13
• Support Programme for Social Housing	20
• Development of the Co-operative Housing Sector	22
• The Year Ahead: 2006 - 7	25
• Corporate Governance Statement	27
• Annual Financial Statements	31



Message from the Chairperson

The past financial year has seen many positive developments in the social housing sector. A major milestone has been the ratification of the Social Housing Policy by Minmec, a structure that comprises of the Minister and her line provincial MEC's. The existing social housing policy is currently being evolved into legislation – the Social Housing Act – to be promulgated in the near future. This policy addresses the following critical areas of improvement:

- Facilitating financially viable investments into medium density housing projects at scale
- Accrediting social housing institutions and/or projects
- Regulating the sector through specific legislation – Social Housing Act

The legislation will usher in a new public entity, The Social Housing Regulatory Authority – “SHRA” to regulate the social housing sector as a whole and to disburse grant funding to social housing institutions as required by the Social Housing Policy.

The new Comprehensive Plan on Sustainable Human Settlement requires that government's scope of involvement in supporting the sector be broadened. The National Department of Housing “NDoH” designed a Social (Medium-Density) Housing Programme to facilitate the production of effectively managed institutional housing in the areas where such demand exists. The aim of the Comprehensive Plan in this programme is to increase the scale and pace of social housing production as the lead supplier of family accommodation. The Comprehensive Plan targets that 50 000 units are delivered under social housing in the next three years. This Plan has also increased the scope of social housing to include:

- Rental Housing which supports small, emerging owner landlord rental housing such as backyard rental options and small formal private rental
- Hostels upgrading and/or conversion of Public Sector Hostels to form part of the rental strategy
- Transitional Housing to provide rooms for short term rental purposes



Samson Moraba - Chairperson

- Communal housing (accommodation with shared facilities. Kitchens, washing and bathroom facilities) to save capital cost

The Social Housing Foundation “SHF” and its local and overseas partners worked tirelessly on the social housing policy, with a view to developing an enabling social housing legislation and providing a regulatory framework for the sector. By year-end, this was largely completed and supporting administrative guidelines are currently in a process of approval by the NDoH. It is envisaged that the results of this work will progress through the various legislative processes during 2006 - 7.

We are confident that the new Act and the subsequent pilot projects will bear positive results in improving the delivery of affordable housing in the country.

Message from the Chairperson

This presents the opportunity to align SHF with this expanded mandate in the social housing sector. SHF currently provides capacity building to the social housing sector and the Comprehensive Plan requires that the functions and services of this institution be maintained. The new Framework on Administration and Governance of public entities developed by the National Treasury and the Department of Public Service and Administration will prohibit the use of Section 21 companies and Trusts as corporate forms of public entities in the future, and therefore they will need to be changed. SHF is one of these companies that will be affected and will have to change its corporate form accordingly.

The private sector participation in the social housing sector has grown significantly in the past year. The major breakthroughs include:

- City of Cape Town - where housing bonds were made accessible to potential homeowners earning between R3500 and R7000
- Absa announced the launch of a R400m housing project in Centurion, dubbed Olivenhoutsbosch and due for completion in March 2008
- Public Investment Corporations and Future Growth Asset Management created a joint venture fund of approximately R1bn, focused on property developments in South Africa's rural and urban townships

In conclusion, the SHF is committed to meeting the challenges of its mandate by working with its partners. More good news was the announcement of a breakthrough between the NDoH and the South African Property Owners Association (Sapoa), where an agreement was reached that 20% of property developments will be set aside for affordable housing.



Samson Moraba
Chairperson



Report of the Managing Director



Brian Moholo - Managing Director

The Managing Director has pleasure in presenting his report on the activities of the Company for the year ended 31 March 2006

Nature of activities

The Social Housing Foundation is mandated to develop and build capacity for social housing institutions and to develop a policy framework for the sector. As a result, the organisation works in close collaboration with the National Department of Housing from whom it receives its main financial support. Other programmes within the company are sponsored by both national and international donors in order to accomplish specific aims.

Review of the company's affairs

The financial year under review has once again proven to be extremely challenging for the company. The main activities of the company during the year centered around policy and research, with particular emphasis on policy work in the broader sector. New partnerships have been established as a result. Interactive support was provided for social housing institutions with the new operations manual that was introduced in the previous financial year; the co-operative programme came to a successful conclusion in November 2005; the company produced a number of new publications and internally the new operating structure that had been introduced at the beginning of the year, resulted in a leaner and more efficient means of working.

The Programme Management Unit of the National Department of Housing continued with the European Union Donor funded grant programme, which was extended by the EU until June 2007. As a result, the PMU has formulated an ambitious work-plan for the remaining time period. Much of this is consultant supported and driven.

Report of the Managing Director

The primary focus has been to give effect to the new social housing policy and to work towards the formulation of the social housing regulator. Whilst it was initially hoped this new arrangement would be in place in April 2006, technically it has not been possible due to the legislative and business processes that have to be followed. The business case, legislation and guidelines have been drafted, and are subject to review within the Housing Ministry. PMU continues to support social housing institutions with grants.

The Norwegian funded co-operative programme came to a successful conclusion with the holding of a conference in Durban in October 2005. The project itself has motivated approximately R9 million from Norway over the past 3 years and a further R3 million from the National Department of Housing (NDoH). Some fledgling institutions have been established, and a proposal was formulated and sent to the NDoH and Norwegian Federation of Co-operative Housing Institutions for further support. This however, is subject to discussions at ministerial and government-to-government level and we await the outcome.

The policy work undertaken by the SHF has been supported both financially and in the provision of technical support, especially from the Dutch Ministry of Housing, for which the SHF expresses its gratitude. The sector cannot operate in a vacuum and it is a credit to the parties involved to bring their broader expertise and experience to South Africa. In addition, it is also pleasing to note that further local partnerships have been established to promote and support research projects. This is in support of the broader vision of the Ministry of Housing's "Breaking New Ground" strategy, which is drawing more participants into the housing sector.

The SHF launched a series of new Trend and Financial Review publications during the year and these have been well received, particularly as they have focused on specific core areas within the sector. The newly formed Metro Forums meet regularly, are well supported, and provide an excellent vehicle for the exchange of information and cooperation.

The National Association of Social Housing organisations (NASHO) was provided with office accommodation and administrative support for a portion of the year, and the Rooftops Canada accounting and administration support ended in March 2006 with the conclusion of the work being done by that organisation in South Africa for the time being.

The SHF has been exploring the efficacy of developing an integrated business and management information system within its internal processes. However, due to budgetary and other constraints, it was decided to pend these until the future and in the mean time, key database systems are being developed in support of the Resource Centre. The Resource Centre and website were launched during the year and have been extremely successful with much interest from both local and international users.

From a financial point of view, SARS deregistered the company for VAT purposes from 1 April 2006. In addition, the company secured income tax exemption as a public benefit organisation.

The company has made a R1, 5 million accounting profit for the year. This is a turnaround from the losses experienced in prior years. In addition, the company has conformed to the changes in generally accepted accounting practice and moved to the generally recognised accounting practice method of disclosure. This change is in line with National Treasury dictates.

Report of the Managing Director

The effect of this change has meant an accounting adjustment for the accounting of operating leases amounting to R453 000 against the accumulated surplus brought forward from previous years. As the operating (building and office equipment leases) near the end of their contract periods, this adjustment will be reduced in future years.

The IT architecture was enhanced with the introduction of new servers and a change in the operating system, which has resulted in a more stable environment. The IT operation continues to be outsourced and is competently supported and maintained in accordance with risk and security systems. The IT industry has been inundated with new legislation and compliance requirements in the past year and SHF is looking at the best and most cost effective means of responding to these requirements without compromising the IT integrity it already maintains.

Substantial work was performed during the year in conjunction with both local and overseas consultants on social housing policy, with a view to developing enabling social housing legislation and providing for a regulatory framework for the sector. By the year-end, this was largely completed and supporting guidelines are currently in progress. It is envisaged that the results of this work will progress through the various legislative processes during 2006.

The SHF Research department has become widely accepted in the sector as being at the forefront in social housing research. During the year under review, this continued and additional papers and publications were produced. Some of these are becoming annual documents such as the baseline surveys, trend papers and work done on best practice. In addition, the SHF was pleased to launch the first phase of its new Social Housing Institutional Operations Manual, to acclaim throughout the sector.

It is now in the process of expanding the manual and developing trainer guidelines and tools. The SHF has also undertaken further research using EU funding, as well as under the Norwegian sponsored co-operative grant programme.

It has been recognised that there is an essential need for the SHF to provide ongoing support both to Provinces and to Local Government in the roll out of social housing, and there was a special emphasis in this area during the year across all provinces with good progress achieved. As we enter the New Year we anticipate further exciting challenges for the organisation and a consolidation of the gains made during the year under review.

I would like to take this opportunity to thank the Board of Directors collectively and individually for being a pillar of strength and support during the year. The staff members who have been resolute throughout and whose contribution has taken us a step ahead, need special mention. Finally, I would like to express our thanks to the National Department of Housing and our local and international partners.



Brian Moholo
Managing Director

Social Housing Foundation – Directorate

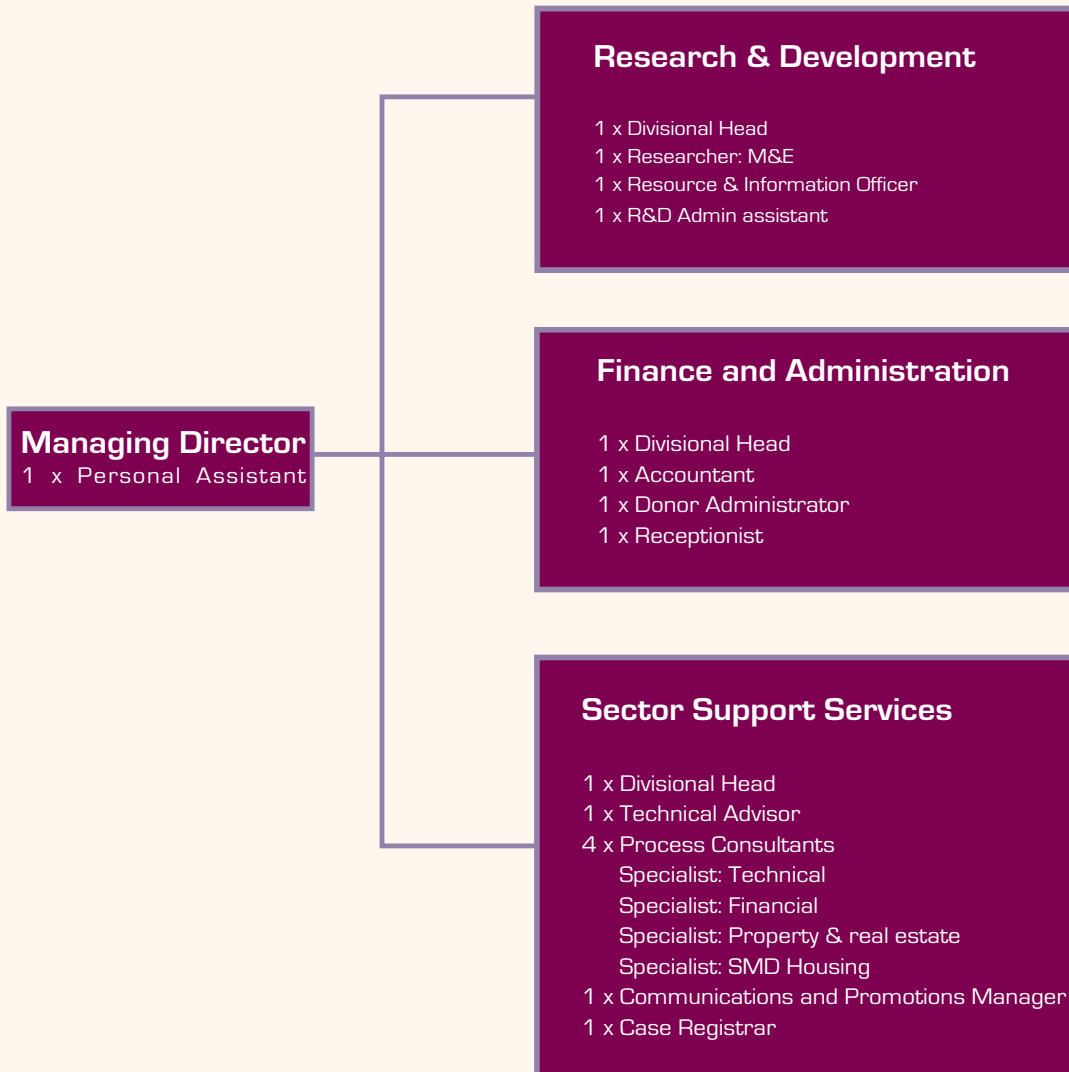
EXECUTIVE DIRECTOR



NON EXECUTIVE DIRECTORS



Social Housing Foundation – Organisational Structure



Human Resources Management

The following table is a breakdown of the staff complement of the SHF at 31 March 2006:

	African		Coloured		Indian		White	
	Male	Female	Male	Female	Male	Female	Male	Female
Top Management	1	–	–	–	–	–	1	1
Management	1	–	–	–	–	–	–	–
Professionals	–	1	1	–	1	–	–	1
Administrators	–	2	–	3	–	1	–	1
Total	2	3	1	3	1	1	1	3

- One staff member is a Zambian Foreign National.

The following table is a breakdown of the staff movement for the year :

	African		Coloured		Indian		White	
	Male	Female	Male	Female	Male	Female	Male	Female
Appointments	–	–	–	–	–	1	–	–
Appointments – internal movement	–	–	–	–	–	–	–	–
Retrenchments/ Resignations	2	4	1	1	–	–	–	1

All staff in the company are encouraged to participate in skills development and a variety of courses are undertaken during the year from in-house training to formal external education.

Human Resources Management

The following table is a summary of foreign nationals who were engaged as Technical Advisors to the SHF. Their remuneration is paid by their foreign countries of origin.

	White	
	Male	Female
Netherlands	1	0

All employees within the company are entitled to annual leave, sick leave, compassionate leave, special leave and study leave. Leave is granted at the discretion of the company and conforms to the Basic Conditions of Employment Act. All employees are encouraged to take the minimum number of annual leave days per year. The following table reflects leave taken:

	Total days taken	Average per employee	Employment
Annual leave	233	16.64	14
Sick leave	31	3.1	10
Compassionate leave	8	2.0	4
Study Leave	3	3.0	1

The company actively promotes HIV/AIDS awareness amongst the staff.

No employees have been injured on duty during the year.

The company has made use of persons in a temporary capacity for various functions during the year under review. Such use has been sourced through employment agencies.





Activities of the divisions 2005 - 6

Activities of the divisions 2005 - 6

The SHF R & D division maintained its role as the sector leader in social housing research. The division made a significant contribution to the finalisation of the social housing policy and the on-going work on administrative guideline. The division has begun working in the areas of:

- Small landlord and backyard rental options
- Hostels upgrading and/or conversion of Public Sector Hostels
- Transitional Housing
- Communal housing

In 2005 - 6, SHF produced a number of position papers and publications that were noteworthy and well-received by the sector. These included :

- Position paper on public housing
- Position paper on capacity building
- Position paper on cooperative housing
- Sector growth strategy
- Social Housing Trends publication
- Project Series Review publication
- Social Housing Finance Review publication

The SHF Sector Support Service division contributed significantly in capacity building of the sector. The outputs achieved in the 2005 - 6 include:

- Training workshops on housing stock development and property management
- Training workshops on construction management
- Training workshops on Social Housing Restructuring Capital Grants

- Training workshops on the Operations Manual for Social Housing Institutions
- Training workshops on Co-operative Housing

Various tools and guideline booklets were produced and introduced to the sector in various existing forums and the SHF website.

In the year 2005 - 6, the SHF has supported the PMU in implementing the Support Programme for Social Housing. The SHF participated on both the Approvals Coordinating Committee (ACC) and the Programme Steering Committee (PSC). The same support was offered to the National Department of Housing in its various structures and forums.

The SHF facilitated an exposure visit on behalf of Parliamentary Portfolio Committee on Housing to Norway and the Netherlands. All international partners were appraised about the evolvement of social housing in South Africa and working relationships were established and strengthened.



Key Result Areas of the divisions 2005 - 6

Key Result Area - 1	Activities	Outcome
Influence National Policy	<p>SHF Supported NDoH the following policy development areas:</p> <ul style="list-style-type: none"> • Social Housing Policy Guidelines • Interim Social Housing Pilot Program • Cooperative Housing Policy Guidelines • Discount Benefit Scheme • Enhanced Extended Discount Benefit Scheme (EEDBS) policy • Community Residential units 	<p>The SHF has informed and supported the social (medium density) housing policy and programs of the national Department of Housing. SHF has further engaged the sector in various policy discussions to the extent that Social Housing is beginning to be broader shape within the South African context.</p>
Policy Information and exposure	<ul style="list-style-type: none"> • SHF has facilitated an exposure visit to Norway and Netherlands • SHF has made input into the construction sector transformation charter and the financial services sector transformation charter • SHF facilitated a research study on small scale landlords and backyard rental 	<p>Various role players have been introduced and exposed to national and international social housing practices. This includes the private sector developers and financiers.</p>
Sector Support	<p>SHF supported the sector initiatives by providing position papers in the following area:</p> <ul style="list-style-type: none"> • Public Housing • Capacity Building Model • Cooperative Housing Model • Sector Growth Strategy • Interpretation of key legislation applicable to social housing, including PIE Act <p>In addition the sector was supported by facilitating regular Metro Forums for municipalities</p>	<p>The support offered to the sector has created an enabling environment to implement policy. Sector role players have engaged with critical elements of policy and are better equipped to deal with implementation challenges.</p>

Key Result Areas of the divisions 2005 - 6

Key Result Area - 2	Activities	Outcome
Build and develop capacity in the social housing sector	<p>SHF has facilitated training sessions and workshops to the sector in the following areas:</p> <ul style="list-style-type: none"> • Housing stock development • Construction Management • Housing stock maintenance <p>The SHI operations manual was distributed to the sector, including operational policies, documents and forms</p> <p>Various generic tool were developed and these include:</p> <ul style="list-style-type: none"> • SHI Governance Tool • SHI Business Plan Booklet • Project Assessment Tool • Project Feasibility Booklet 	<p>The training sessions and workshops held have stimulated demand for capacity building in the sector, in line with the new social housing policy. Best practices affecting the sector were identified, presented and discussed at a generic level.</p>
Information dissemination to the sector	<p>SHF has disseminated information about social housing through interactive sessions such as workshops, publications and electronic media such as website. Information disseminated include:</p> <ul style="list-style-type: none"> • The new Social Housing Policy • The Financial Model on Restructuring Capital Grant • Trends of Social Housing per provinces • Review of the technical aspects in social housing projects • Review of financial issues and trends in the social housing sector <p>SHF has also presented this information to various conferences per invitation. These activities were undertaken in collaboration with other active role payers in the sector such as SALGA, NHFC, SPSH, GPF and TUHF</p>	<p>Social housing gaining incremental awareness both from public and private sector perspectives. Lessons from previous years have been documented and availed to the sector by utilizing the SHF Resource Centre, which can be accessed electronically. The website hits are increasing tremendously.</p>



Key Result Areas of the divisions 2005 - 6

Key Result Area - 2	Activities	Outcome
Cooperative Housing	<ul style="list-style-type: none"> • Cooperative Housing models and case studies were documented and published to the sector • The South African case studies of cooperative housing were documented in the form of a video • A national workshop was held to share the finding from the program implemented by SHF and funded by the Norwegian Embassy • Various housing cooperatives received technical and financial support from the program 	The cooperative housing model suitable for South Africa was identified and supported by at least three case studies. Awareness to adapt the cooperative model to suit South African environment has been created.

Key Result Area - 3	Activities	Outcome
Inform and support sector stakeholders	<p>The SHF has completed the following research studies:</p> <ul style="list-style-type: none"> • Baseline Survey • Social Economic Study for Midrand in partnership with GPF & DBSA • Social Economic Study for Ekurhuleni (still in progress) • Research on small scale landlords and backyard rental 	The sector has in-depth knowledge about the low to moderate income earners as the target market for social housing. Various role players were informed about findings of the various studies.
Publication	<p>The following publications were distributed to the sector:</p> <ul style="list-style-type: none"> • Social Housing Trends • Project Review Series • Finance Review • Resource Centre Bulletin 	SHF publications have strengthened awareness among the existing SHI, municipalities and provincial government. The private sector role players including construction companies, professional project managers, developers and financiers were targeted through these publications to attract their respective participation and contribution.
Website	Website hits increased to approximately 1000 per month. These are largely from South Africa and to a certain extent, international visitors from Holland, Canada, US and various other countries. The website is updated regularly.	The sector has access to basic generic information about social housing.

Key Result Areas of the divisions 2005 - 6

Key Result Area - 4	Activities	Outcome
Broaden funding base for the social housing sector	Exchange of experiences between similar SHI's such as JOSHCO and CTCHC was facilitated and the Metro Forums were strengthened. SHF facilitated exchange of information among funders such as Rooftops Canada and NORAD.	This result is about broadening the funding base for the sector. SHF activities were only about ensuring that linkages and networks exist within like-minded organisations.

Key Result Area - 5	Activities	Outcome
Facilitate and strengthen networks	<p>SHF has facilitated networks among participants in the following forums:</p> <ul style="list-style-type: none"> • Free State Social Housing Projects Steering Committee • Gauteng Social Housing Projects Steering Committee • PMU Program Steering Committee • PMU Approvals Coordinating Committee • National Social Housing Task Team • People's Housing Process Task Team • Metro Forums • National Finance Task Team • South African Property Owners Association. 	Various role players are encouraged to share information among each other and streamline their resources, involvement and participation in the social housing sector.



Key Result Areas of the divisions 2005 - 6

Key Result Area - 6	Activities	Outcome
Create business value for the shareholder through management of cost structure and information.	<p>The SHF has participated meaningfully in the process of creating the Social Housing Regulatory Authority and the alignment with PMU, including the PSC and the ACC.</p> <p>Internal and external audits were successfully executed in accordance with legislative [PFMA] requirements. The annual report was completed on time.</p> <p>SHF business plan and budgeted funding was approved by the National Department of Housing. The turnaround plan was fully implemented and the new organisational structure is in place. All required reports were submitted to the Department of Housing. The new accounting software was installed and is fully functional.</p> <p>The SHF server was upgraded and maintained. Security Protocol and firewalls were installed and are functional and maintained. The IT infrastructure is effective and stable.</p>	SHF's organisational capacity is aligned to satisfy the needs of the sector in collaboration with other role players. The SHF is adhering to its legal obligations in terms of the reporting structures of the NDoH. SHF is proactive in managing the risks associated with it.
Human and organisational capital	The internal weekly newsletter is constantly circulated among staff. All staff have attended relevant course(s) for personal career development purposes.	SHF staff are motivated and kept abreast with developments in their work environment.



Support Programme for Social Housing

Support Programme for Social Housing

The Support Programme for Social Housing (SPSH) is managed by the Program Management Unit (PMU) of the NDoH. It is tasked to provide capacity support to the social housing sector utilising a grant from the European Union of Euro 20,7 under a seven year programme (which ends in 2007).

During the period under review the PMU delivered on Annual Work-plans (AWP) two and three. Following are some of the highlights for the reporting period:

Annual Work-plan 2

AWP2, run until mid 2005 and committed an amount of R15 million for grant support to 15 Social Housing Institutions. It also benefacted the Trust for Urban Housing Finance (TUHF) which committed bridging finance of R32 million to Social Housing Institutions. The SPSH developed the following manuals for technical support to the social housing sector:

- Human Resource Manual
- Governance Manual
- Property Management Manual
- Financial Management Manual
- Operational Manual
- Property Development Manual
- Tenant Management Manual
- organisational Strategy Manual
- Procurement Manual

Amendments to the Financing Agreement

During this period, an application for amendments to the programme's Financing Agreement was formulated and approved. The amendments addressed the following areas:

- Extension of the programme by a further 24 months
- Modification of the programme's logical framework

Annual Work-plan 3

AWP3 was approved by the EU in August 2005 with the above riders. SPSH made progress towards the achievement of AWP3, which runs into the following financial year and these include:

- Supporting the baseline work for the establishment of the Social Housing Regulatory Authority "SHRA"
- Supporting the National Department of Housing with the Social Housing Legislation and Administrative Guidelines
- Committing R12 million grant funding to 13 projects
- Initiating terms of reference and selection process for 11 service providers who were to deliver a range of technical support services to Social Housing Institutions and the public service



Development of the Co-operative Housing Sector

Development of the Co-operative Housing Sector

This past year, the SHF has continued to facilitate the national co-operative housing programme, supported by the South African and Norwegian governments.

During this period, the SHF has strengthened its partnerships and networks with local and international organisations, to create a fertile environment for the development of the co-operative housing movement. It has also been instrumental in building capacity within local non government organisations (NGO's), empowerment groups, provinces and municipalities.

In partnership with key stakeholders in the housing sector, as well as the Department of Trade & Industry (DTI), the SHF has contributed immensely in the drafting of the co-operatives policy and the revision of the Co-operatives Act 14 of 2005 which, for the first time in the history of South Africa, has a section on housing co-operatives.

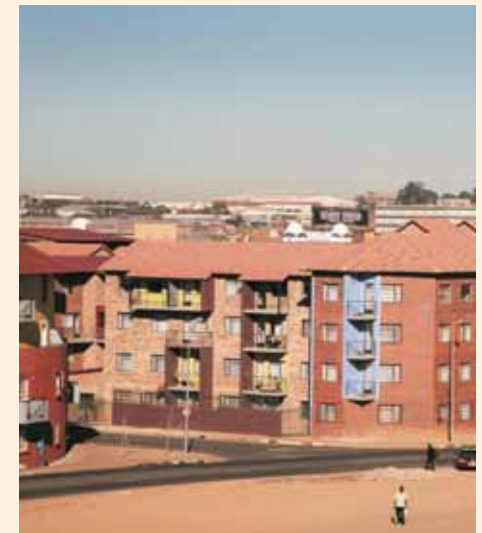
Through the implementation of the Co-operatives Programme, various housing projects around the country, such as Uphahla Housing Management Company in KwaZulu Natal, Western Cape Housing Co-operative in Cape Town, Amalinda Housing Co-operative in East London and Masisizane Women's Housing Co-operative in Midrand, Johannesburg, have received funds and support for capacity building. The SHF has strengthened and capacitated housing co-operatives to ensure long term, sustainable housing.

Lessons learnt and challenges emanating from this exercise have been documented, in order to share with the rest of the sector. Findings of SHF commissioned studies, namely, Continuous Housing Co-operatives and Development Co-operatives indicate that in South Africa, housing co-operative models are based on community specific needs.

Success Stories

The development of the co-operative housing sector has had some success stories, as well as a number of challenges along its way. Some of the key success stories, can be summarised as follows:

- A visit by the South African Parliamentary Housing Portfolio Committee to Norway and the Netherlands, which strengthened the debate over the future development of a possible "Co-operative Housing Bill" in South Africa
- Guidelines for the housing co-operatives within the framework of the social housing policy are available
- Four co-operative housing projects have been documented, outlining lessons learnt. A brochure of Emerging Housing Co-operative Models in South Africa has been finalised
- The Co-operative Act, incorporating - for the first time - a section on housing co-operatives, is now available



DEVELOPMENT OF THE CO-OPERATIVE HOUSING SECTOR

Challenges

- Despite SHF's vigorous efforts to create an enabling environment, the capacity and knowledge of key stakeholders around housing co-operatives is still inadequate to support, at scale, the development of housing co-operatives in South Africa
- Cope Housing Association, the first company to pioneer Continuous Housing Co-operatives in South Africa, went into liquidation at the end of September 2005

Lessons Learnt

- The Continuous Housing Co-operative Model (Mother / Daughter) requires high start up costs and an on-going income to pay for the management services provided by the housing management company
- Funds for training and capacity building need to be included in both the capital (development) costs, as well as operational costs, that is, monthly charges, to ensure sustainability of the project
- Most people join housing cooperatives to obtain a housing unit as individuals, and not necessarily to be part of a co-operative grouping.

Where to from here?

Due to its institutional knowledge and capacity, the SHF has received support from the NDoH and the Parliamentary Portfolio Committee for Housing to continue to grow the co-operative housing movement beyond November 2005. SHF, together with its Norwegian partner NBBL, jointly made a submission to the Norwegian Agency for Development Corporation (NORAD) and NDoH for funding, to continue growing the co-operative sector.

It should be stated, however, that if housing co-operatives are to grow at scale and be sustainable in the long term, more emphasis needs to be given to the organisational building of housing cooperatives. Municipalities, provincial departments of housing and their regional offices, as well as sector role players need to be capacitated, to ensure continued support of co-operatives.



The Year Ahead: 2006 - 7

The Year Ahead: 2006 - 7

The SHF will continue to work tirelessly with its partners to accelerate the completion and implementation of the administrative guidelines of the social housing policy. SHF will support the NDoH in the processes required to promulgate the Social Housing Act that will lead to the establishment of the SHRA.

During the year 2006 - 7, SHF will continue to provide the capacity building services to the sector and support the PMU in implementing the Interim Social Housing Pilot Programme to ensure that the 2006 - 2007 social housing budget of R110 million is committed and maximum units are developed.

In order to contribute in the achievement of the targets set in the Comprehensive Plan on Sustainable Human Settlement, the SHF will begin to broaden its scope of involvement in supporting the social housing sector to include:

- Rental Housing which supports small, emerging owner landlord rental housing such as backyard rental options and small formal private rental
- Hostels upgrading and/or conversion of Public Sector Hostels to form parts of the rental strategy
- Transitional Housing to provide rooms for short term rental purposes
- Communal housing (accommodation with shared facilities. Kitchens, washing and bathroom facilities) to save capital cost

SHF will support the NDoH to explore the opportunity of aligning its corporate form in terms of the new Framework on Administration and Governance of public entities developed by the National Department of Treasury and the National Department of Public Service and Administration.

The existing and operational sector forums will be maintained, but expanded to accelerate the involvement and participation of the private sector and to ensure that strategic information about social housing evolution in South Africa is disseminated. The sector support services will be project focused, and include all elements of viability and sustainability as entailed in new social housing policy framework and guidelines.





Corporate Governance Statement

Corporate Governance Statement

The King code of Corporate Practices and Conduct

The Board and management are committed to ensuring adherence to the Code of Corporate Practices and Conduct ("the Code") as set out in the King Report with focus on the following Governance Principles:

- Ethical leadership, integrity and judgment directing the business of the Social Housing Foundation ("SHF");
- Adherence to business strategies to promote efficiency and ethical business practices to enhance continued housing delivery;
- Monitoring and evaluating the implementation of strategies, policies, management performance criteria and business plans to ensure that management and staff are appropriately recruited, trained, developed and rewarded;
- Self evaluation of the performance of the board and its committees as a part of the governance structures;
- Maintaining reliable and transparent stakeholder communication;
- Compliance with the regulatory environment in which the SHF operates;
- Observing the legitimate interests of its main shareholder, the National Department of Housing of South Africa;
- Reviewing internal procedures and policies and ensuring that the required control systems are in place;
- Procuring transparent financial and management reporting;
- Ensuring that all technology systems used in the SHF are adequate to guarantee that it remains effective and efficient;
- Supporting a culture of innovation and initiative throughout the institution and its clients;
- Determining and nurturing the moral and ethical culture of the SHF by formulating guidelines and policies that encourage the participation of management, staff, and stakeholders in decision-making processes, taking into account that all these parties have an interest in the success of the SHF;
- Ensuring that the SHF will continue as a going concern for its next fiscal year and maintaining its continued sustainability.

Statutory Compliance

The SHF is incorporated in terms of the Companies Act, 1973 as amended. The SHF is also subject to the provisions of the Public Finance Management Act, 1999.

In terms of the requirements of the Public Finance Management Act, the SHF reports to the National Department of Housing and the National Treasury.

Board of Directors

Structure of the Board and Committees

The Board has the responsibility to control and manage the SHF and to establish its direction. It monitors the operational functioning of the SHF through detailed reporting and annually approves the business key performance areas, activities, budget and funding programme in conjunction with the National Department of Housing.

The composition of the Board provides for a majority of non-executive directors, including a non-executive chairperson made up from representatives of the main shareholder and the private sector. Non-executive directors are chosen for their business skills and acumen, which include finance, business, property development and community development. The Board is responsible to the shareholder, but at all times endeavours to act in the interests of all stakeholders. A minimum of four Board meetings are held a year.

The Board of directors retains control over the strategic direction of the company, which is aimed at meeting its mission to provide strategic services towards a sustainable, vibrant social housing sector in South Africa. The information provided to the Board is sufficient to enable the directors to give full consideration to the issues before them.

Full and effective control of the SHF's affairs is retained through monitoring the executive management and ensuring that decisions of a material and policy nature are in the hands of the Board.

All directors have access to the advice and services of the Company Secretary and are entitled to seek independent professional advice about the company's affairs and at the company's expense.

Non-executive directors are entitled to fees for attendance at Board meetings, and such fees are determined at the annual general meeting. The directors' fees for the year under review are disclosed in the annual financial statements.

Board Committees

During the year all the Board committees were in place. All committees are chaired by non-executive directors.

Audit Committee

The Board Audit Committee facilitates systematic interaction between the Board and the SHF's external auditors and is responsible for the internal controls of the company.

Corporate Governance Statement

It ensures that management implements policies and processes that contribute to the maintenance of discipline and control and an effective risk management system, thereby reducing the opportunity for fraud and corruption. It reviews the company's accounting policies and recommends changes where appropriate. The committee is further tasked to monitor compliance with legislative requirements and codes of best practice.

Functions of the Audit Committee include:

- Review the broad implementation and effectiveness of corporate governance;
- Review the financial statements and accounting policies;
- Review the effectiveness of management information, risk management practices and other systems of internal control with specific reference to the findings and recommendations of both the internal and external auditors;
- Consider the effectiveness of the internal audit function;
- Consider pending litigation, reports of employee dishonesty and insurance cover.

The auditors are appointed each year, based on the recommendations by the Audit Committee.

Human Resources, Ethics and Remuneration Committee

This Committee's responsibilities are to ensure:

- The consistent application of a Code of Conduct to which all employees are expected to adhere and which requires the highest standards of ethical business practices to be applied;
- Employment practices are fair, transparent, equitable and consistently applied; and
- The company's executive management is fairly rewarded for their individual contributions to the Company's overall performance.

Executive Management

The day-to-day management of the company rests with the Executive Management Committee, which is chaired by the Managing Director. This committee, which comprises senior management within the company, meets regularly to consider:

- The development and growth of the business in terms of the company's mission;
- External developments within the markets in which the company operates;
- General management issues concerning the running of the company

Stakeholder Communications

The Chairperson and Managing Director regularly consult and report on the business imperatives of the SHF to the main shareholder, the National Department of Housing. Furthermore, as part of the review of the strategic vision, the Executive Team (see previous paragraph), regularly meets and interacts with the clients.

Financial Statements

The directors are responsible for preparing the financial statements and other information presented in the annual report in a manner that fairly presents the state of affairs of the SHF and the results of its operations. The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with generally accepted auditing standards and reporting their findings thereon.

Management prepares financial statements in accordance with generally accepted accounting practice, the Companies Act, 1973 and the Public Finance Management Act, 1999. Such financial statements are based on appropriate accounting policies that have been consistently applied and are supported by reasonable and prudent judgements and estimates.

Internal Control Environment

The Board acknowledges its overall responsibility for the company's systems of internal control, for reviewing its effectiveness, whilst the role of executive management is to implement systems, processes and policies on risk and control.

Executive management has implemented internal control systems designed to facilitate effective and efficient operation of the company. The systems are aimed at enabling the company to respond appropriately to significant operational, financial, compliance and strategic risks to achieve the company's business objectives.

Risk Management

The Board is ultimately responsible for ensuring that the company has an effective risk management system in place. Executive management is however, responsible for identification, evaluation, management, measuring and monitoring the strategic, operational and financial risks affecting their areas of business. These risks are assessed on a regular basis and evaluated against a variety of internal and external sources.

Corporate Governance Statement

Internal Audit

It is a requirement under the PFMA for the SHF to have an internal audit function. Joint internal auditors have been appointed during the year. A detailed risk assessment has been performed and a rolling three-year internal audit plan developed. The first phase of this plan has been implemented during the year under review. The outsourced internal audit function operates independently under the guidance of the audit committee. It audits the adequacy and effectiveness of the company's management of risks and assists executive management in meeting their business objectives through an examination and assessment of the company's activities, ongoing assessment of the risks involved and an evaluation of the adequacy and effectiveness of the processes, systems and controls to manage these risks.

Empowerment

The SHF is committed to the creation of an environment where all employees, irrespective of race, gender or creed, are able to enjoy equal opportunities. The company provides opportunities to persons who were historically disadvantaged, have potential, and can render an efficient and productive service. The SHF seeks to create a staff profile representative of the demographics of South African society. The SHF has also followed a procurement policy aimed at providing opportunities to businesses that are owned and managed by previously disadvantaged members of the community. The strategy is designed to enable the SHF to specifically assist emerging black business enterprises to establish themselves within the broader context of South African business, whilst not compromising either the company's service or quality standards.

Performance Management

In order to ensure organisational efficiency, effectiveness and the economic utilization of the company's resources, the following measures are in place:

- Strategic business plans;
- Operational and financial budgets
- Management reports
- Policies and procedures relating to the SHF's key activities



CONTENTS	PAGE
Report of the Audit Committee	32
Report of the Independent Auditors	33
Report of the Directors	34
Statement of Financial Position	35
Statement of Financial Performance	36
Statement of Changes in Net Assets	37
Cash Flow Statement	38
Notes to the Annual Financial Statements	39

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING AND APPROVAL

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the financial statements, accounting policies and related information.

The financial statements have been prepared in accordance with generally accepted accounting practice. The directors are satisfied that the information contained in the financial statements fairly present the results of the operations for the year and the financial position of the Company at the year-end.

The financial statements set out on pages 34 to 48 were approved by the Board of Directors on 24 August 2006 and are signed on its behalf by:



CHAIRPERSON



DIRECTOR

REPORT OF THE AUDIT COMMITTEE

31 MARCH 2006

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is pleased to present its report for the financial year ended 31 March 2006.

AUDIT COMMITTEE RESPONSIBILITY, MEMBERS AND ATTENDANCE

The audit committee consists of three non-executive and one executive director, and is also attended by the external and internal auditors and the chief financial officer of the company. In terms of the audit charter the committee should meet twice a year and has done so for the year under review. The Audit Committee has adopted an appropriate, formal terms of reference as its charter.

THE EFFECTIVENESS OF INTERNAL CONTROLS

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and the King II Report on Corporate Governance requirements, internal audit provides the audit committee and management with assurance that internal controls are appropriate and effective. This is achieved by means of the risk management process, the identification of corrective actions and suggested enhancements to the controls and processes. Deducing from the audit report on the annual financial statements and the management letter of the external auditors, no significant or material non-compliance with prescribed policies and procedures have been reported. Accordingly, we can report that the systems of internal control for the period under review were effective and efficient.

The risk management strategy during the year under review did not include a fraud prevention plan. However, with the appointment of internal auditors, this matter is being attended to.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The Audit Committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the external auditor and the Accounting Officer;
- Reviewed the external auditor's management letter and management's response thereto;

The Audit Committee concurs and accepts the external auditor's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the external auditor



Chairperson of the Audit Committee

24 August 2006

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE SOCIAL HOUSING FOUNDATION

31 MARCH 2006

We have audited the annual financial statements of the Social Housing Foundation set out on pages 34 to 48, for the year ended 31 March 2006. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these annual financial statements based on our audit.

Scope

The audit was conducted in accordance with International Standards on Auditing read with General Notice 544 of 2006, issued in the Government Gazette no. 28723 of 10 April 2006. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the annual financial statements;
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall annual financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit Opinion

In our opinion these financial statements fairly present, in all material respects, the financial position of the company as at 31 March 2006 and the results of its operations and cash flows for the year then ended in accordance with the basis of accounting determined by the National Treasury, as described in note 1 (Basis of preparation), to the financial statements, and in the manner required by the Public Finance Management Act, 1999, as amended.

Emphasis of Matter

Without qualifying the audit opinion, attention is drawn to the following matters:


Contravention of statute

Non-compliance with the Public Finance Management Act.

- Section 53(3): The Company should obtain prior written approval from National Treasury to budget for or retain accumulated surpluses.
- Section 55(1) (c) (ii): The Company did not submit its financial statement template within two months after year-end to National Treasury.

Non-compliance with Treasury Regulations

- Regulation 27.2.1: The entity has not implemented a comprehensive Fraud Prevention Plan.



PRICEWATERHOUSECOOPERS INC.

Director: R Harichunder

Registered Auditor

Private Bag X36

Sunninghill 2157

24 August 2006

REPORT OF THE DIRECTORS

31 MARCH 2006

The directors have pleasure in presenting their report on the activities of the Company for the year ended 31 March 2006

Business and operations

The SHF is mandated to develop and build capacity for social housing institutions and to develop a policy framework for the sector. The activities are financed primarily by the National Department of Housing. Other programmes within the company are sponsored by donor funding.

Financial results

The financial position of the company at 31 March 2006, the results of its operating activities and cash flow information are set out in the accompanying annual financial statements.

Directors and Secretary

The directors and secretary in office as at the date of this report are:

	Date Appointed As Director/Officer	Date Resigned	Board Committees
Chair Mr S Moraba	11 May 2000		Audit, HR, PSC
Non Executive Directors			
Mr T Adler	27 March 1998		PSC
Ms Z Ebrahim	27 March 1998		Audit, HR
Ms S Trail	28 September 2001		Audit
Mr A Vawda	24 May 2002	October 2005	PSC
Mr D von Broembsen (Alternate)	28 September 2001	February 2006	
Executive Director			
Mr B Moholo (Managing)	2 May 2001		Audit, PSC
Secretary			
Mr A Higgs (Acting)			

Business address:

Ground floor
Milner Place
Sunnyside Office Park
32 Princess of Wales Terrace
Parktown
2193

Postal address:

Postnet 240
Private bag X30500
Houghton
2041

Registered address

Ground floor
Milner Place
Sunnyside Office Park
32 Princess of Wales Terrace
Parktown
2193

Material events after period end

No matters which are material to the financial affairs of the company have occurred between the balance sheet date and date of approval of the annual financial statements.

Auditors

PricewaterhouseCoopers Inc. are available to continue in office in accordance with section 25 of the Public Audit Act, 2004 (Act 25 of 2004).

STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2006

	Notes	2006 R	2005 R
ASSETS			
Non current assets		1,138,840	1,511,214
Property, plant and equipment	2	1,033,798	1,470,409
Intangible assets	3	105,042	40,805
Current assets		21,312,451	20,405,263
Accounts receivable	4	395,316	4,571,451
Cash and cash equivalents	5	20,917,135	15,833,812
TOTAL ASSETS		22,451,291	21,916,477
EQUITY AND LIABILITIES			
Capital and reserves		7,889,647	6,335,481
Accumulated surplus		7,889,647	6,335,481
Current Liabilities		14,561,644	15,580,996
Accounts payable	6	4,416,364	7,264,409
Deferred income	7	10,145,280	8,316,587
		22,451,291	21,916,477

STATEMENT OF FINANCIAL PERFORMANCE

FOR YEAR ENDED 31 MARCH 2006

	Notes	2006 R	2005 R
Revenue	8	43,787,244	61,486,092
Cost of Sales	9	(26,634,828)	(11,612,097)
GROSS SURPLUS		17,152,416	49,873,995
Other income		220,528	330,707
Administrative expenses	9	(8,706,424)	(43,060,941)
Other operating expenses	9	(7,557,810)	(8,838,217)
SURPLUS / (DEFICIT) FROM OPERATIONS	9	1,108,710	(1,694,456)
Interest received		445,456	951,810
NET SURPLUS / (DEFICIT) FOR THE YEAR		1,554,166	(742,646)

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2006

	Accumulated surplus R	Total R
Balance 1 April 2004	7,308,454	7,308,454
Prior year adjustment - accounting for operating leases	(230,327)	(230,327)
Restated opening balance at 1 April 2004	7,078,127	7,078,127
Deficit for the year	(742,646)	(742,646)
Balance 31 March 2005	6,335,481	6,335,481
Surplus for the year	1,554,166	1,554,166
Balance 31 March 2006	7,889,647	7,889,647

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2006

	Note	2006 R	2005 R
CASH GENERATED FROM/(UTILISED IN) OPERATING ACTIVITIES		3,578,475	(3,057,200)
Cash receipts from customers and grants		48,183,907	58,237,180
Cash paid to suppliers and employees		(45,050,888)	(62,246,190)
Cash generated from / (utilised in) operations	11	3,133,019	(4,009,010)
Interest received		445,456	951,810
CASH FLOWS FROM INVESTING ACTIVITIES		(323,845)	(860,342)
Additions to property, plant and equipment		(166,805)	(801,075)
Additions to intangible assets		(166,165)	(59,267)
Disposals of property, plant and equipment		9,125	-
CASH FLOWS FROM FINANCING ACTIVITIES		1,828,693	(2,821,962)
Donor funds recieved		23,256,843	38,617,130
Donor funds utilised		(21,428,150)	(41,439,092)
Net increase / (decrease) in cash and cash equivalents		5,083,323	(6,739,504)
Cash and cash equivalents at the beginning of year		15,833,812	22,573,316
CASH AND CASH EQUIVALENTS AT END OF YEAR		20,917,135	15,833,812

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

1. ACCOUNTING POLICIES

Basis of preparation

The annual financial statements have been prepared on the historical cost basis, in conformity with South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP statement as follows:

Standard of GRAP	Replaced Statement of GAAP
GRAP 1 - Presentation of financial statements	IAS 1 (AC101) - Presentation of financial statement
GRAP 2 - Cash flow statements	IAS 7 (AC 118) - Cash flow statements
GRAP 3 - Accounting policies, changes in accounting estimates and errors	IAS 8 (AC 103) - Accounting policies, changes accounting estimates and errors

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 GRAP 1,2 and 3 has resulted in the following significant changes in the presentation of the financial statements:

Terminology differences	Replacement
Standard of GRAP	Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit for the period	Profit/loss for the period
Accumulated surplus/deficit	Retained earnings
Reporting date	Balance sheet date

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

Paragraph 11 to 15 of GRAP has not been implemented as the budget reporting standards are in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial assets

The principal financial assets are accounts receivable and cash and cash equivalents. Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. These assets are subject to review for impairment at each balance sheet date.

Financial liabilities

Financial liabilities comprise accounts payable and are measured at balance sheet date at nominal fair value.

Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary contracts are recognised in the income statement.

Impairment of assets

At each balance sheet date an assessment of whether or not there is an indication that an asset may be impaired is made. If any such indication exists the company will estimate the recoverable amount of the asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

Intangible assets

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets.

Leases

Leases of assets under which all the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on the straight line basis over the period of the lease.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis to write off the cost over the estimated useful lives of the assets as per note 2.

Leasehold improvements are amortised over the remaining period of the lease.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of economic benefits will occur and where a reliable estimate can be made of the amount of the obligation.

Revenue recognition

Revenue comprises government and foreign grants, training course, public sales and other income. Revenue is recorded in the financial statements on the following bases:

- Publication sales are recognised as and when such income is received
- Other income is recognised as it accrues unless collectability is in doubt.
- Interest is accounted for using the effective interest yield method.
- Grants are recognised as income over the period necessary to match them with the related costs which they are intended to compensate.
- Grants received in respect of which related expenditure has not yet been incurred, are accounted for as deferred income in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

2. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment R	Furniture & fittings R	Office equipment R	Leasehold improvement R	Total R
Year ended 31 March 2006					
Carrying amount at beginning of the year	461,001	572,916	58,797	377,695	1,470,409
Gross carrying amount	1,403,479	989,171	87,346	652,878	3,132,874
Accumulated depreciation	[942,478]	[416,255]	[28,549]	[275,183]	[1,662,465]
Acquisitions - cost	157,016	-	9,789	-	166,805
Disposal - cost	[479,410]	-	-	-	[479,410]
Disposal - Accumulated depreciation	471,257	-	-	-	471,257
Transfers - Accumulated depreciation	[4,390]	-	-	-	[4,390]
Depreciation charge for the year	[293,683]	[142,225]	[14,270]	[140,695]	[590,873]
Carrying amount at the end of the year	311,791	430,691	54,316	237,000	1,033,798
Gross carrying amount	1,081,085	989,171	97,135	652,878	2,820,269
Accumulated depreciation	[769,294]	[558,480]	[42,819]	[415,878]	[1,786,471]
Year ended 31 March 2005					
Carrying amount at beginning of the year	347,964	548,456	27,210	459,657	1,383,287
Gross carrying amount	902,520	825,859	37,688	567,187	2,333,254
Accumulated depreciation	[554,556]	[277,403]	[10,478]	[107,530]	[949,967]
Acquisitions - cost	500,959	163,312	51,113	85,691	801,075
Disposal - cost	-	-	[1,455]	-	[1,455]
Disposal - Accumulated depreciation	-	-	727	-	727
Depreciation charge for the year	[387,922]	[138,852]	[18,798]	[167,653]	[713,225]
Carrying amount at the end of the year	461,001	572,916	58,797	377,695	1,470,409
Gross carrying amount	1,403,479	989,171	87,346	652,878	3,132,874
Accumulated depreciation	[942,478]	[416,255]	[28,549]	[275,183]	[1,662,465]
Annual depreciation rate	33.33%	16.67%	16.67%	20.00%	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

3. INTANGIBLE ASSETS

	2006 R	2005 R
Software		
Carrying amount at beginning of the year	40,805	55,082
Gross carrying amount	206,840	147,573
Accumulated depreciation	[166,035]	[92,491]
Acquisitions - cost	166,165	59,267
Amortisation charge for the year	[101,928]	[73,544]
Carrying amount at the end of year	105,042	40,805
Gross carrying amount	373,005	206,840
Accumulated depreciation	[267,963]	[166,035]
Amortisation rate	50%	

4. ACCOUNTS RECEIVABLE

Trade	188,732	3,278,407
Less : Provision for doubtful debts	[10,760]	[53,329]
	177,972	3,225,078
Value Added Taxation	-	1,052,071
Deposits and advances	217,344	294,302
	395,316	4,571,451

5. CASH AND CASH EQUIVALENTS

Cash in bank and deposits held on call at banks	20,910,135	15,828,351
Cash on hand	7,000	5,461
	20,917,135	15,833,812

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

6. ACCOUNTS PAYABLE	2006 R	2005 R
Accruals	1,512,461	3,341,798
Other payables	2,618,092	3,697,612
Provision for leave pay - at end of year	285,811	224,999
Balance at beginning of year	224,999	291,891
Movements for the year	60,812	[66,892]
	<u>4,416,364</u>	<u>7,264,409</u>

7. DEFERRED INCOME

Foreign government grants received are utilised towards training and development programs, project management courses, as well as to award grants and financial assistance to qualifying enterprises

	Norway R	European Union R	Total R	Total R
Opening Balance	2,025,283	6,291,304	8,316,587	11,138,549
Grant funds received during the year	1,542,416	20,208,526	21,750,942	37,874,158
Interest earned on bank and call account	53,690	497,585	551,275	742,972
Plus: grant funds returned from beneficiaries unused	-	954,626	954,626	-
Less: grant funds utilised during the year	[3,219,743]	[18,208,407]	[21,428,150]	[41,439,092]
Grant funds disclosed as deferred income	<u>401,646</u>	<u>9,743,634</u>	<u>10,145,280</u>	<u>8,316,587</u>
Long term portion			-	-
Short term portion			<u>10,145,280</u>	<u>8,316,587</u>
			<u>10,145,280</u>	<u>8,316,587</u>

8. REVENUE

Government grants	21,578,000	20,047,000
Foreign grant	22,209,244	41,439,092
	<u>43,787,244</u>	<u>61,486,092</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

9. SURPLUS / (DEFICIT) FROM OPERATIONS

Surplus / (Deficit) is arrived at after taking the following items into account:

	2006 R	2005 R
Cost of Sales		
- Donor programs (refer note 7)	21,428,150	5,792,982
- Sector development	<u>5,206,678</u>	<u>5,819,115</u>
	<u>26,634,828</u>	<u>11,612,097</u>
Administrative expenses		
- General expenses	3,840,948	38,726,486
- Directors remuneration (refer note 12)	739,864	698,469
- Auditors remuneration		
= Audit fees	163,953	126,402
- Travel and subsistence	1,360,957	1,275,968
- Research and development	928,495	643,828
- Operating lease rentals		
= Buildings	1,513,689	1,467,026
= Equipment	<u>158,518</u>	<u>122,762</u>
	<u>8,706,424</u>	<u>43,060,941</u>
Other operating expenses	7,557,810	8,838,217
- Training and development	408,509	311,706
- Consultants and management fees		
= consultants	-	-
= management fee	326,554	333,965
= internal audit	235,724	213,325
- Legal fees	104,613	-
- Legal fees	194,783	13,196
- Maintenance		
= Buildings	-	-
= Equipment	124,996	164,475
- Amortisation of intangibles	1,026	2,313
= Computer software	-	-
- Entertainment expenses	101,928	73,544
	<u>97,368</u>	<u>66,293</u>
	<u>1,595,501</u>	<u>1,178,817</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

Financial transaction in assets

Debts written off
Loss on fixed assets

Depreciation (refer note 2)

Staff costs

-Basic salaries
-Temporary staff
-Leave entitlement
-Overtime pay
-UIF

	2006 R	2005 R
	-	222,948
	3,418	728
	3,418	223,676
	590,873	713,225
	4,886,117	6,227,788
	184,935	121,784
	224,999	291,891
	44,620	55,904
	27,347	25,132
	5,368,018	6,722,499

10. TAXATION

No Provision has been made for taxation.

The company is exempt from taxation as a Public Benefit Organisation in terms of section 30 of the Income Tax Act as read with the Ninth Schedule.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

11. CASH GENERATED FROM / (UTILISED IN) OPERATIONS

	2006 R	2005 R
Reconciliation of loss to cash utilised in operations:		
Net profit/(loss)	1,554,166	[742,646]
Adjusted for:		
Loss on disposal of fixed assets	3,418	728
Depreciation	590,873	713,225
Armotisation of intagible assets	101,928	73,544
Interest received	[445,456]	[951,810]
Operating loss before working capital	<u>1,804,929</u>	<u>[906,959]</u>
Working capital changes		
Decrease / (Increase) in accounts receivable	1,328,090	[3,102,051]
(Decrease) / Increase in accounts payable	<u>4,176,135</u>	<u>[3,579,619]</u>
	<u>[2,848,045]</u>	<u>477,578</u>
Cash utilised in operations	<u>3,133,019</u>	<u>4,009,010</u>

12. RELATED PARTY TRANSACTIONS

The Social Housing Foundation receives grant funding support from the National Department of Housing as a contribution towards its ongoing operating and running expenses. The Social Housing Foundation also has a management agreement with the National Housing Finance Corporation for payroll support.

National Department of Housing grant received	21,578,000	20,047,000
National Housing Finance Corporation management fee paid	[235,724]	[215,753]
National Housing Finance Corporation amounts owing included in accounts payable at end of year	2,618,092	1,983,489
South African Airways	[365, 313]	757,606
Telkom SA	[54, 003]	[117,907]
Johannesburg Housing Company	<u>[1,195,564]</u>	<u>[272,500]</u>

Directors' Remuneration

Executive director

B. Moholo - salary	726,616	682,269
- allowance	<u>7,248</u>	<u>7,200</u>
	733,864	689,469

Non- executive directors

S.Trail - fees for services	3,000	6,000
Z.Ebrahim - fees for services	<u>3,000</u>	<u>3,000</u>
	<u>739,864</u>	<u>698,469</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

	2006 R	2005 R
13. EXECUTIVE MANAGEMENT REMUNERATION		
Divisional Head Finance		
- salary	660,000	619,500
- allowance	7,248	7,248
Divisional Head R&D		
- salary	488,930	-
- allowance	7,248	-
General Manager Operations		
- salary	-	528,898
- allowance	-	7,248
General Manager CRM		
- salary	-	494,500
- allowance	-	7,248
	<u>1,163,426</u>	<u>1,664,642</u>
 14. COMMITMENTS		
Capital expenditure contracted for but not recognised in the financial statements This will be financed from internal cash resources	-	110,114
Operating lease commitments The future minimum lease payments under non cancellable leases are as follows :		
Not later than 1 year	2,866,150	3,909,151
Later than 1 year, but not later than 5 years	1,390,333	1,550,521
	1,475,817	2,358,630

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

15. RESTATEMENT FOR ACCOUNTING CORRECTION

Accounting for operating leases

Many South African entities, including the SHF, followed the practice of recognising operating lease expenses on a basis that reflects the cash flows during the period. The change in the manner of recognising lease payments arises as a result of a change in interpretation of IAS 17: Leases by South African entities in order to align the South African Practice with that applied internationally. The required adjustment has been made in terms of IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, with the necessary restatement of comparative figures.



*Ground floor
Building B (Milner Place)
Sunnyside Office Park
32 Princess of Wales Terrace
Parktown*

*Postnet Suite 240
Private Bag X30500
Houghton
2041*

*Tel : 011 274 6200
Fax : 011 642 2808*

www.shf.org.za