Joburg

JOSHCO
JOHANNESBURG SOCIAL HOUSING COMPANY

INTEGRATED ANNUAL REPORT 2020

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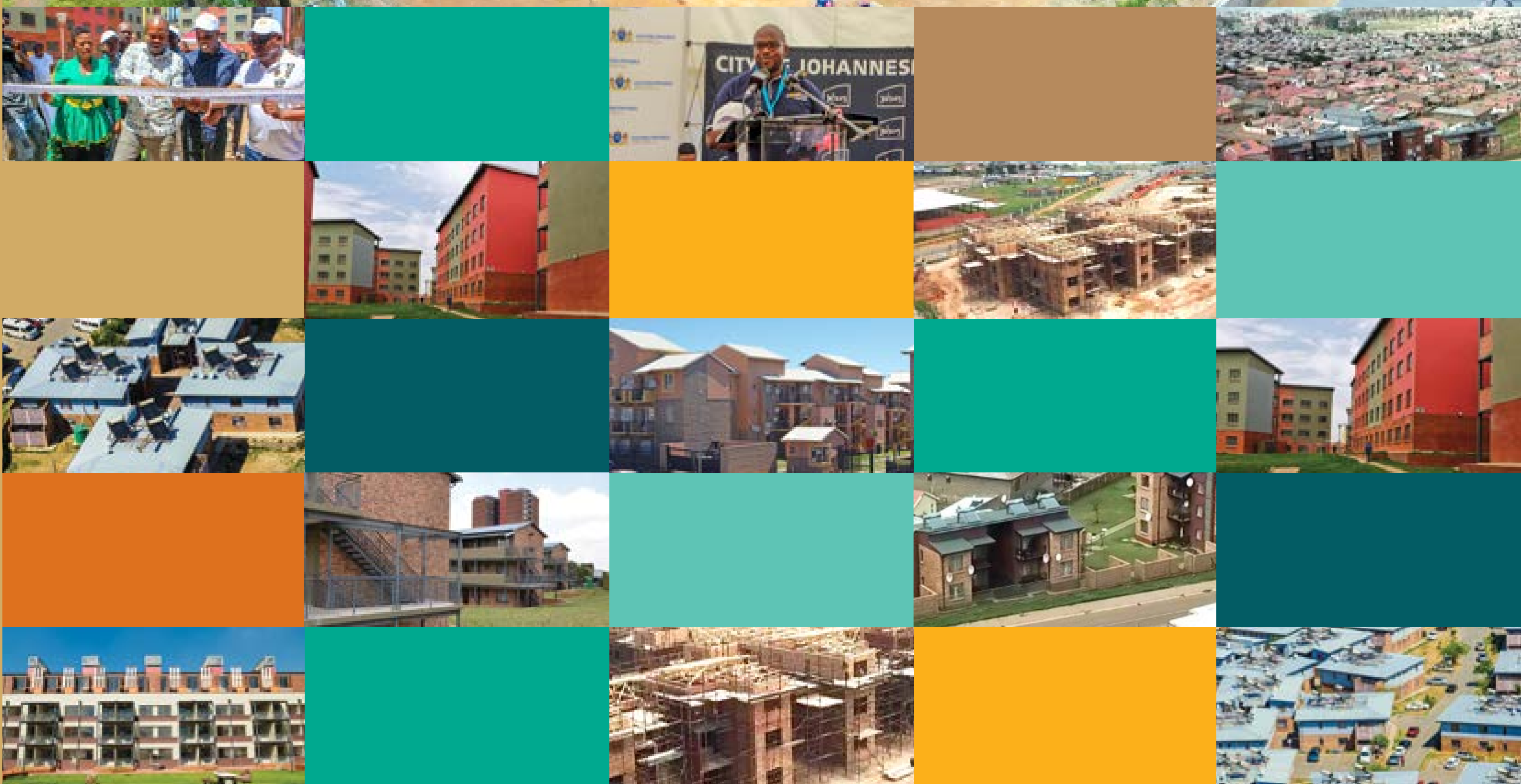
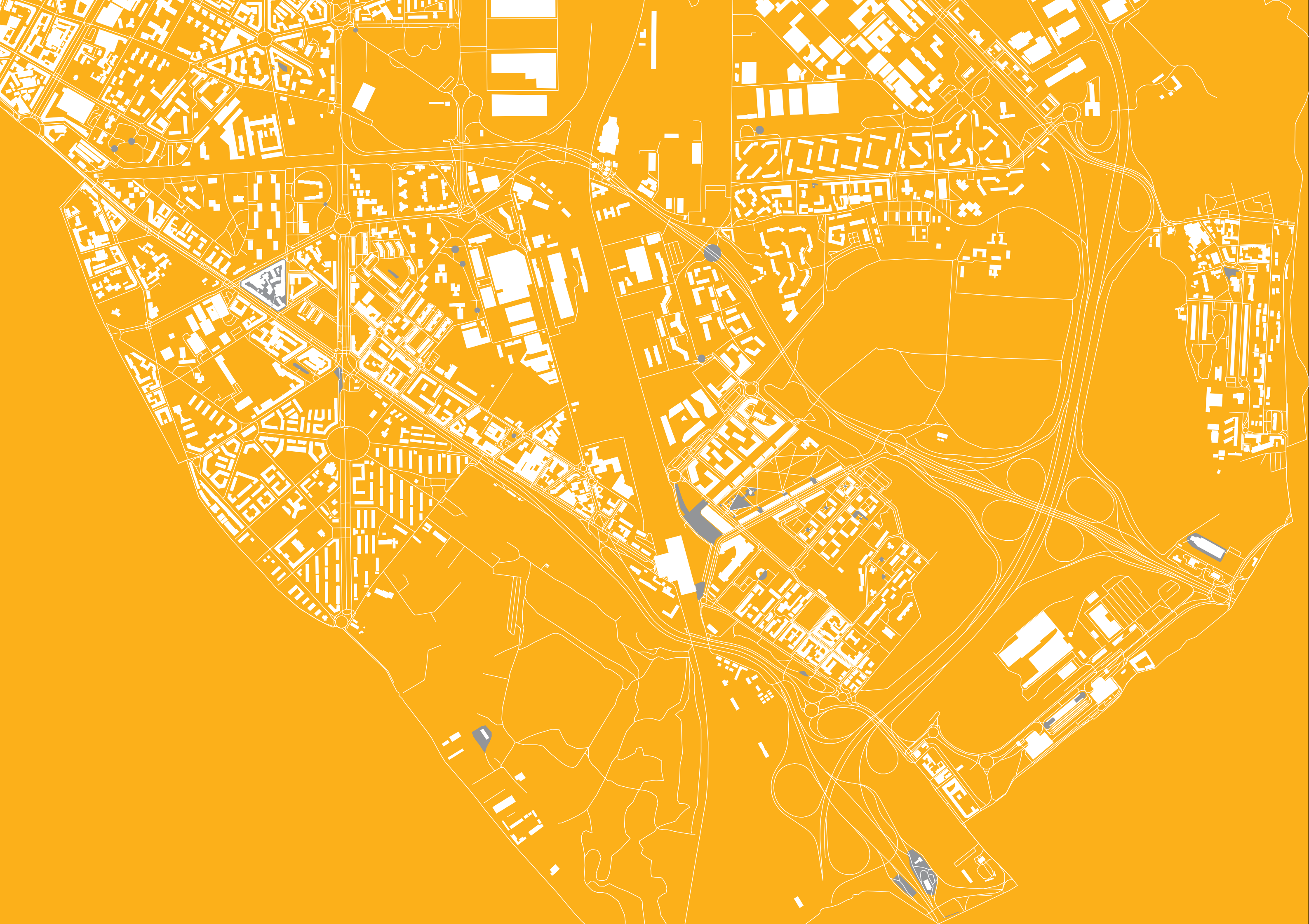
"WE DELIVER AFFORDABLE AND SUSTAINABLE SOCIAL HOUSING IN JOBURG"





COMPANY INFORMATION

(In terms of Section 121 of the Municipal Finance Management Act, 2003 and Section 46 of the Municipal Systems Act, 2000)

JOHANNESBURG SOCIAL HOUSING COMPANY SOC LIMITED

Registration Number:	2003/008063/07
Registered Address:	61 Juta street Johannesburg 2094
Postal Address:	P O Box 16021 New Doornfontein Johannesburg 2028
Telephone:	(011) 406-7300
Fax:	086 240 6691
Website:	www.joshco.co.za
E-mail:	info@joshco.co.za
Bankers:	Standard Bank of SA Limited
Auditors:	Auditor-General

CONTENTS

To become the best provider of quality, affordable Social housing designed to world-class standards that contributes to the City that works.

JOSHCO designs and builds quality, resource-efficient, economically sustainable, and affordable housing projects, that are close to transport nodes and which address the needs of the community and the environment in Johannesburg, with a strong emphasis on effective management and customer focused service delivery.

JOSHCO's mandate is to provide and manage affordable rental housing for the lower-income market as an integral part of efforts to eradicate the housing backlog of the City.

JOSHCO is a special purpose vehicle to access national and provincial grant-funding which a City or department cannot.

Integrity: Honesty; Principled behaviour; Transparency; Accountability.

Customer Focus: Listening; Building Relationships; Evaluation and Reflection.
Excellence: Productivity; Professionalism.

Innovation: Imagination; Enthusiasm; Boldness; Tenacity.

Teamwork: Goal Orientation; Respect; Communication; Dependability.

ABOUT THIS REPORT

REPORT SCOPE AND BOUNDARY, BASIS FOR INCLUSION AND RESTATEMENTS

The Johannesburg Social Housing Company's (JOSHCO) Integrated Report is prepared in accordance with the International Integrated Reporting Framework. The report is a legislative requirement that needs to be fulfilled, as JOSHCO is an entity of the Municipality. This report is prepared in terms of Section 46 of the Municipal Systems Act (MSA), 32 of 2000, Section 121 of the Municipal Finance Management Act (MFMA), 56 of 2003 as well as MFMA Circular 63 on annual reporting.

The basis of inclusion for JOSHCO's publication of this Integrated Report is to provide a more cohesive and efficient approach to corporate reporting. This requires that the company draws on different reporting components, and communicates the full range of factors that materially affect the ability of the entity to create value over time.

Therefore, JOSHCO seeks to report on the annual financial performance, operations, human capital management, Information Communication Technology, performance management, and on how the Board has governed and directed the organisation towards the achievement of its set annual targets.

SUMMARY OF THE ORGANISATION'S MATERIALITY DETERMINATION PROCESS

JOSHCO's determining of material matters are guided by the organisation's strategy (informed by the company's mandate) as prescribed by the City of Johannesburg. Material matters are therefore classified as such, once their assessment poses a direct risk towards the achievement of strategically set objectives.

Risk management is one such key material matter, which plays a vital role in determining material reportable information, and their subsequent effect on the achievement of the company's outlined objectives. The company has also identified how those who are charged with governance must respond to such matters that affect risk management within the control environment

> "Principle 11 of the King IV Report on corporate governance requires that the Board identifies key performance and risk areas as well as associated key performance and risk indicators. This includes areas such as finance, ethics, conduct, compliance, and sustainability. Management is tasked with the running of the organisation's day to day business, which allows them to identify material matters that expose the organisation to risk, and to subsequently develop the necessary risk mitigation measures. Management is also required to report to the Board on how it has addressed material matters (either internal or external), so as to provide the Board with the assurance that effective measures are in place to respond to material matters in a timely manner."

Additional material matters identified as being fundamental reportable matters include: stakeholder relations and engagement; the organisation's ability to create (and maintain) short-, medium-, and long-term value to all stakeholders; and the organisation's ability to remain profitable.

THE REPORTING BOUNDARY

The reporting boundary is limited to JOSHCO's performance for the year ended 30 June 2020, as a Municipal Entity of the City of Johannesburg that provides and manages affordable rental housing for the lower-income market. This description forms an integral part of the company's collective efforts to eradicate the City's housing backlog. The framework for the report is guided by Section 121 of the MFMA.

SUMMARY OF SIGNIFICANT FRAMEWORKS AND LEGISLATION USED TO PREPARE THE REPORT

- Municipal Finance Management Act 56 of 2003 (MFMA)
- Municipal Systems Act 32 of 2000 (MSA)
- National Treasury Circular 63
- Generally Recognised Accounting Practices (GRAP)
- Interpretation of Statements issued by the Accounting Standards Practices Board
- Companies Act 71 of 2008
- King IV Report on Governance for South Africa 2016
- Joburg 2040 Growth Development Strategy (GDS)
- Integrated Development Plan (IDP)

ASSURANCE PROCESS FOR THE INTEGRATED ANNUAL REPORT

"Principle 5 of the King IV Report on Corporate Governance requires that the governing body should ensure that the reports issued by the organisation enable stakeholders to make informend assessment of the organisation performance and its short-, medium-, and long-term prospects. It is good corporate governance practice to ensure that the board to ensures that the organisation has implemented a structure of review and authorisation designed to ensure the truthful, factual presentation of the organisation's financial position. JOSHCO's assurance process of the Integrated Report is guided and assured by its governance structures. The Integrated Annual Report is submitted to the Audit and Risk Committee for the review of financial information, and provides the Board and the Council of the City of Johannesburg with an authoritative and credible view of the financial position of the entity. The Board ultimately assumes the responsibility of approving the Integrated Annual Report in each financial year."

APPROVAL:

Nontobeko Ndimande CA(SA)
Chief Financial Officer
Date of Approval:

Theodore Dhlamini
Chairperson of the Board
Date of Approval:

Victor Rambau
Chief Executive Officer
Date of Approval:

Mlungisi Mabaso
MMC: Housing
Date of Approval:

CHAPTER

1

LEADERSHIP AND CORPORATE PROFILE

SECTION 1:
MMC'S FOREWORD

"I pledge my absolute support for JOSHCO, to ensure that makes substantial strides towards success."

2020, and the experience of a pandemic, has been a challenging yet exciting year that spurred us towards new ways of thinking and to being innovative in our approach to achieving our objectives.

We have been met with inconceivable challenges, which required that we be innovative in our thinking and implementation of functions. We have demonstrated resilience and reshaped a company to support a new way of operating. The expansion of JOSHCO's mandate necessitated that it implement programmes such as Temporary Relocation Areas, Upgrading of Informal Settlements Program, Hostel Upgrade and Students Accommodation (to name but a few). These and other programmes are newly implemented initiatives in the face of adversity - an achievement of which JOSHCO can be immensely proud.

I remain cognisant of the financial wellbeing of this entity. We have noted a steady decline in the entity's financial position, and hence, at my installation as MMC for Housing, I have commissioned the board and executive of the entity to come up with a sustainable turnaround strategy, which must be tactically implemented to ensure the survival of the company. The Board has to date been instrumental in ensuring that JOSHCO performs optimally, and is geared towards a positive direction.

Countrywide we are faced with challenges of unemployment and poverty (amongst others). As government, it is our responsibility to respond to these challenges, and as JOSHCO we are able to do so by means of availing affordable housing for the City's residents. It is crucial that we balance service delivery whilst responding to the needs of our residents.

The coming years will be defining for the entity as the City will invest CIRSA R1,4 Billion on mega social housing projects that will be implemented in areas like Jeppestown, Rivonia, and Riverside. These are going to be smart developments with accessories such as wi-fi systems to every unit, solar water heating, and heating/cooling cavity walls. All of these developments, together with the smart accessories are some of the steps taken to ensure that we become a leading social housing provider. We are committed to building a JOSHCO that is sustainable and profitable. The available technology will enable the company to be the best social housing entity on the continent. One that is welcoming, competent (yet affordable) to residents of this City. I am confident that initiatives such as outdoor advertising and many other initiatives that form part of our turnaround strategy, will go a long way to enhance the revenue stream, and build the internal capacity of the entity.

I take this opportunity to thank the Board, the Executive committee and the staff of JOSHCO on their commitment and hard work. I look forward to the year ahead, in which I pledge my complete support to ensuring that the entity takes significant strides towards greatness.

I thank you.

Cllr Mlungisi Mabaso
MMC: Housing

Theodore Dlamini
Chairperson: Board of Directors

> "The organisation continued to demonstrate its commitment to making a difference in the human settlement patterns of the City of Johannesburg..."

SECTION 2:
CHAIRPERSON'S FOREWORD

Sustainable economic growth remains a key priority for South Africa, as economic growth stimulates job creation and enhances the quality of life for the Johannesburg Metropolitan Community. The latter part of the 2019/2020 financial year posed great challenges for the Global Community (specifically international trade) as a result of the COVID-19 pandemic, and this impacted the stability of the South African economy and financial standing.

The effects of the pandemic on business operation were most prominently experienced during the National Lockdown, which affected the smooth operations of JOSHCO towards the end of the third quarter of the 2019/2020 year. The lockdown regulations required that South Africans work from home (wherever possible), and this resulted in a direct and negative impact on the livelihoods of many JOSHCO tenants. In support of the regulations, and the health and safety of Johannesburg Citizens, the organisation heeded the National call of the President, and ensured that employees were equipped with the necessary tools to continue to work from home – facilitating efforts to keep employees safe from the effects of the global pandemic. While internal process es were put in place to manage the effects of pandemic on the organisation, the Board remained committed to upholding the highest standards of corporate governance, and adhered to all applicable governing legislations and organisational policies. Our governance report demonstrates (as outlined by King IV) how the governance outcomes were achieved. The organisation continued to demonstrate its commitment to making a difference in the human settlement patterns of the City of Johannesburg (CoJ) by providing low-income families with access to quality rental accommodation that is closer to work and social amenities, thereby improving their quality of life despite the challenges which were posed by the COVID-19 health crises.

BUSINESS ENVIRONMENT AND LEADERSHIP TRANSITION

The report provides an overview, to our shareholder and stakeholders, of JOSHCO's performance against its predetermined objectives. There were a number of challenges during the 2019/20 fiscus, including low rental collection and the persistently high unemployment rate (amongst others). The COVID-19 pandemic was a contributing factor to these challenges, despite the 96% occupancy rate of the units. Although the pandemic had an effect on the efficiency of our operations, demand for our product within our operating environment continued to surge, bringing comfort that our position in the market remains positive and sustainable.

ORGANISATIONAL PERFORMANCE

Organisational performance remains at the heart of the Board and although the organisation did not perform as expected in the year ending 30 June 2020, the Board remains pleased that the social housing target has been achieved – contributing to the eradication of housing backlog in the City. A turnaround strategy has been crafted, and it is designed to improve the organisational performance. The move to the Northern and Southern suburbs (as part of the organisation's long term growth) reflects the organisation's commitment to the City vision of providing affordable rental housing for the previously disadvantaged beneficiaries, and ensures that JOSHCO remains at the helm of the social housing industry.

KEY POLICY DEVELOPMENTS

JOSHCO's sustainability will be enhanced by the amended social housing policy as it pertains to accreditation, funding grants, and income bands. A recent administration priority has drawn attention to Inner-City regeneration, with JOHSCO as one of the key delivery agents.

CONCLUSION

I wish to extend my heartfelt thanks and appreciation to the MMC of Housing, Councillor Mlungisi Mabaso, and fellow Board members for their ongoing support in the supervision and strategic leadership. My thanks and appreciation are also extended to the Chief Executive Officer, his Executive team, and the JOSHCO staff at large, for giving effect to our strategic and operational plans.

I look forward to working with all officials in the new financial year 2020/21, and to achieving our set objectives to the betterment of the lives of those whom we serve.

Theodore Dhlamini
Chairperson: Board of Directors

Victor Rambau
Chief Executive Officer

"The organisation will continue to focus on improving its market share by aligning itself to, and delivering on what matters the most in its market segment."

SECTION 3:
CHIEF EXECUTIVE OFFICER'S REPORT

JOSHCO's Executive team was driven by multiple factors over the year, which included the eradication of the housing backlog faced by the City, and ensuring that the organisation remains focused on providing of social and affordable rental housing to its current market.

It was further driven by its commitment to customer satisfaction – a commitment that proved paramount in creating JOSHCO's good-standing in the social housing sector. The 2019/2020 financial year proved extremely challenging for the organisation and the social housing marketing as a result of the COVID-19 pandemic. In the year ending 30 June 2020, a number of tenants applied for rental relief and as such the organisation had to absorb the financial loss risk, with a view to extend and sustain the requisite goodwill and good relation with the tenants. The core mandate remained the same throughout the financial year, which is the provision of social and affordable housing to the low income households residing in the City of Johannesburg. This is what differentiates JOSHCO from other social housing organisations across the Country.

The COVID-19 pandemic proved to be the strongest risk factor across all industries from which our tenants attain their livelihoods, and this was noticed through a rental collection of 61% against the target of 80% as at 30 June 2020. The organisation, through its internal strategies, managed to continue servicing its market under the negative conditions as part of its role in the delivery of efficient services within the City of Johannesburg.

STRATEGIC OVERVIEW OF SERVICE DELIVERY PERFORMANCE

The performance against pre-determined objectives for year ending 30 June 2020, stood at 24%. Part of the 24% includes the achievement of JOSHCO's development of social housing where 24 completed units were achieved against the same target. 214 units with no services were also achieved against the same target, and 92 units were 80% complete against the same target. The occupancy rates of the tenanted units stood at 96%, which is 2%

lower than the set target. The Expanded Public Works Programme stood at 185 and such results were largely affected by the National Lockdown, which resulted in a temporary shutdown of the projects. Four of the seven service-level standards were achieved. The Customer Satisfaction Survery was postponed as it was scheduled to be conducted during the period where the COVID-19 infection rate was rapidly increasing. The decision was made to eliminate the exposure of infection to both the tenants and officials by halting the survey, as it was designed to include physical contact between tenants and officials. JOSHCO takes pride in ensuring compliance with health and safety standards throughout the organisation - including at project level. As such the Customer Satisfaction Survey indicator will be rolled over into the new financial year.

FINANCIAL PERFORMANCE

The overall state of the financial position held a total net asset of -R104,749,395 as a result of, amongst others, payables from exchange transactions which rose by 45% from 2019 (-R413,408,810 to R599,805,474). A turnaround strategy has been developed, which will be effected in the new financial year, to address some of the individual rising costs affecting the positive state of the organisation's financial position.

AUDIT PERFORMANCE

In the year ending 30 June 2020, the organisation managed to resolve 60% of its audit findings against a target of 95%. This includes both internal audit findings and external audit findings related to the 2018/2019 financial year. The executive team is committed to ensuring that the control environment is improved upon, and that findings are resolved within a specific turnaround time.

TRANSFORMATION AND SOCIAL RESPONSIBILITY

The JOSHCO's preferential procurement strategy continued to focus on Black-Owned and Female-Owned companies. An amount of R 367,4 million of total expenditure was spent during the financial year resulting in R251,2 million being spent on 51% black-owend companies .

FUTURE OUTLOOK

The organisation will continue to focus on improving its market share by positioning itself to, and delivering on what matters the most in its market segment. The development strategy focuses on addressing the legacy of the unjust apartheid spatial development approach. JOSHCO plans to diversify its portfolio and to broaden its focus into urban areas and economic hubs, where it intends to cement its social and affordable housing footprint. The need to explore the Northern and Southern suburb market is part of the organisation's new strategy to develop social and affordable housing in areas outside of spatial development or previously disadvantaged geo-areas. The new strategy aims to tap into markets that compete on high rental fees, which will position the City to compete on low rental fees through the adoption of a low-cost development strategy. Both the Northern and Southern suburbs have remained the market ground for private developers, and this positions the organisation as a last market entry with market intelligence and experience. These attributes allow us to compete amongst the elite rental accommodation providers, whilst ensuring that the introduction of social and affordable housing does not dilute the current market property value in the earmarked areas and/or City Regions.

In the next three financial years, JOSHCO will invest just over R1,4 billion in both Green Fields and the Inner-City project portfolio which will yield 3342 social and affordable rental units (the majority of which will be at economically active areas). The investment will form part of JOSHCO's medium- to long-term geographic footprint expansion strategy, and as such will sustain its number one position in the social housing sector. While the investment will attract further long-term development, it will also seek to address the much needed low-cost housing demand and ensure that beneficiaries benefit from living in well-developed areas that offer social and other needed amenities to further enhance their quality of life.

The Social Housing Regulatory Authority, as one of JOSHCO's key stakeholders, will also invest an approximate amount of R230 million in the next three financial years. This investment will be re-directed to the new and exciting developments in geo-areas such as Midrand, Northriding, Lufhereng, and Jepperstown. An amount of R378 million has been projected for capital expenditure in the new financial year, and a proportion of the value will be directed to student accommodation. The vision towards student accommodation is that of a student precinct, offering safer accommodation through sound security and a technologically advanced environment based on the SMART City approach.

CONCLUSION

I am very excited about the organisation's future strategy, which will create much needed markets for business growth. The Northern and Southern surbubs will provide us with the requisite exploration data that will inform future growth strategy within the geo-boundries. I would also like to express my gratidute to the Board, its Committee and organisational staff members, including the CoJ and SHRA, for their support of the organisation's future vision in the social housing industry.

Victor Rambau (MBA)
Chief Executive Officer

Nontobeko Ndimande CA(SA)
Chief Financial Officer

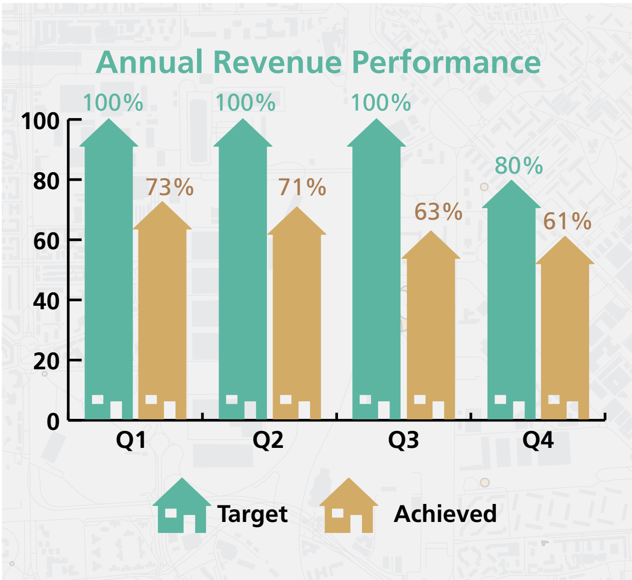
The organisation continued to demonstrate its commitment to making a difference in the human settlement patterns of the City of Johannesburg...

SECTION 4:
CHIEF FINANCIAL OFFICER'S REPORT

It is with great pleasure that I provide perspective on JOSHCO's financial performance for the financial year ended 30 June 2020.

The year has been complex and clouded by challenges such as sluggish revenue growth from rental facilities and project stoppages, as a result of the National Lockdown. The overall revenue for the year ended 30 June 2020, grew by 12% from the previous financial year which was an expected result as a number of projects, which were delayed in the previous financial year, were tenanted in the current financial year.

OVERVIEW OF REVENUE COLLECTION FOR THE YEAR



The revenue collection target for the 2019/20 financial year was 80% (2018/19: 100%) of billing. We have performed 19% behind budgeted target, as we collected 61% for the year the financial year. The reduction in the collection levels was largely influenced by slow debt payment by the tenants. The COVID-19 pandemic was a material risk factor as some of the tenants were working for industries which were forced to adhere to National Lockdown regulations until level 3 (such as restaurants).

FINANCIAL PERFORMANCE

Revenue and expenditure were recorded on the accrual basis of accounting (i.e. transactions are recorded as they occur irrespective of when the related cash movement would take place). The organisation continued to face financial challenges and recorded a deficit of R79,8 million when compared to that of the previous financial year (being 2019: R55,7 million). Some of the noted financial items for the year under review are as follows:

- Revenue from rental of facilities and equipment rose by 17% to R151 million (from 2019: R128,7 million);
- Interest received (earned from banking and outstanding debtors) rose by 6.9% to R13,9 million (from 2019: R13 million);
- Rendering of service (management fees) rose by 82% to R13.6 million (from 2019: R7,6 million);
- Total expenditure rose by 14% to R279,5 million (from 2019:244,2 million). The increase was largely due to a 121% increase in employee-related costs as a result of the implementation of insourcing of security guards and cleaners;
- Total administrative cost declined by 6% to R107,8 million (2019: R114,3 million) this was as a result of the reduction of costs related to cleaning and gardening, project planning and consulting, lease rentals on operating lease, and security services;
- Loans to shareholders, which is our sweeping bank account balance, decreased by 78% to R18 million (2019: R83.6 million) due to settlement of all outstanding invoices at year end in order to comply with settlement of invoices within 30 days; and
- Receivables from exchanges transactions rose by 142% to R272,7 million (2019: R112,6 million) due to an increase in outstanding rental debt.

CAPITAL EXPENDITURE

Capital expenditure is directed towards the development, renovation, and upgrade of rental stock. As at the end of the financial year, the organisation managed to spend 68% of the total budget of R405,7 million. The results were largely affected by the COVID-19 pandemic which had an impact on total spending.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The areas of procurement in JOSHCO relates to capital expenditure (CAPEX) on the development of housing units and capital projects executed on behalf of other departments; and operational expenditure (OPEX) on the maintenance of housing units, other administrative functions and operational expenditure executed on behalf of other departments. For these areas, i.e. CAPEX and OPEX, JOSHCO has achieved 70% and 58% spend on at least 51% black owned companies respectively. JOSHCO's total expenditure (i.e. both capital and operational) for the period ended 30 June 2020, amounted to R367,4 million - of which the spend on 51% black-owned companies was (R251,2 million).

RISK FINANCING

Risk financing of the JOSHCO operational assets, inclusive of the rental infrastructure, was covered through the City's Group Risk Insurance. The organisation ensures that risk financing cover is undertaken through the City's insurance prior to the start of every financial year and also ensures that invoices for premiums are paid timeously.

GOING CONCERN

The entity has a deficit of R79,8 million largely influenced by high personnel costs, provision for doubtful debts, and administrative costs. JOSHCO is currently dependent on a subsidy from the City of Johannesburg over the medium term. It is the intention of the Board of Directors and Management, to become self-sufficient in the management of the rental stock. In order to achieve this, JOSHCO intends to be more innovative in its systems for the take-on of tenants and rental collections turnaround strategy, which will endeavour to curb current challenges.

ACCOUNTING PRINCIPLES

The accounting policies applied in the preparation of this report are in accordance with the Generally Accepted Accounting Practice (GRAP) and are consistent with those applied in the previous year. In the absence of effective Standards of GRAP, directive five dated March 2009, from the Accounting Standard Board (ASB) provides the continued application of International Financial Reporting Standards (IFRS).

CONCLUSION

The organisation has appointed a debt collector as part of its rental recovery turnaround strategy. The new market segments identified for exploration in the new financial year (Northern and Southern suburbs) will cement the organisation's market position and will increase the revenue stream footprint. Lastly, my sincere appreciation is directed to the finance team at operational level, my fellow Executive Committee members, the Board, and its Committees for their advice, expertise, and inclusive support.

Nontobeko Ndimande CA(SA)
Chief Financial Officer

SECTION 5:

CORPORATE PROFILE AND OVERVIEW OF THE ENTITY

ABOUT JOSHCO

The Johannesburg Social Housing Company (JOSHCO) was established in November 2003, and received its mandate in March 2004, from the City of Johannesburg (CoJ). JOSHCO's mandate is to provide and manage affordable rental and social housing for the targeted sector who earn a salary of less than R15 000,00 per month. This mandate is in line with, and forms an integral part of efforts to eradicate the housing backlog of the City. JOSHCO is a registered Social Housing Institution and is accredited by the Social Housing Regulatory Authority (SHRA).

The core business of JOSHCO includes the development of social rental housing, refurbishments, upgrading, and management of Council-owned rental housing stock This includes: hostels; housing management; the refurbishment, and the conversion and management of inner-city buildings into social housing units.

As a Municipal Owned Entity, JOSHCO is required to comply with all relevant legislation (i.e. Municipal Finance Management Act; Municipal Systems Act, and the Companies Act). JOSHCO's policies, procedures and strategies are aligned with the vision of the City of Johannesburg, as outlined in the Growth Development Strategy (GDS) 2040, and its 5 year Integrated Development Plan (IDP).

SECTION 6:

KEY STRATEGIC OBJECTIVES

JOSHCO identified and implemented 10 strategic objectives that aim to contribute to the City's nine IDP priorities and ultimately achieve the long-term GDS outcomes. The table below reflects how JOSHCO's objectives respond to the City's strategic outcomes, and also provides the envisaged long-term outcomes that the entity wishes to achieve by implementing the various programmes for each objective.

Table 1: Strategic Objectives as at 30 June 2020

GDS outcomes	Strategic priorities	Joshco strategic objective	Strategic outcome
1. A growing, diverse, and competitive economy that creates jobs.	Promote economic growth development and attract investment towards achieving 5% economic growth that reduces unemployment.	Contribute towards economic development through SMME empowerment.	• 2500 labour intensive jobs created through the EPWP programme. • At least 30% of Capital budget to be spent on companies owned by designated groups. • 1% of contract value will be spent on training and development.
2. An inclusive society with enhanced quality of life that provides meaningful redress through pro-poor development.	Ensure pro-poor development that addresses spatial and income inequality and provides meaningful redress.	• Increase social housing projects within the transport nodes. • Increase the number of social housing projects in the Inner City.	• The development of social housing projects that would eliminate social inequalities and spatial injustice. • An increase of land parcels and buildings through strategic partnership with JPC and HDA to fast-track the acquisition of land and buildings.
	Preserve our resources for future generations.		
3. Enhanced quality services and sustainable environmental practices.	Create a City that responds to the needs of Citizens, Customers, and Business.	Improve customer satisfaction.	Achieving a customer satisfaction rating of 86%.
	Enhance our financial sustainability.	• Enhance financial sustainability. • Cost efficiency in housing development and housing management.	• Revenue maximisation. • Best-practice housing management and housing development strategies.
	Encourage innovation and efficiency through SMART City programmes.	Improve ICT infrastructure and governance.	Smart technology programmes for JOSHCO tenants.
4. Caring, safe, and secure communities	Create a sense of security through improved public safety.	Improved safety and security of tenants in all JOSHCO projects.	• Reduction in crime at JOSHCO projects. • Reduction in anti -social behaviour.
	Create an honest and transparent City that fights corruption.	Improve the control environment (policies, internal systems).	• Implement a fraud prevention plan. • Public adjudication of tenders.
5. An honest, transparent, and responsive local government that prides itself on service excellence.	Create a culture of enhanced service delivery with pride.	• Inculcate a culture that fosters and encourage staff discipline and performance. • Improved service-level standards.	• Achieve 96% service delivery standards. • High performing teams and professional organisation.

VALUE CREATION PROCESS FOR THE YEAR ENDED 30 JUNE 2020

INPUTS

FINANCIAL RESOURCES
- R156 million cash in the bank
- R 129 million in rental revenue

MANUFACTURED CAPITAL
- Manufactured Capital 297 social and affordable housing developed
- 7621 tenantable units
- 99% occupancy rate

INTELLECTUAL CAPITAL
- Joburg 2040 GDS strategy.
- Integrated Development Plan 2016/21.
- Smart City strategy.
- City reputation, branding and investment attraction potential.
- Business Plan.

HUMAN CAPITAL
- 210 Employees.

SOCIAL AND RELATIONSHIP CAPITAL
- Residents and rate payers.
- Vulnerable communities.
- Targeted stakeholder groups (e.g.SMMEs, youth, and children).
- Media, NGO's, and academic stakeholders.
- Shareholder.

NATURAL CAPITAL
- Natural resources consumed: Water, and Energy (electricity and fuel).

CONTEXT
- Six National Outcomes.
- Six SDGs.
- Joburg 2040 GDS.
- GDS Outcomes driven through four Clusters.
- 9 IDP priorities.

TOP 5 RISKS
- Inability to collect targeted revenue from tenants.
- Non-compliance to GRAP 17.
- Inadequate capital budget allocation by the City, resulting in JOSHCO not being able to meet its business plan target of providing affordable rental and Social Housing.
- Non-compliance to relevant regulatory and policy requirements.
- Not meeting SLS.

OPPORTUNITIES
- Commercial rental opportunities through inner city investment.
- Creation of Sustainable Human Settlements.
- Improved citizen participation.
- Improved social cohesion through development of social housing.
- Growth in profitable markets.
- Enhanced support for SMMEs and Cooperatives.

STRATEGY/GDS PRINCIPLES

Economic Sustainability
- Build and grow an inclusive economy.

Administrative Sustainability
- Promote good governance.

Social Sustainability
- Eradicate poverty.
- Achieve social inclusion through support and enablement.

Environmental Sustainability
- Build sustainable human settlements.
- Ensure resource security and environmental sustainability.

OUTCOMES

OUTPUTS/ PROGRAMMES

- Leverage optimum value from existing rental stock.
- Resuscitate declining and decaying economic nodes within the City by providing affordable and quality social housing.
- Develop a dynamic entrepreneurial spirit and innovation to promote increased investment though SMME support.
- Promote multi-level skills development programmes.
- Promote citizen participation and empowerment.
- Enable SMART City initiatives in the social housing sector as a game-changer strategy and market penetration.
- Promote human capital development and management.
- Ensure integrated planning that focuses on the provision of the quality of life for the Citizens of Johannesburg.
- Promote innovation and knowledge sharing. Institutionalise strong governance, risk management and compliance.
- Ensure financial sustainability.
- Maintain strong administrative governance.
- Promote strategic communications and marketing.
- Ensure positive strategic relations with other capital providers (e.g. SHRA).

ECONOMIC SUSTAINABILITY

- 151 million in rental revenue.
- 185 EPWP jobs were created.
- 11% of CAPEX spent on SMMEs.

ADMINISTRATIVE SUSTAINABILITY

- 61% rental collection/or payment.
- 35,5% and 58% of procurement recognition spent on at least 51% black owned companies.
- Insourcing of securities and clearners.
- R658 892 has been invested on staff development.

SOCIAL SUSTAINABILITY

- JOSHCO tenants are provided with infrastructure for early child development purposese.

ENVIRONMENTAL SUSTAINABILITY

- Energy efficiency.
- Solar geyser installation in projects.
- Waste reduction initiatives.

CHAPTER

2

GOVERNANCE

SECTION 1:
CORPORATE GOVERNANCE STATEMENT

I. ETHICAL LEADERSHIP

The Board provides effective leadership based on a principled foundation, and the entity subscribes to high ethical standards. Responsible leadership, characterised by the values of responsibility, accountability, fairness, and transparency, has been a defining characteristic of the entity since the organisation's inception. The fundamental objective has always been to do business ethically, while building a sustainable company that recognises the short- medium- and long-term impact of its activities on the economy, society, and on the environment. In its deliberations, decisions, and actions, the Board is sensitive to the legitimate interests and expectations of the company's stakeholders.

II. CORPORATE GOVERNANCE

The entity applies the governance principles contained in King IV and continues to further entrench and strengthen recommended practices in the governance structures, systems, processes, and procedures. The Board of Directors and Executive committee recognise, and are committed to, the principles of openness, integrity, and accountability advocated by the King IV Code on Corporate Governance. Through this process the shareholder and other stakeholders derive assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. Monitoring the entity's compliance with the King IV Code on Corporate Governance forms part of the mandate of the Audit and Risk Committee.

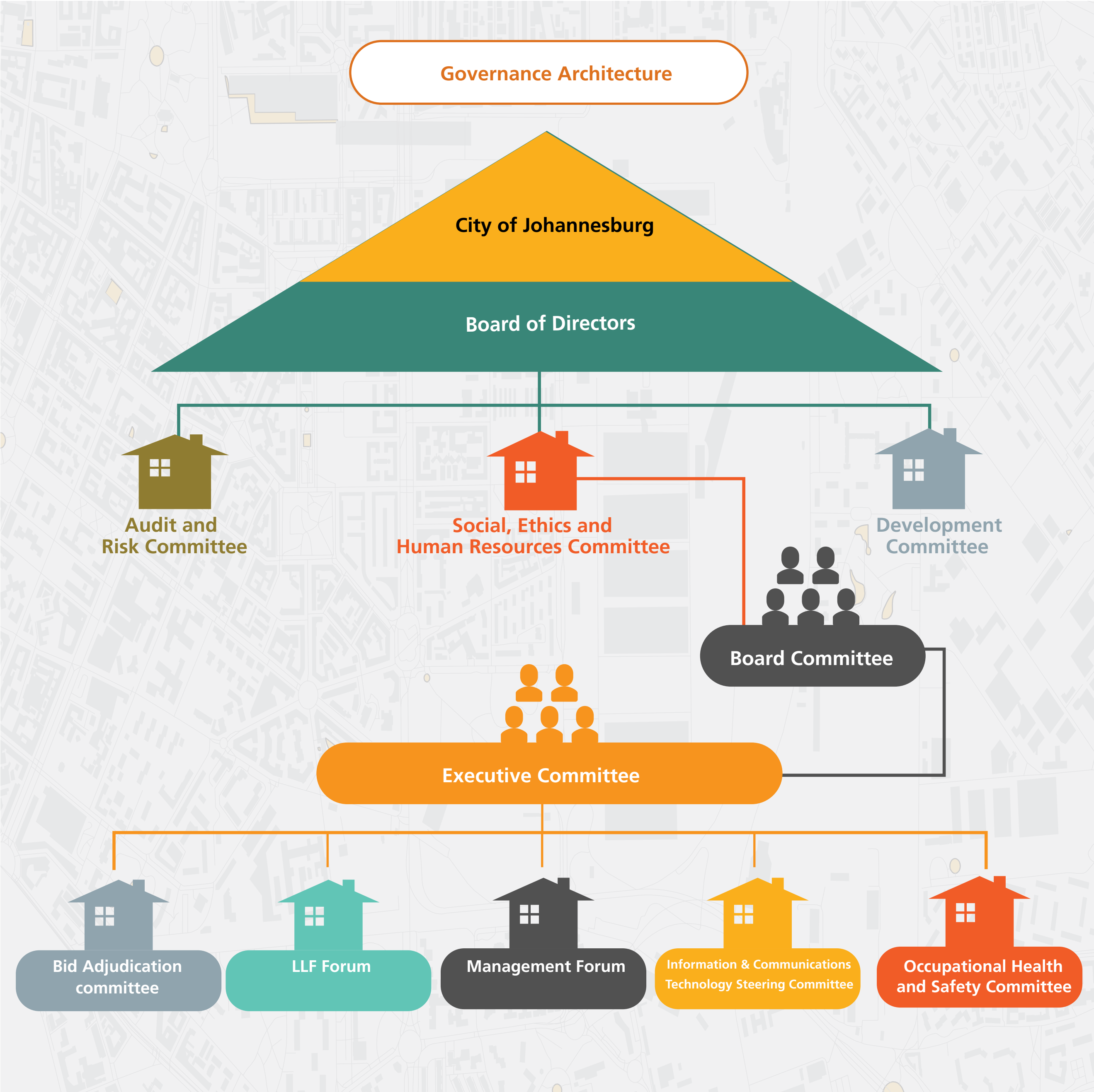
The Board of Directors has incorporated the City of Johannesburg's Corporate Governance Protocol in its Board Charter, which inter alia, regulates its relationship with the City of Johannesburg as its sole shareholder and parent Municipality in the interests of good corporate governance and good ethics.

III. CORPORATE CITIZENSHIP

The Board and Management recognise that the entity is formed under a government structure. As such, it has a social and moral standing in society with all the attendant responsibilities. The Board is therefore responsible for ensuring that the entity protects, enhances, and invests in the well-being of the economy, society, and the natural environment. The entity pursues its activities within the limits of social, political, and environmental responsibilities outlined in international conventions on human rights. The organisation is part of society and the economy, and it uses its resources to improve people's lives through job creation and access to housing.

IV. COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

The Board subscribes to principle 13 of King IV which provides guidance to the Board on how it should govern its responsibilities towards compliance with applicable laws and identify which non-binding rules, codes, and standards the organisation has adopted.



BOARD COMPOSITION

The Board, under the Chairpersonship of Mr Theodore Dhlamini, who is a non executive independent Director, meets at least once per quarter and has retained full and effective control over the company. It monitors executive management through a structured approach of reporting and accountability. Through its Annual Work Programme, the Board of Directors monitored strategy implementation, and was kept abreast of the achievements and risks associated with the achievement of the strategy. The Board has on hand a wide range of skills and expertise for the benefit of JOSHCO, and currently comprises of nine Non-Executive Directors and two Executive Directors - namely the CEO and the CFO. The Shareholder is regularly represented by Group Governance in Board and Committee meetings as a standing invitees.

The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period of the 2019/20 financial year.

CHAIR PERSON

Theodore Dhlamini

Capacity:
(Board Chairperson) Non-Executive Director

Race
African

Gender
Male

Skills and Expertise
Leadership skill
Communication skill
Negotiation skill
Problem-solving skill

Qualifications
Leadership training and certificate in engineering hand skills

Professional Memberships
Member of IoDSA.

N.E.D

Jason Sobekwa

Capacity:
Non-Executive Director

Race
African

Gender
Male

Skills and Expertise
International Financial Reporting Standards (IFRS) proficiency.
Knowledge of International Standards on Auditing & the Sarbanes-Oxley Act (SOX).
Financial modelling, budgeting, planning
Process mapping & improvement.
Project management.

Qualifications
B Accounting, PG Dip: Financial Management and CIMA

Professional Memberships
None

N.E.D

Moerane Maimane

Capacity:
Non-Executive Director

Race
African

Gender
Male

Skills and Expertise
Corporate governance, social and ethics
corporate services or shared services
Human resources, operations management

Qualifications
Diploma, Bachelor, Honours degree in Public Administration,
MBA & CDSA

Professional Memberships
Chartered Director SA.
The institute of directors (F.Inst.D).

N.E.D

Gaby Boikhanyo

Capacity:
Non-Executive Director

Race
African

Gender
Female

Skills and Expertise
Project Management
Project Risk Assessment & Analysis
Analytical
Problem Solving & Troubleshooting
Predictive Analytics
Data Analysis _ SQL Skills
Communication and Leadership

Qualifications
B Computer Science, ND Analytical chemistry

Professional Memberships
Operations Research Society of South Africa for 2021.


N.E.D
Xolani Dlwathi

Capacity:
Non-Executive

Race
African

Gender
Male

Skills and Expertise
Organisational leadership and management

Qualifications
Diploma, Honours and master's degree in theology

Professional Memberships
None


N.E.D
Themba Mamba

Capacity:
Non-Executive

Race
African

Gender
Male

Skills and Expertise
Investigations, team leader and supervisory

Qualifications
Higher certificate in supervision

Professional Memberships
None


N.E.D
Sibongile Bhengu

Capacity:
Non-Executive

Race
African

Gender
Female

Skills and Expertise
Leadership management, conflict resolution, mediation, intervention against gender-based violence

Qualifications
Certificate in Theology

Professional Memberships
You are not alone foundation


N.E.D
Brenda Makhanya

Capacity:
Non-Executive

Race
African

Gender
Female

Skills and Expertise
Collaboration and teamwork
Professionalism and strong work ethic
Leadership and communication skills
Project management

Qualifications
Certificate in Business Administration

Professional Memberships
None

Capacity:
Non-Executive

Race
African

Gender
Male

Skills and Expertise
Stakeholder relations, public relations, leadership and management

Qualifications
Diploma in Risk Management

Professional Memberships
None

Capacity:
Executive Director

Race
African

Gender
Male

Skills and Expertise
Planning and Strategy Development

Qualifications
B Tech Production and Operations, MAP, and MBA

Professional Memberships
None

Capacity:
Executive Director

Race
African

Gender
Female

Skills and Expertise
Finance

Qualifications
CA(SA)

Professional Memberships
Admitted as a CA(SA) by SAICA

BOARD AND COMMITTEE MEETINGS ATTENDANCES

During the financial year, the Board and its Committee held its ordinary and special meetings. A total of thirteen (13) Board meetings, five (5) Development meetings, four (4) Social, Ethics and HR Committee meetings, and seven (7) Audit and Risk Committee meetings were recorded. The meetings of the Board and its Committees are attended by members, shareholder representatives, executive members, internal audit and external audit through an invitation.

The table below indicates details of attendance of members in various meetings.

Table 2: Number of Board and Sub Committee Meetings as at 30 June 2020.

Directors and independent members*	Board 13	Development Committee 5	Human Resources and Social and Ethics Committee 4	Audit and Risk Committee 7
*Mr Mlangeni	6/13	-	-	-
*Prof Wall	6/13	3/5	-	-
*Prof Thwala	6/13	-	3/4	-
*Mr Tshindane	6/13	3/5	-	-
*Mr Motloung	6/13	-	-	5/7
*Mr Bolani	6/13	-	3/4	-
*Mr Khubayi	6/13	-	3/4	-
*Mr Makofane	6/13	3/5	3/4	-
*Mr Mohuba	6/13	3/5	-	-
Mr Rambau	13/13	3/5	3/4	6/7
Ms Ndimande	12/13	5/5	4/4	7/7
**Mr Mabuza (IAC)	-	-	-	5/7
**Mr Makape (IAC)	-	-	-	4/7
***Mr Hill (IAC)	-	-	-	3/7
Mr Dhlamini	7/13	-	-	-
Mr Dlwathi	6/13	2/5	-	-
Ms Boikanyo	7/13	2/5	-	-
Mr Maimane	7/13	-	1/4	-
Mr Sobekwa	7/13	2/5	-	2/7
Ms Bhengu	5/13	-	1/4	-
Ms Makhanya	7/13	-	1/4	-
Mr Mhlongo	7/13	-	1/4	-
Mr Mamba	4/13	1/5	-	-
Mr Mokgobinyane (IAC)	2/13	-	-	2/7
Mr Matshekga (IAC)	-	-	-	2/7

Note: The Annual General Meeting with the Shareholder was held on 11 March 2020, where the new Board of 9 NEDs and 2 IACs were appointed. At the same meeting the old Board was retired (through an AGM resolution), and 1 IAC resigned.

Note: the table 2 reflects:
***retired NEDs**
****retired IACs**
*****IAC resigned.**

The 2019/20 Integrated Annual Report was approved by the JOSHCO Board that was appointed at the AGM held on 11 February 2021. The Shareholder reappointed the entire Board with additional four members, Mr Nikelo Bangisi, Ms Debbie Raphuti, Ms Eugenia Motloung and Dr Kentse Sesele. An additional independent audit member Mr Ernest Khosa was also appointed.

Table 3: King IV Compliance on Corporate Governance as at 30 June 2020.

King IV Principle	Status Evaluation	Comment
Principle 1: The governing body should lead ethically and effectively.	✓	**Integrity:** The members avoided conflict of interest by declaring their interest on each each meetings. **Accountability:** Members accounted for their execution of their delegated responsibility by reporting to the shareholder at an Annual General Meeting (AGM) in line with the shareholder compact. In year accountability to the Shareholder is done through Chairpersons quarterly meetings with the MMC of Housing. **Competency:** The Board ensured that it has adequate knowledge of the organisation and the industry with which it falls under, inclusive of laws and regulations governing the industry. Training provided to the Board and its Committees was in line with the training plan.
Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	✓	An ethics policy was adopted by the Board which supports the ethical culture of the organisation.
Principle 3: The governing body should ensure that the organisation is, and is seen to be, a responsible corporate citizen.	✓	The Board continued with its obligation of ensuring that the organisation fulfils its mandate of development and management of affordable rental units and social housing.
Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance, and sustainable development are all inseparable elements of the value creation process.	✓	The Board executed its obligation by ensuring that the organisation is governed as per the strategic objectives of the organisation and the business plan. Further to management of performance, the Board was alerted to the organisation's solvency, liquidity, and going concern status.
Principle 5: The body should ensure that reports issued by the organisation enable stakeholders to make informed assessment of the organisation's performance, and its short-, medium-, and long-term prospects.	✓	The Board had regular interactions with its stakeholders and funders - particularly the Social Housing Regulatory Authority (SHRA) - in accordance with the yearly statutory reporting timelines.
Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.	✓	The roles, responsibilities, and conduct of the Board are governed by the MoI of the organisation. Four quarterly ordinary meetings were held during the year as prescribed in the Board Charter.
Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance roles and responsibilities objectively and effectively.	✓	Nine Non-Executive directors were appointed by the shareholder (The City of Johannesburg Metropolitan Municipality). Principle 7 was applied by the CoJ during the selection and appointment of the directors inclusive of gender diversity.
Principle 8: The governing body should ensure that its arrangement for delegation within its own structures promotes independent judgement and assists with balance of power and effective discharge of its duties.	✓	The Board has delegated certain responsibilities to its Committees through the approved Committee terms of reference. These are reviewed and approved by the Board on an annual basis. Sub-Committees include: • Audit and Risk Committee; • Human Resource, Social and Ethics Committee; and • Development Committee.
Principle 9: The governing body should ensure that the evaluation of its own performance and that of its Committees, its Chair and its individual members, support continued improvement in its performance and effectiveness.	✓	Board evaluations are conducted by CoJ for members.

Table 3: King IV Compliance on Corporate Governance as at 30 June 2020 (continued)

King IV Principle	Status Evaluation	Comment
Principle 10: The governing body should ensure that the appointment of and delegation to management contribute to role clarity and the effective exercise of authority and responsibility.	✓	The Board adopted the Delegations of Authority which delegates certain powers to the CEO as per the provisions of the MFMA relating to the delegations of Accounting Officer. This further contains delegation from the CEO to its Executives.
Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	✓	The Board has executed principle 11 throughout the financial year via its Audit and Risk Committee, which the Committee Chair reports to the Board on the activities of risk management on the quarterly basis.
Principle 12: The governing body should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives.	✓	The Board has executed principle 12 throughout the financial year through its Audit & Risk Committee, which the Committee Chair reports to the Board on the activities of information technology on the quarterly basis.
Principle 13: The governing body should govern compliance with applicable laws and adopted non-binding rules, codes, and standards in a way that supports the organisation being ethical and a good corporate citizen.	✓	The Board has executed principle 13 throughout the financial year via its Audit and Risk Committee, which the Committee Chair reports to the Board on the activities of organisational compliance on the quarterly basis. The Company Secretary has ensured that all statutory compliance documents were submitted to statutory bodies.
Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly, and transparently, to promote the achievement of strategic objectives and positive outcomes in the short, medium, and long term.	✓	The organisation has a remuneration policy that governs organisational practices related to remuneration. Remuneration for Board and Sub-Committee is determined by the shareholder through its remuneration policy.
Principle 15: The governing body should ensure that assurance services and functions enable effectiveness, control environment, and that these support the integrity of information for internal decision making and of the organisation's external reports.	✓	A combined assurance process has been adopted by the Board which includes the internal audit function, Auditor-General, and management of risk. The assurance providers report to the Board through the Audit and Risk Committee, which is the statutory Committee as required by the MFMA.
Principle 16: In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests, and expectations of material stakeholders in the best interest of the organisation over time.	✓	The Board continues engagements with the shareholder and funders, and understands that communication with stakeholders in respect of financial and non-financial information is vital and that open interaction is actively pursued.
Principle 17: The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.	**N/A**	Not applicable.

Roles and Functions of Board Committees

The Board has developed and implemented its roles and functions throughout the financial year. Three Board Committees were established in line with Companies Act, together with principle 8 of King IV code. Terms of references of the three Committees with clear delegations were approved by the Board. The company operation is delegated to the CEO and management. The Board is satisfied that this system of delegation of authority contributes to role clarity. Furthermore, the Board is content that it fulfilled its responsibility in accordance with the charter and that the sub-committees satisfactorily executed their delegated duties.

The company, through its Social and Ethics Committee, addresses issues relating to the ethical conduct of the company and its employees. The company complies with the City's Code of Conduct (the Code) which has been fully endorsed by the Board, and applies to all directors and employees. It is a requirement for any Director and Executive Manager at any meeting of the Board of Directors and Board Committees to declare an interest and sign a register to that effect. Should such a conflict exist, the Director or Executive Manager concerned is recused from the proceedings.

The following committees have been formed by the Board, each of which is chaired by a non-executive director.

- Audit and Risk Committee;
- Social, Ethics and HR Committee; and
- Development Committee.

Audit & Risk Committee

The Audit Committee is a statutory committee, and has been formed in line with the Companies Act (Act 71 of 2008) and the Local Government Municipal Finance Management Act (Act 56 of 2003). The Committee is chaired by an independent non-executive director.

The mandate of the Committee, as delegated by the Board of Directors in the Audit and Risk Charter, includes:

- Financial Reporting and Reliability of Financial Information;
- Business Planning and Budget Implementation;
- Identify financial, business and operational risk areas of the company, to be covered in the scope of internal and external audits;
- Ensure that the company's Accounting Officer has put in place appropriate internal control systems;
- Monitor and review the effectiveness of the Internal Audit function;
- Oversee the relationship of the company with the Auditor General of South Africa;
- Review the consistency of, and any changes to, the accounting policies of the company - both on a year-on-year basis, and across the company and the City of Johannesburg;
- Review the company's arrangements for its employees to raise concerns in confidence and in absolute confidentiality about possible wrongdoing or improprieties in financial reporting and in other matters;
- Monitor and review the performance information provided by the company against the approved business plan, the City's Integrated Development Plan, and the Growth and Development Strategy, and provide to the Board of Directors an authoritative and credible view of the performance of the company;
- Monitor implementation of the policy and plan for risk management taking place by means of risk management systems and processes;
- Oversee that the risk management plan is widely disseminated throughout the company and integrated in the day-to-day activities of the company;
- Ensure that risk management assessments are performed on a continuous basis;
- Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- Express a formal opinion on the effectiveness of the system and process of risk management; and
- Review reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive, and relevant.

Furthermore, the Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Key areas of focus during the reporting period were:

- IT, Risk Management, and Strategy.
- Finance Reporting (annual financial statements and budget).
- Audit (internal and external).
- Governance and Compliance (Annual Report, IT/Risk/Finance/SCM Policies).

Social, Ethics, and Human Resource Committee

The Social, Ethics and Human Resources Committee is constituted as a committee of the Board of JOSHCO in terms of section 72(4) of the Companies Act (71 of 2008), and the Municipal Systems Act (read with Regulation 43 of the Companies Regulations, 2011).

The Committee mandate is set out in its terms of reference and, inter alia, includes the following:

- Review reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive, and relevant.
- Oversee of the setting and administering of remuneration at all levels in the company.
- Oversee the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance.
- Review the outcomes of the implementation of the remuneration policy for whether the set objectives are being achieved.
- Ensure that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued.
- Consider the results of the evaluation of the performance of the CEO and other executive directors (both as directors and as executives) in determining remuneration.
- Select an appropriate comparative source when comparing remuneration levels.
- Advise on the remuneration of non-executive directors.
- Management development and succession plans for executive levels.
- Make recommendations to the Board where necessary or take approved action within its delegated authority.
- Create social and economic development, including the organisation's standing in terms of the goal and purpose of UN Global Compact principles, recommendations regarding Corruption, Employment Equity Act, and Broad-Based Black Economic Empowerment.
- Encourage good corporate citizenship, including the promotion of equality and contribution to development of communities.
- Preserve the environment, while promoting health and public safety.
- Foster healthy, productive, and sound customer relations.
- Engage in fair, lawful, labour and employment practices.
- To draw matters to the attention of the Board in a timely manner, as the occasion requires.
- To report to the Shareholder at the AGM on matters within its mandate.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Key areas of focus during the reporting period:

- Human Capital strategy.
- Salary increments and benchmarking.
- Committee terms of reference and policy reviews.
- Performance incentives, performance agreements review, and signing of performance contracts.
- EE Compliance and Corporate citizenship.
- Succession planning.
- Stakeholder relations.
- Employee wellness.

Development Committee

The mandate of the Committee is set out in its terms of reference and, inter alia, includes the following:

- To approve new developments reports on detailed investigation stage and to give approval to proceed with the development, i.e. design and business plan development stage;
- To recommend to the Board approval of new engagements in developments where appropriate;
- To evaluate proposed financing mechanisms where external financing is required; and
- To set benchmarks to be used to evaluate risk/return relationship on significant projects to be undertaken by the company.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Key areas of focus during the reporting period:

- JOSHCO capital investment.
- Project Management.
- CAPEX.
- New and current projects management plan for the financial year, and budget.
- Contracts and leases monitoring.

Board Assessment

A formal assessment of the Board was conducted by the Shareholder through its Group Governance Department. The purpose of the assessment was to establish insight into the functionality of the Board, identify gaps, and identify mechanisms to improve its performance. The results are also used to inform the expertise and skills mix required in the JOSHCO Board. The outcome reflected that the Board had been meeting its performance objectives and carrying its fiduciary duties.

COMPANY SECRETARIAL FUNCTION

The Board has appointed a competent and qualified Company Secretary that is responsible for developing systems and processes to enable the Board to discharge its functions effectively and efficiently. The Company Secretary prepares annual workplans for the Board and its Committees as informed by the strategic direction of the organisation. In consultation with the Chairperson, the Company Secretary ensures that the contents of the agenda are relevant to the Board's decision-making, and communicates the Board's resolutions throughout the organisation in a timely and appropriate manner. The Company Secretary is qualified to perform the duties in accordance with the applicable legislation and is considered by the Board to be fit and proper for the position. The Company Secretary does not fulfil any executive management function and is not a Director. The Board is therefore satisfied that the Company Secretary maintains an arm's-length relation with the Executive Committee, the Board, and the individual Non-Executive Directors.

Declaration by the Company Secretary in respect of Section 88(2) (e) of the Companies Act:

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

CHIEF FINANCIAL OFFICER AND THE FINANCE FUNCTION

The Audit and Risk Committee has assessed the competency, effectiveness, expertise, and experience of Chief Financial Officer, and is satisfied that the necessary and appropriate skills are met to execute the requisite responsibilities. The assessment also considered the appropriateness of the expertise, and adequate staffing of the finance function, and there is a need to capacitate the function in the future to ensure continued operations.

DIRECTORS AND PRESCRIBED OFFICER'S REMUNERATION

The Board fees are prescribed by the shareholder and are regulated through Group Policy on Governance of Interim Municipal Entities (ME) Boards of Directors and Independent Audit Committee.

Table 4: Prescribed Directors' Remuneration as at 30 June 2020.

Type of Meeting	Fees: 01 July 2019 to 17 April 2020	Fees: 17 April 2020 – 30 June 2020
Board		
Chairperson – Meeting	R16,000	R16,000
Member – Meeting	R12,000	R12,000
Audit and Risk Committee		
Chairperson – Meeting	R7,000	R8,000
Member – Meeting	R5,000	R6,000
Social, Ethics, and Human Resource Committee		
Chairperson – Meeting	R7,000	R8,000
Member – Meeting	R5,000	R6,000
Development Committee		
Chairperson	R7, 000	R8,000
Member – Meeting	R5, 000	R6,000

Table 5: Board of Directors Remuneration as at 30 June 2020.

Name	Designation	Remuneration
Mr Tumelo Mlangeni**	Board Chairperson	R120,000
Prof Kevin Wall**	Non-Executive Director	R102,000
Prof Didhibuku Thwala**	Non-Executive Director	R78 000
Mr Nyambeleni Tshindane**	Non-Executive Director	R116,000
Mr Thabo Motloung**(***)	Non-Executive Director	R180,000
Mr Mzamani Khubayi**	Non-Executive Director	R84,000
Mr Kgalema Mohuba**	Non-Executive Director	R102,000
Mr Thami Bolani**	Non-Executive Director	R78,000
Mr Tumisho Makofane**	Non-Executive Director	R114,000
Mr Theodore Dhlamini*	Board Chairperson	R60,000
Mr Xolani Dlwathi*	Non-Executive Director	R42,000
Mr Siphiwe Mhlongo*	Non-Executive Director	R42,000
Mr Moerane Maimane*	Non-Executive Director	R44,000
Mr Themba Mamba*	Non-Executive Director	R30,000
Ms Sebongile Bhengu*	Non-Executive Director	R30,000
Ms Brenda Makhanya*	Non-Executive Director	R42,000
Ms Gaby Boikanyo*	Non-Executive Director	R44,000
Mr Jason Sobekwa*	Non-Executive Director	R54,000
Total		**R1,362,000.00**

Note:
* Members were appointed at the AGM of 11 March 2020, by the shareholder.
** Members were retired at the AGM of 11 March 2020, by the shareholder.
***Member fees included attendance of the City Group Audit and Group Risk Committee.

Table 6: Independent Audit Committee Members' Remuneration as at 30 June 2020.

Name	Designation	Remuneration
Mr Robert Hill	Independent Member	R18,000
Mr Patrick Makape***(**)	Independent Member	R0.00
Mr Lindani Mabuza***	Independent Member	R30,000
Mr Moshupi Mokgobinyane*#	Committee Chairperson	R32,000
Mr Lesetsa Matshekga	Independent Member	R12,000
Total		**R92,000**

Note:

* Member fees included attendance of the City's Group Audit and Group Risk Committee.

**Member was not paid as he is an employee of the state.

*** Member was retired at the AGM of 11 March 2020, by the Shareholder.

Member was appointed as Chairperson by the Board of Directors.

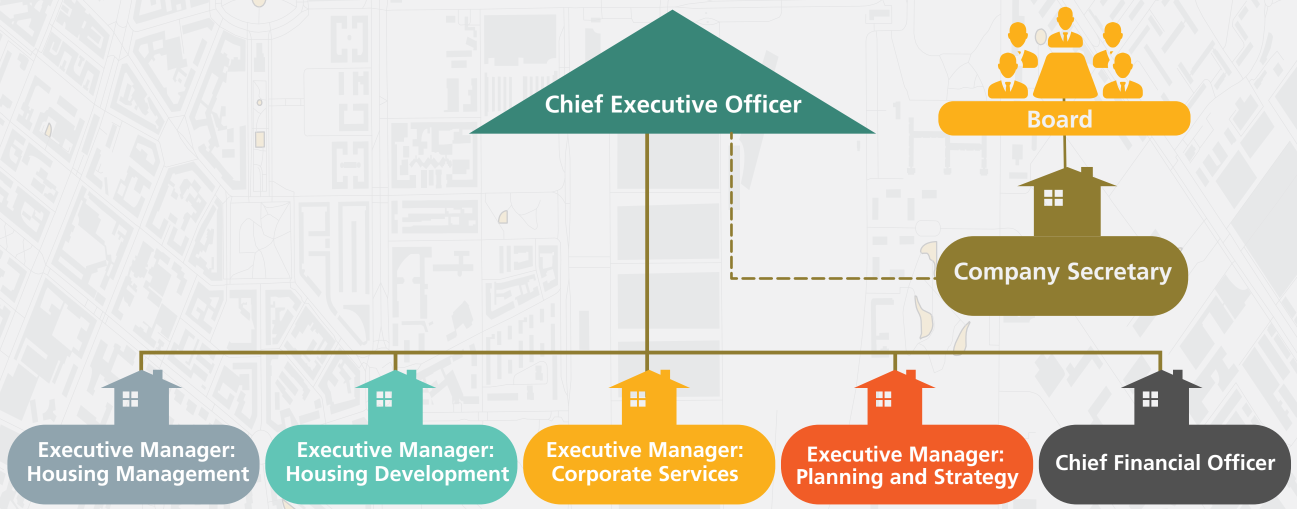
Table 7: Executive Management's Remuneration as at 30 June 2020.

Name	Designation	Basic Salary	Acting Allowance	Bonuses and Performance related payments	Travel and housing allowances	Other	Contribution to pension and medical aid	Total
Mr Victor Rambau	Chief Executive Officer	1 878 000,00			72 000,00		21 140,64	1 971 140,64
Ms Nontobeko Ndimande	Chief Financial Officer	1 377 103,46					61 810,44	1 438 913,90
Mr Nkululeko Magubane	EM: Housing Development	1 370 199,96					15 486,60	1 385 686,56
Ms Kedumetsi Mokhampanyane	EM: Corporate Services	1 370 199,96					15 486,60	1 385 686,56
Ms Patricia Mazibuko	EM: Housing Management	899 391,21			74 499,10		23 366,45	997 256,76
Ms Livhalani Nemaungani	EM: Strategy and Planning	1 302 345,19					133 751,73	1 436 096,92
Mr Ronald Mutheiwana	Acting EM: Housing Management	201 252,32	7 546,97		24 000,00		38 710,88	271 510,17

SECTION 2:

JOSHCO HIGH-LEVEL ORGANISATIONAL STRUCTURE

This organogram in the figure below depicts JOSHCO departments that are headed by Executive Managers reporting directly to the CEO. The organisation has four departments, the CEO, and the Company Secretary's office.



High-level structure

SECTION 3:

GOVERNANCE OF STAKEHOLDER RELATIONS

JOSHCO has a range of stakeholders that remain significant to its business operations. The Board remains the custodian of oversight, whereas management is entrusted with the responsibility of stakeholder management on a daily basis. The table below lists some of JOSHCO stakeholders with an indication of their level of impact and interest to the business.

JOSHCO strives to consult with its stakeholders on issues pertinent to each category. Stakeholders were involved during the IDP review sessions that were held by the City of Johannesburg with the aim of soliciting inputs on upcoming projects that the entity envisage to implement. Constant meetings are held with the public at a project level to gain a better understanding of the community's needs. In the 2018/19 financial year, JOSHCO managed to establish an internal Stakeholder management unit which serves to implement an integrated stakeholder engagement plan, taking into account key stakeholders, and ultimately contributing to value creation.

Table 8: Organisational Stakeholder Matrix as at 30 June 2020.

Stakeholder	Impact	Interest	Role of JOSHCO towards the stakeholder	Engagement platforms with stakeholders
Shareholder/ City of Johannesburg	High	High	• Service Delivery with respect to the service delivery agreement: Implementing the Shareholder strategy on the social housing front; and other key programmes.	• Attending all strategic meetings with the shareholder. • Quarterly reporting on the performance results of the entity.
Political Leadership: MMC, Ward Councillors	High	High	• Service Delivery: Achieving the political mandate of delivering planned social housing units; promoting local SMMEs; Inner city regeneration and converting all hostels to family units; and job creation in previously disadvantaged communities.	• Attending convened community meetings led by the political leadership. • Constantly reporting on issues raised by communities. • Public participation meetings with ward councillors. • Board Chairperson quarterly meetings with the MMC (Housing).
Board of Directors	High	High	• Ensuring that Governance Protocols and standards are adhered to. • Advising the Board on important matters relating to the business of JOSHCO. • Ensuring that the Board is well equipped and informed about the performance of the entity they serve.	• Quarterly reporting on the performance results of the entity. • Constant updates to the Board through emails and other forms of communication. • Scheduling and convening quarterly meetings with the Board.
Funders (SHRA)	Moderate	Moderate	• Utilising the funding for the intended purpose. • Funders are able to report on the achievements/deliverables of JOSHCO (as a funding beneficiary).	• Sourcing more funding to promote and develop social housing. • Quarterly reporting on deliverables relating to social housing matters. • Regular meetings with funders to address shortcomings, where necessary.
Labour	High	High	• Providing training to Local Labour Forum (LLF) members. • Providing time for Labour to meet with their union members as agreed. • Meeting between Labour and Management through the LLF to address matters of importance between staff and management.	• Quarterly meetings between management and LLF.
The Media	High	Moderate	• Provide the media with good stories on the work done by JOSHCO. • Conduct site/project visits to showcase the milestones.	• To continue building the JOSHCO brand though the media partnerships that has already been formed.
JOSHCO contractors and service providers	High	Moderate	• Empowering our service providers through equitable distribution of work (rotation). • Ensuring that our service providers are paid within the thirty (30) day period to enable them to sustain themselves.	• Bi-monthly service provider meetings. • Workshops with new service providers to educate them on the business of JOSHCO and our service level standards.

Table 8: Organisational Stakeholder Matrix as at 30 June 2020 (continued)

Stakeholder	Impact	Interest	Role of JOSHCO towards the stakeholder	Engagement platforms with stakeholders
JOSHCO Tenants	High	High	• Providing excellent service to our existing customers. • Tenant workshops for new tenants. • Employment opportunities through EPWP. • Maintaining tenants' units. • Providing accurate bills at a reasonable time to our tenants. • Ensuring that there is safety in our projects by providing security services.	• Meetings with tenant Committees to address other issues affecting tenants. • Project ratings and customer satisfaction survey. • Community Development initiatives. • Customer satisfaction survey.
CoJ Housing Core/National Government	High	Moderate	• Providing the department with information relating to social housing matters e.g. development of units and housing management.	• Signing of SLAs with the department for institutional arrangements. • Quarterly reporting on deliverables relating to social housing matters.
Other MOEs and departments	Low	Low	• Enhancing the waste-management programmes in partnerships with MOEs such as Pikitup. • Enhancing energy efficiencies programmes in partnership with MOEs such as Pikitup and Eskom/ City Power. • Engaging on bulk services e.g. roads, storm water and sewer, with Joburg Water.	• Regular engagements with the relevant MOEs and departments.
Other Stakeholders: National Association of Social Housing Organisations (NASHO) and South African Housing Foundation	Moderate	Moderate	• Annual Affiliation. • Regular engagement for improvements and promotion of social housing.	• Regular meetings to address shortcomings, where necessary.

SECTION 4:

RISK MANAGEMENT AND INTERNAL CONTROLS

PRINCIPLE 11: RISK GOVERNANCE

To achieve best-practice levels, the requirements of the guidelines of the King IV Report on Corporate Governance South Africa, 2016 (King IV) are considered in JOSHCO Enterprise Risk Management (ERM) approach. Strategic risk profiling is based on the environment in which JOSHCO operates, the mandate from the City, and Board value-drivers. During the 2019/20 financial year, the City reviewed its ERM framework and JOSHCO adopted the framework as part of the city-wide risk approach. The framework depicted improvements from COSO and sustained the King IV requirements (principle 11), which remained the guiding principle for the Board. Key risk indicators form part of JOSHCO's risk management approach and assist the Board in determining the corrective and/or mitigative measures to be implemented in the management of strategic risks.

INTERNAL CONTROLS

The assessment of the internal control environment to aid risk best practices is undertaken on an annual basis by an Independent Internal Auditor. All recommendations made by the auditor are considered at Executive Management, Audit and Risk Committee, and Board of Directors meetings through the report of the Committee Chairperson. The Board remains focused and robust in driving an effective and efficient control environment as it understands the relationship between risk, control environment, and organisational performance and its support to value creation.

Our risk management approach is focused on effectively managing the organisation's risks that could have an adverse impact on business and stakeholder perception. The Board understands that risk, and the internal control environment, are inseparable components towards driving the organisation to achieve its objectives. As a result, the organisation has implemented a robust risk management system to respond appropriately to significant risks while closely monitoring non-significant risks. In the year ended June 2020, the Board continued to subscribe to the King IV Report on Corporate Governance which then meant the continued application of Principle 11 of the King Report (Governance of Risk Principle) .

RISK ESCALATION METHODOLOGY

The City Risk Framework provides guidance on which risks should be escalated to the various governance Committees within the organisation. The Committee assesses, evaluates, monitors, and advises the Board on the adequacy of the organisation's risks responses and how best management should deal with the risk for the achievement of objectives.

ORGANISATIONAL RISK MANAGEMENT ARCHITECTURE

Board of Directors

- Overall governance of risk responsibility.
- Set risk tolerance levels and risk appetite.
- Sets risk tone and approves strategic risks.
- Reports to shareholder on risk management activities of the organisation.
- Provides advice to the Committee.

Audit and Risk Committee

- Receives routine risk management reports.
- Monitors risk control implementation progress.
- Recommends policy to the Board for approval.
- Approves a risk-based internal audit plan.
- Provides advice to Management.
- Implements Board recommendation(s).

Executive Committee

- Ensures risk management is embedded into all processes.
- Reviews risk profile on a monthly basis.
- Prepares routine risk management reports.
- Analyses business environment against uncertainty.
- Prepares policy and recommends to Committee.
- Identifies emerging risks and sets risk controls.
- Facilitates combined assurance.
- Implements Committee recommendation(s).

Legends:

Implementation of Board recommendation(s)

Reporting of risk information to the Board

Table 9 depicts the residual risk results against the risk identified for the year ended 30 June 2020.

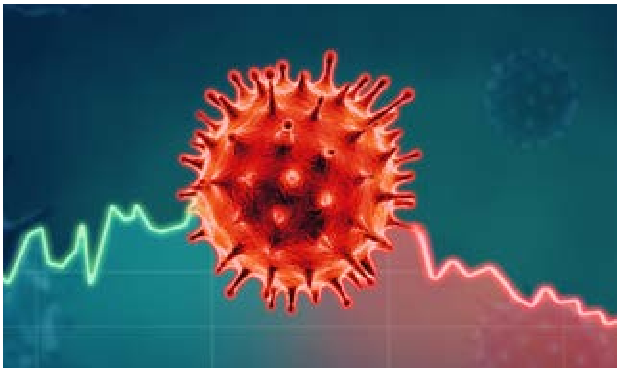
Table 9: Analysis of the Organisational Residual Risk as at 30 June 2020.

No.	Risk Description	Inherent Risk Rating	Residual Risk Rating	Comments
1	Inability to collect targeted revenue from tenants.	Very High 20	High 12	The residual risk remained high as a result of the non-achievement of the annual target of 80% revenue collection.
2	Non-compliance to GRAP 17.	Very High 20	High 12	Residual risk remained high as at the end of the financial year; net liabilities continued to exceed net asset.
3	Inadequate capital budget allocation by the City resulting in JOSHCO not being able to meet its business plan target of providing affordable rental and social housing.	Very High 20	Medium 9	The residual risk was at medium due to the fact that the budget that was allocated to JOSHCO was not adjusted upwards during midyear. This is in spide of the entity request for an increase in capital budget.
4	Non-compliance to relevant regulatory and policy requirements.	Very High 20	Medium 10	The residual risk remained medium as at the end of the financial year. The company assessed compliance and issued a compliance results report. However there were number of Acts that were below 100% compliance.
5	Not meeting service delivery standards.	High 16	Medium 6	In the financial year, up to June 2020, the residual risk was maintained at medium as the organisation continued to monitor service-level standards on a monthly basis, and where implementation was inadequate, immediate action was taken to resolve the matter.
6	Escalation of costs in the projects resulting to excess construction fees.	Very High 20	High 13	As at the end of financial year, the residual risk remained high amid the non-approval of the project standard unit design by the Board. The design phase of the cost cutting measure strategy is set for approval in the new financial year.
7	Lack of adequate stakeholder engagement.	Very High 20	High 16	The residual risk remained high in the year to June 2020 as a result of the stakeholder manager position remaining vacant.
8	Non-adherence to health and safety requirements	Very High 20	Medium 8	Although the organisation did not record any fatalities in the year to June 2020, the residual risk remained medium as the measures to burglar-proof the existing projects will only be undertaken in the new financial year.
9	Lack of adherence to our core values.	Very High	Medium 8	The residual risk has remained medium throughout the financial year due to that no fraud or corruption cases against staff have been reported.

EMERGING RISK AS AT 30 JUNE 2020

If not adequately identified, emerging risks influence the organisation's ability to operate efficiently. When emerging risks are identified, risk control measures must be implemented so that the organisation may respond in a positive manner. In the year to June 2020, the COVID-19 pandemic proved a challenging risk factor in relation to the global performance of the organisation, which has shown slow productivity since the implementation of the National lockdown regulations. The overall performance of the organisation is a clear risk indicator in relation to the effects of the pandemic. The organisation has responded by implementing pandemic response strategies, in an effort to ensure that essential workers were able to undertake their functions from the office. Operations were not as efficient as compared to the operational efficiency with 100% occupation of working facilities. Measures for employees who were working from home, were implemented to ensure continued work performance.

The effects of the pandemic were also experienced by the organisation in relation to the enforcement of evictions of defaulting tenants. Under the National lockdown regulations, the organisation was unable to evict non-paying tenants, for which the organisation had already [legally] obtained eviction orders. To further reduce the number of tenants that will need to get to an eviction stage, the organisation appointed a dept collector that will aid in the collection of long-standing debts.



SECTION 5:
ANTI-FRAUD AND CORRUPTION

PRINCIPLE 1: ETHICAL LEADERSHIP

Principle 1 of the King IV Report on Corporate Governance for South Africa 2016, states that "the governing body should lead ethically and effectively and should set the tone for an ethical organisational culture". JOSHCO responded by adopting a zero-tolerance approach towards fraud and corruption in a bid to uphold good corporate governance and embedded a culture of integrity and an honest work ethic. This honest culture was not only implemented and maintained at head office, but was also carried through at project level by spreading anti-fraud and corruption awareness to the public at large. During the year under review, JOSHCO continued with its Zero Tolerance campaign and visited various JOSHCO projects to promote the anti-fraud hotline and the Zero Tolerance message to tenants. Furthermore, JOSHCO subscribes to the Protected Disclosure Act, and the Prevention and Combatting of Corrupt Activities Act.

JOSHCO continues to encourage community members, its tenants, and its employees to report instances of fraud and corruption through CoJ fraud hotline. The fraud hotline number is **0800 002 587**.

PROCUREMENT POLICY

JOSHCO has several checks and balances in place in relation to our procurement policy. One such measure is that all JOSHCO staff must submit an annual declaration of interest regarding supply chain involvement. Once all declarations are received, processed, and evaluated, any JOSHCO staff member who has an outside interest in any supply chain vendor, or if there exists a conflict of interest as a result, is recused from any bid evaluation process. All tenders and appointments are subject to public adjudication, so as to maintain the integrity of a clear and transparent award process. Public adjudication has however since been suspended due to the COVID-19 pandemic and risks associated with gatherings. To this end, an independent procurement process is in place to ensure that the highest standards of ethics and honesty are observed. Minutes are taken at all proceedings and a recording of the proceeding is captured.

SECTION 6:
ICT GOVERNANCE

PRINCIPLE 12: TECHNOLOGY AND INFORMATION GOVERNANCE

ICT Governance is about ensuring that the organisation's IT systems support and enable the achievement of the organisation's strategies and objectives. In the year under review, the Board adopted the principles as outlined in the King IV Report on Corporate Governance for South Africa 2016, in which Principle 12 of the report states that, "the governing body (Board) should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives". This function has been delegated to the Audit and Risk Committee, by the Board. The committee's oversight role is to liaise with and assist management to identify financial, business, and operational risk areas that are to be covered in the scope of internal and external audits. It also assesses the risk of ICT information as it relates to the integrity of financial information to ensure that financial information is free of material inaccuracies and that it truthfully represents the financial affairs of the organisation.

The Executive Committee's role is to ensure that the ICT strategy, policies, and procedures are implemented and adhered to. The Committee is also tasked with the review (through internal audits) the application and constancy of the execution and maintenance of all strategies, policies, procedures relating to the ICT function. In doing so, the Committee acts as an assurance provider.

Some of the key delivarables that were implemented are as follows:

- Review and approval of the ICT policy
- Audit of laptops and desktops, and replacement of all that were due.
- Procurement of IT related tools of trade required for remote operation, including providing access to systems through VPN.

SECTION 7:
COMPLIANCE WITH LAWS AND REGULATIONS

PRINCIPLE 13: COMPLIANCE GOVERNANCE

Compliance monitoring and assessment forms part of the organisation's combined assurance process which is a process that provides both management and the Board with reasonable assurance about the organisation's commitment to a sound regulatory environment. A total of 28 Acts and regulations are applicable to JOSHCO's operations. All 28 Acts and regulations were assessed with the addition of directives on COVID-19 regulations. By end of the financial year, the following three Acts were assessed and found to be below 100% compliance level:

- Basic Conditions of Employment Act, No. 75 of 1997
- Promotion of Access to Information Act, No. 2 of 2000 - Public Bodies
- Protection of Personal Information Act, No. 4 of 2013

Below is a list of the assessed Acts and regulations and the level of compliance with action plans on the Acts that are below 100% compliance level. The assessment was conducted based on available information from different departments within JOSHCO. The status of compliance is at 100% for 25 of the 28 Acts. The entity always ensures that all core legislations are complied with. 100% compliance means that JOSHCO complies with all sections of an Act that is applicable to its [JOSHCO's] operations. Overall compliance performance is 89% against the target of 95%.

Table 10: Organisational Compliance as at 30 June 2020.

Act Name	% Compliance	Comments	Remedial Action	Responsible Dept[1]	Progress made on remedial action	Timeframe
Basic Conditions of Employment Act, No. 75 of 1997	98%	The variance relates to: JOSHCO not informing employees working on a regular basis after 23h00 and before 06h00 the next day (security officers) of the health hazards associated with their work and their right to undergo medical examination. It further relates to the failure to comply with the requirement to have annual leave granted within six months after the annual leave cycle is completed.	Information that needs to be communicated to the relevant employees will be done through staff induction, which could not be held in the third quarter due to COVID-19 restrictions. With respect to annual leave, management is currently designing an Annual Leave Planner in order to ensure compliance with this legislative requirement.	Corporate Services (HR)	Staff induction will be held as soon as the COVID-19 regulations permit.	30 September 2020, (induction) provided the COVID-19 regulations permit.
Broad-Based Black Economic Empowerment Act, No. 53 of 2003 and 2014 Code	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		

Table 10: Organisational Compliance as at 30 June 2020 (continued)

Act Name	% Compliance	Comments	Remedial Action	Responsible Dept[1]	Progress made on remedial action	Timeframe
Companies Act, No. 71 of 2008	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
Construction Industry Development Board Act, No. 38 of 2000	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
Consumer Protection Act, No. 68 of 2008	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
COVID -19 Occupational Health and Safety Measures in Workplaces Directive	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
Electronic Communications and Transactions Act, No. 25 of 2002	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
Employment Equity Act, No. 55 of 1998	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
Housing Act, No.107 of 1997	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
Labour Relations Act, No. 66 of 1995	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
Local Government Municipal Finance Management Act - Municipal Regulations on Debt Disclosure	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
Local Government Municipal Finance Management Act - Municipal Regulations on Minimum Competency Levels	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
Local Government Municipal Finance Management Act - Municipal Supply Chain Management Regulations	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
Local Government Municipal Finance Management Act, No. 56 of 2003	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
Local Government Municipal Systems Act, No. 32 of 2000	100%	JOSHCO complies with all the provisions of the Act.	N/A			
Occupational Health and Safety Act - Construction Regulations	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		

Table 10: Organisational Compliance as at 30 June 2020 (continued)

Act Name	% Compliance	Comments	Remedial Action	Responsible Dept[1]	Progress made on remedial action	Timeframe
16. Occupational Health and Safety Act - Environmental Regulations for Workplaces, October 1987	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
17. Occupational Health and Safety Act - Facilities Regulations, August 2004	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
18. Occupational Health and Safety Act - General Administrative Regulations, June 2003	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
19. Occupational Health and Safety Act - General Safety Regulations, May 1986	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
20. Occupational Health and Safety Act, No. 85 of 1993	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
21. Preferential Procurement Policy Framework Act. No. 5 of 2000	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
22. Promotion of Access to Information Act, No. 2 of 2000 - Public Bodies	88,8%	The variance relates to the non-registration of Information Officers with the Regulator.	An approved manual is in place. Information Officers to be registered with the Regulator during the first quarter of the next financial year.	Corporate Services Dept./ Office of the CEO	An approved manual is in place, while Information Officers are still to be registered with the Information Regulator.	30 September 2020.
23. Protection of Personal Information Act, No. 4 of 2013	92,5%	The variance relates to the failure to conduct a personal information impact assessment to ensure that adequate measures and standards exist, so as to comply with the conditions for the lawful processing of personal information. The variance further relates to the non-registration of the Information Officer/s with the Information Regulator.	Information Officers will be registered with the Regulator during the first quarter of the next financial year. A recruitment process is also underway to appoint a Compliance Officer to ensure compliance with other requirements (conducting a personal information impact assessment).	Office of the CEO	The percentage of compliance has increased slightly from the previous quarter due to the development of a manual in terms of the Act.	30 September 2020 (Registration of Information Officers).
24. Rental Housing Act, No. 50 of 1999	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
25. Social Housing Act, No.16 of 2008	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
26. Unemployment Insurance Act, No. 63 of 2001	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		
27.Value-Added Tax Act, No. 89 of 1991	100%	JOSHCO complies with all the provisions of the Act.	N/A	N/A		

CHAPTER

3

SERVICE DELIVERY PERFORMANCE

SECTION 1:
SERVICE DELIVERY HIGHLIGHTS AND ACHIEVEMENTS

During the year under review, JOSHCO focused on the implementation of its predetermined objectives. Some of the key highlights and achievements for the year are detailed hereafter.

PROJECTS LAUNCHED

The Dobsonville project is one of the City's Mega Social Housing projects developed and managed by JOSHCO and which was partly funded by the Social Housing Regulatory Authority (SHRA). It yielded a total of 502 units comprising of 152 one-bedroom units, and 350 two-bedroom units. The City of Johannesburg's Mayor launched the project on 01 February 2020, and it is currently fully tenanted with a mixed-income of R1500 to R15000 per household per month.

The Speaker of Councilor Molwele , MEC of Human Settlements Urban Planning and CoGTA Lebogang Maile , MMC of Housing Mlungisi Mabaso and The Mayor of City of Joburg Geoff Makhubo cutting the ribbon at the Dobsonville launch

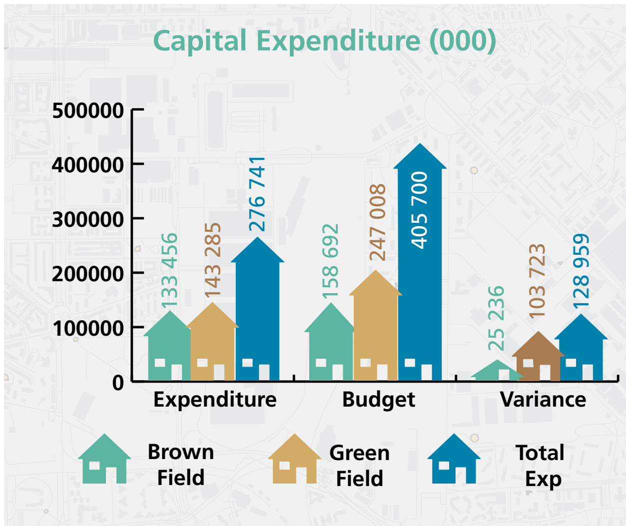
Dobsonville project, providing 502 units making it the biggest Social Housing project in the heart of the marginalised area (Soweto). This achievement translated to 502 families that have benefited decent accommodation at an affordable rental.

Dobsonville Social Housing Project

JOSHCO CEO presenting to delegates of the City, including the JOSHCO funder (SHRA), and citizens residing in the Dobsonville area.

JOSHCO CEO at Dobsonville Social Housing Project launch

CAPITAL EXPENDITURE HIGHLIGHTS AS AT 30 JUNE 2020



In the year to June 2020, the organisation had capital budget of R405,700,000 of which R276,741,000 was spent by the end of June. This resulted in the underspending of R128,959,000. The COVID-19 pandemic was a material risk factor within the construction industry amid the National Lockdown regulations, which prohibited construction activities up until level 3 of the regulations. The bulk of the spending was related to the Green Fields projects, which translated to 58% spending against the Greenfields budget of R247,008,000 for the year. The total capital budget spending amounted to 68% for the year.

VANDALISM OF PROJECTS

In the year to June 2020, no project vandalism was experienced on the completed and tenanted projects. Stringent security measures were implemented and security guards were appointed at all project sites.

AUDIT OPINION

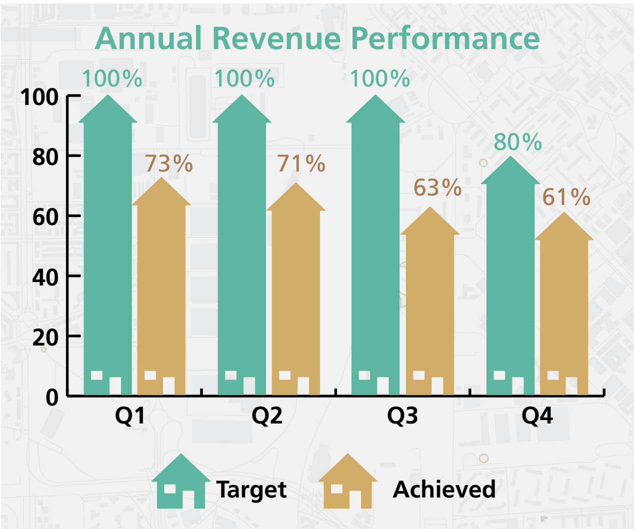
JOSHCO has received an unqualified audit opinion on its 2019/20 financial year performance. The audit has revealed an upward movement in some areas as compared with the previous financial year results.

FILLING OF KEY VACANCIES

Various key positions were filled in the year to June 2020. Most notably, the appointments of the ICT Manager, Human Resource Manager, Risk Manager, Finance Manager and Internal Audit Manager were concluded. An increased capacity boost was made through the establishment of the Project Management Office, which largely focuses on the revitalisation of the City's Hostels.

SECTION 2:
SERVICE DELIVERY CHALLENGES

The organisation experienced a total shutdown of the construction industry following the implementation of a National lockdown regulations, which was a result of the global pandemic. The lockdown regulations prohibited construction works for the period March 2020 until 01 June 2020 when the country moved to adjusted alert level 3 and as such all JOSHCO projects came to a halt. JOSHCO continued with construction works once this was permitted.



RENTAL COLLECTION

The pandemic had a significantly negative impact on revenue collection between the period March to June 2020. Revenue collection decreased by 2% when compared to the third quarter. A significant decline in the quarter-on-quarter collection rates was also experienced, with the third quarter plunging by 8% when compared to the 71% achieved in the second quarter. The decline in collection for the fourth quarter was attributed to, amongst others, tenants applying for rental relief. Many of the tenants were negatively affected by the lockdown restrictions having a direct impact on the industries in which they are employed.

FINANCIAL DELAYS AT PROJECTS

The Nancefield project had experienced non allocation of budget from previous financial years. The effect of it was projects stoppages as a result of community protest. An amount of R 28,300,000 was allocated in the financial year with the spending of 1% as at June 2020. The number of units to be developed have also been reduced from 484 to 372, which will be feasible to commence construction in the new financial year.

PROJECT SERVICE DELIVERY CHALLENGES

The tables below provide information that relates to challenges experienced mainly at tenanted projects.

Table 11: Project challenges as at 30 June 2020.

Type of challenges	Nature of challenges	Mitigation
Demand of ownership by tenants.	• Highly disruptive. • Violence. • Deterioration of customer relations.	• Meeting with various stakeholders such as MMC and Mayors office.
Refusal to sign lease addendums.	• Unruly behaviour by tenants. • Undermining JOSHCO authority as Landlord.	• Enforcement of house rules. • Tenant education. • Evictions execution.
COVID-19 pandemic.	• Life-threatening. • No cure. • Disrupting the way of doing business. • Job losses.	• PPE provision to staff. • Compliance with COVID-19 regulations. • Assist affected families by referring them to the City Health Department.

SECTION 3:

RESPONSE TO STRATEGIC DIRECTION

JOSHCO's strategic focus is aligned to that of the City and focuses on the following key Priorities:

Table 12: Alignment of IDP Outcomes to Organisational Strategic Objectives for Year 2019/2020.

IDP Outcomes	Strategic Priorities	Joshco Strategic Objectives	Strategic Outcome
A growing, diverse, and competitive economy that creates jobs.	Promote economic growth development and attract investment to achieve a 5% economic growth that reduces unemployment.	• Contribute towards economic development through SMME empowerment.	• 185 labour intensive jobs created through the EPWP programme. • At least 11% of the Capital budget was spent on SMMEs. • 1% of the contract value will be spent on training and development.
An inclusive society with an enhanced quality of life that provides meaningful redress through pro-poor growth.	Ensure pro-poor development that addresses spatial and income inequality and provides meaningful redress. Preserve our resources for future generations.	• Increase social housing projects within the transport nodes. • Increase the number of social housing projects in the Inner City.	• 330 social housing units were developed from different projects. This are units that are in different stages.
Enhanced quality services and sustainable environmental practices.	Create a City that responds to the needs of citizens, customers, and business.	Improve customer satisfaction.	• Achieving a customer satisfaction rating of 86%. The COVID-19 pandemic made it impossible for the entity to conduct the customer satisfaction survey which requires personal interaction.
	Enhance our financial sustainability.	• Enhance financial sustainability. • Cost efficiency in housing development and housing management.	• The entity conceptualised on various revenue maximisation strategies that includes generation of revenue through outdoor advertisement. • The entity is developing housing management, and housing. development strategies that are embedded on best practice.
	Encourage innovation and efficiency through SMART City programmes.	Improve ICT infrastructure and governance.	• SMART technology programmes for the JOSHCO tenants. Commenced with the procurement of the JOSHCO App.
Caring, safe, and secure communities	Create a sense of security through improved public safety.	Improve the safety and security of tenants in all JOSHCO projects.	• Securities were allocated in all projects to prevent crime at JOSHCO projects.
	Create an honest and transparent City that fights corruption.	Improve the control environment (policies, internal systems).	• The entity remained high performing and professional organisation. • Overall, 4 of the 7 Service Level Standards were achieved.
An honest, transparent, and responsive local government that prides itself on service excellence.	Create a culture of enhanced service delivery with pride.	• Inculcate a culture that fosters and encourages staff discipline and performance. • Improved service-level standards.	• Achieve 96% service delivery standards. • High performing teams and professional organisation.

CAPITAL PROJECTS IMPLEMENTED IN 2019/20 FY

JOSHCO had nineteen (19) capital projects that were running concurrently in the financial year under review. The projects were at different construction stages. One project, Chelsea, reached completion and readiness for tenanting, while Plein street had reached practical completion. The entity managed to spend 68% of the R405 700 000 allocated budget through implementation of these projects.

Plein street

This is one of the Social housing projects located in the inner city. The project is located adjacent the Noord Taxi rank terminal in the CBD of Johannesburg Additional 112 units were developed in the year under review, resulting in the project reaching a total of 344 units . The project has reached final completion beginning of 2021.

344 UNITS

50 Durban Street

The objective of this development is to provide affordable residential housing in a n industrial node where there are mostly warehouses and factories with very limited residences consisting of mainly single sex hostels. The project is anticipated to reach completion in June 2021. It will have a total of 102 units upon completion, a combination of 18 rooms that share facilities and 84 one bedroom units. The monthly rental will range between R750 and R2,000.

Chelsea

24 units were completed at this project. The unit added to 80 units that were already occupied and increased the units number to 104.

Rhodepoort Phase 2

The project had reached 80% completion by the end of the 2019/20 FY. The project will yield a total of 92 units upon completion. The units are comprised of 28 one bedroom and 64 two bedroom units. The anticipated completion of the projects is end of 2020/21 FY.

Table 13: Capital project

Project	Total unit yield	2019/20 unit yield	2019/2020 Budget R000	At 30 June actual expenditure R000	% Spend	Actual start date	Planned completion date
Nancefield Station.	372	0	R45,000,000	-	0%	01/11/2019	25/09/2023
Lufhereng	407	0	R24,000,000	R41,063,008	171%	29/10/2019	24/07/2022
Devland	588	-	R50,000	R54,895,042	110%	18/11/2019	12/10/2021
Selby		-	R10,000,000	R565,047	6%	09/11/2018	10/12/2021
80 Plein Street	344	112	R45,000,000	R71,024,670	158%	13/08/2019	17/04/2020
Inner City Rental Housing		-	R31,200,000	R19,207,569	62%		
Chelsea	80	24	R10,000,000	R7,528,945	75%	March 2017	June 2019
280 Smith Street	246	-	R15,000,000	R421,563	3%	01/01/19	
38 Rissik Street	300	-	R10,000,000	-	0%	01/01/19	30/06/2023
50 Durban Street	102	70	R2,000,000	R12,126,499	606%	01/10/18	31/08/2021
106 Claim Street	104	32	R10,000,000	R3,414,750	34%	01/11/18	01/11/2021
Casa Mia Phase (1&2)	80	-	R5,000,000	-	0%	15/06/2017	30/06/2022
8-16 Abel Street	280	-	R35,492,000	R19,591,462	55%	18/04/2017	30/06/2018
Randburg Selkrik	521	-	R23,008,000	R11,617,000	50%	‘20/09/2019	17/112021
Roodepoort Phase 2	92	92	R35,000,000	R13,965,598	40%	15/10/2017	31/06/2019
Princess Plot	300	-	R50,000,000	R18,133,000	36%	16/11/2019	24/07/2022
City Deep	-	-	R3,000,000	R1,122,589	37%	January 2018	End of June 2019.
Kliptown Square	-	-	R2,000,000	R2,070,000	104%	01/07/2018	30/06/2019
Riverside Project	-	-	R45,000,000	-	0%	-	-
Total	TBC	330	R405,700,000	R 276,741	68%		

	30 June plan	30 June actual
	Finalisation of a financially feasible alignment of the project, in terms of reduced number of units that can be delivered within the appointment amount of the Contractor.	Achieved
	Commencement of construction (Builder's Works Substructure).	Achieved.
	Contractor on site to start with substructure works.	Achieved.
	Handing over to the contractor to commencement with construction works.	Achieved. It was noticed after site hand-over that an application to consolidate the stand must be implemented before progressing with construction works.
	Practical completion stage.	Achieved
	-	-
	Completed	Project completed.
	Project Close Out from the Professional team appointed on the project.	Achieved.
	Appointment of Professional team.	Not achieved.
	Progress completion at least 80% completion of the units on site.	Achieved
	Development of units, but not yet connected to services i.e Electricity, plumbing and Mechanical.	Achieved.
	Finalisation of previous main Contractor Final Account on the project, in order for JOSHCO to appoint a new Professional team for re-packaging of the project.	Achieved.
	Development of phase 2 units through Builder's works.	Achieved.
	Commencement of construction.	Construction commenced on site, however the main contractor had to halt, while JOSHCO and JPC finalise the land transfer process.
	Progress on the development social units, but not connected to services.	Project in progress to reach completion stage.
	Commencement of construction (Builder's Works).	Construction process is underway. The main Contractor has commenced with earthworks on site.
	Major up-grade on an existing rental stock. Implementation of recommendations of Building Conditions Assessment.	Achieved.
	Major up-grade on an existing rental stock. Implementation of recommendations of Building Conditions Assessment.	Achieved.
	Procurement and appointment of a developer to commence with construction.	Not achieved.

SECTION 4:

PERFORMANCE AGAINST SERVICE STANDARDS

The relationship of JOSHCO and City of Johannesburg (as a parent municipality and the sole shareholder of the entity) is formalised through various processes and documentation that include the Service Delivery Agreement and the Shareholder compact. Section 93B (a) of Municipal System Act stipulates that "Parent municipalities having sole control. — A parent municipality which has sole control of a municipal entity:

(a) Must ensure that annual performance objectives and indicators for the municipal entity are established by agreement with the municipal entity and included in the municipal entity's multi-year business plan. As such JOSHCO and the City signed a five-year SDA that is reviewed annually, and the agreement outlines the entity's scorecard and seven service-level standards that JOSHCO should adhere to when delivering its services to the Johannesburg communities.

JOSHCO reports on performance against seven pre-determined targets for service-level standards. On average, JOSHCO has consistently achieved three of its seven service standards throughout the 2019/2020 financial year. The agreed service standards with the City covers the following:

- 98% accurate bills of all active customers;
- 96% of maintenance request attended within 7 working days of the logged call;
- Routine building maintenance once per year and as when required;
- Outcome of enquiry to be sent to application within 5 days;
- Outcome of the application communicated within 7 days;
- Acknowledgement and response within 24 hours of complaint being logged; and
- Resolution within 5 working days of logged call.

JOSHCO Project: Kliptown Square

Below is the entity's performance for the 2019/2020 financial year:

Table: 14: Performance Against Service Standards.

Core Service	Service-Level Standard Target	Quarter 1 2019/20 Actual	Quarter 2 2019/20 Actual	Quarter 3 2019/20 Actual	Quarter 4 2019/20 Actual
Billing of customers.	98% accurate bills of all active customers	95%	97,20%	97,44%	97,53%
Attending to requests for maintenance.	96% of maintenance request attended to within 7 working days of the logged call.	96%	96,66%	93%	79%
Routine building maintenance.	Once per year, and as and when required.	75%	100%	44.33%	50%
Application for rental housing.	Outcome of enquiry to be sent to applicant within 5 days.	None reported – process was on hold.	8 days	4 days	1 day
Applicant for rental housing.	Outcome of the application communicated within 7 days.	5 days	4 days	3 days	2 days
Resolution of complaints.	Acknowledgement and response within 24 hours of complaint being logged.	24 hours	24 hours	24 hours	24 hours
Resolution of complaints.	Resolution within 5 working days of logged call.	5 days	5 days	3 days	2 days

Evidence	Variance explanation	Mitigations
Dated and signed pre-billing monthly report for each project, and tariffs schedule.	The variance is due to projects that are using outdated tariffs.	JOSHCO has submitted Tariffs proposal for 2020/2021 financial year with these amendments inserted for approval.
MDA/jobs report	Underperformance in quarter 3 and 4 is attributed to lack of proper planning, under capacitation of the unit, and COVID-19 lockdown disrupted the business operation.	Capacity has since been attained and it is anticipated that going forward the process will not experience any further delays.
Service Plan for 2019/20 submitted once during quarter 1 or when reviewed, and MDA/ jobs report.	Underperformance in quarter 3 and 4 is attributed to lack of proper planning and COVID-19 lockdown disrupted the business operation.	To provide the supply chain management unit with detailed planned maintenance schedule on time, and make the necessary follow-ups to ensure that the time frame is adhered to.
Monthly spreadsheet with a summary of all queries attended to for the reportable month, and e-mails.	For enhancement of leasing process, in Quarter 1 JOSHCO no longer had open day dedicated for inquiries only. Prospective tenants were required to apply for any available units. Underperformance in quarter 2 was due to relocation of the office that affected operations for more than two weeks.	E-mail inquiries from prospective tenants to be monitored from quarter 2. Management will ensure that necessary steps are put in place in case of similar events.
Dated and signed tracking document, and SMS report.		
Automated e-mails.		
Monthly spreadsheet with a summary of all queries attended to for the reportable month, and e-mails.		

SECTION 5:

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

The organisation had 18 annual Key Performance Indicators (KPIs) in the 2019/2020 financial year. The overall performance of the organisation is reflected by the number of KPIs achieved against the total. Four KPIs against a total of 18 KPIs were achieved, translating to an achievement of 24%. 1 KPI was postponed due to COVID-19 and the remaing not achieved. Below is the table that reflects the salient features:

Table 15: Variance Report as at 30 JUNE 2020.

No.	Annual Target	Actual	Variance	Future Control Measures
1	70% Capital budget spent.	68%	-2%	The capital projects were significantly affected by the National lockdown, which meant that all constructions had to be halted for more than two months. Turnaround strategies to be implemented from the first quarter of the 2020/2021 financial year have been requested from the contractors amid the emergency of the completion of the projects.
2	Current Ratio: 1.0:1	0.76:1	-0.24	The non-performance of these targets is due to continued losses being incurred largely due to a high provision for bad debts, and high operating costs. The entity has drafted a five year strategy document with a key focus on revenue enhancement activities in order to improve our financial sustainability. The strategy has been approved by the Board and is currently being implemented Plans are in place for the implementation of the strategies (student accommodation, outdoor advertising, and implementation of projects on behalf of other government institutions). These initiatives are ongoing and will be implemented throughout the year.
3	Solvency Ratio 1.0:1	0.83:1	-0.17	
4	Remuneration to Operational Expenditure (OPEX) up to 35%.	64%	+29%	Overspending was largely influenced by overtime paid to securities and employee leave liability. The influence of overtime paid to securities is as a result of shortage of insourced guards. A hybrid security system is planned for the new financial year which will reduce and mitigate overtime through the use of technology, and outsourced measures. The HR department will undertake, together with the finance department, to determine cashflow availability for the offer leave encashment to reduce the liability.
5	80% Collection of debtors in respect of rentals.	61%	-19%	As part of the revenue enhancement strategy, the below has been implemented: • Settlement discount vouchers for tenants who sign an acknowledgement of debt for payment of their arrears; • Reversal of interest for tenants who are on salary deductions and debt order; and • Companywide monthly tenant consultation and workshops.
6	5% collection of historical debt.	0.32%	-4.68%	
7	100% of valid invoices paid within 30 days of invoice receipt.	99.5%	-0.5%	Variance is as a result of the delay in verification of banking details for suppliers who changed these details. A delay was also experienced as a result of supplier reconciliations which were not undertaken in time by the finance team, as it was working remotely amid adherence to the lockdown regulations. JOSHCO's finance department is working on a departmental operational plan to review the payments and claims processes to ensure that all suppliers are paid within 30 days.

Table 15: Variance Report as at 30 JUNE 2020 (continued)

No.	Annual Target	Actual	Variance	Future Control Measures
8	95% implementation of corrective action against identified risks.	50%	-45%	Underperformance was due to lack of implementation of some identified mitigation controls throughout the financial year. The 2020/2021 Strategic Risk assessment was conducted, and additional mitigation controls were identified. Management is working on turnaround strategies and plan to undertake business re-engineering processes to improve efficiency.
9	95% Implementation of corrective action against audit findings.	60%	-35%	The expiry of the outsourced internal audit contract created a gap in terms of efficiency of the audit function. To mitigate the aforesaid, an internal audit manager has been appointed in the period under review and a follow-up will form part of the three-year rolling plan.
10	95% monitoring of compliance to laws and regulations.	89%	-6%	Underperformance was influenced by three legislations, which were below 100% compliance. Corrective measures have been identified and will be implemented in the new financial year.
11	80% implementation of the HR strategy.	43%	-37%	The limited allowable interaction and non-implementation of the skills intervention hindered the 100% implementation of the strategy. In the new year, engagement with staff, training, and labour interaction will be virtual. All stakeholders will be capacitated with tools and skills to navigate the technology involved.
12	100% implementation of stakeholder engagement activities.	50%	-50%	The company did not have a stakeholder management capacity from the third quarter, and as a result the plan was not fully executed. Engagements with stakeholders were conducted mainly through social media platforms. The company has started the process of recruiting a Stakeholder Manager. It is envisaged that the company will appoint in the second quarter of 2020/2021 financial year.
13	300 Jobs created for the unemployed through the EPWP programme.	185	-115	Delays in commencement of some capital projects resulted in fewer EPWP opportunities created. The situation was exacerbated by the National lockdown (that resulted in two months shutdown in the construction industry). More work will be created in the next financial year.
14	86% Customer satisfaction rating.	-	-	The satisfaction survey was not conducted for the period under review amid the adherence to regulations in the interest of the safety of JOSHCO employees and tenants alike. This was as a result of the pandemic. Plans to undertake the survey through minimum contact will be developed in the new financial year, and as such the KPI will be reported against. The deviation report was compiled and approved by Council.
15	98% Occupancy rate.	96%	-2%	Underperformance was mainly due to vacant units that were vandalised in the 2018/19. A number of units were repaired and handed over to Housing Management for allocation in April 2020, however due to lockdown, the allocation process was affected as the process was physical and required contact. An online application was introduced in compliance with the COVID-19 regulations, which has fast-tracked the application process and tenanting. The online process has yielded positive results with more than 85 applications received and processed in during June 2020. Allocation was done post the financial year.
16	30% Of Capex spend on SMME.s	11%	-19%	Due to COVID-19 National lockdown, construction works were only able to resume on 01 June 2020. As a result, no CAPEX spending was utilised on SMMEs. This will be closely monitored from the first quarter of the 2020/2021 financial year.
17	75% implementation of ICT action plan.	41%	-34%	The underperformance was largely due to insufficient capacity for the ICT function to competently perform, and the reliance placed on third party services. An ICT Manager has since been appointed towards the end of the financial year, and a new ICT strategy has been developed for implementation in the 2020/2021 financial year.

ORGANISATIONAL PERFORMANCE RESULTS AS AT 30 JUNE 2020

Table 16: Organisational Performance Results as at 30 June 2020

IDP Programme	Key Performance Indicator	Baseline	Initial target as per business plan
Enhanced quality services and sustainable environmental practices.	% Capital budget spent.	95% Capital Budget Spent	95% capital budget spent.
	Achievement of selected profitability and liquidity ratios.	Current Ratio: 0.93:1	Same
		Solvency Ratio 0.98:1	Same
		Remuneration to Operational expenditure (OPEX) up to 30%.	Remuneration to Operational expenditure (OPEX) up to 30%.
		Maintenance expenditure up to 40% of approved OPEX budget.	Same
	% collection of debt on current billing.	92% Collection of debt on current billing.	100% Collection of debtors in respect of rentals.
	% collection of historical debt.	New KPI.	10% collection of historical debt.
	% of valid invoices paid within 30 days of invoice receipt.	New KPI.	Same
Improve the control Environment.	% implementation of approved Strategic Risk Register.	72% implementation of corrective action against identified risks.	100% implementation of corrective action against identified risks.
	% implementation of approved Audit Action Plan.	65% implementation of corrective action against audit findings.	100% implementation of corrective action against audit findings.
	% monitoring of compliance to laws and regulations.	91% monitoring of compliance to laws and regulations.	100% monitoring of compliance to laws and regulations.
Inculcate a culture that enables and encourages staff discipline and performance.	% implementation of the HR strategy.	100% implementation of the HR strategy.	100% implementation of the HR strategy.
Improve customer satisfaction levels.	% implementation of stakeholder engagement plan activities.	100% implementation of a stakeholder engagement plan activities.	Same
Improve customer satisfaction levels.	% implementation of the communication plan activities.	100% Implementation of the communication plan activities.	Same
An inclusive society with enhanced quality of life that provides meaningful redress through pro-poor development.	Number of Social Housing Units developed.	360 Social Housing Units developed.	There were 2 targets: 239 Inner-city Units developed. 655 Greenfields Units developed.
A growing, diverse, and competitive economy that creates jobs.	Number of Jobs created for the unemployed through the EPWP programme.	910 Jobs created for the unemployed through the EPWP programme.	910 jobs created for the unemployed through the EPWP programme.

2019/20 Annual Target	2019/20 Actual	Variance	Means of Verification
70 % Capital budget spent.	68%	-2%	Capital expenditure reports approved by the Board.
Current Ratio: 1.0:1	0.76:1	-0.24	Quarterly reports approved by the Board.
Solvency Ratio 1.0:1	0.83:1	-0.17	Quarterly reports approved by the Board.
Remuneration to Operational expenditure (OPEX) up to 35%.	64%	+29%	Quarterly reports approved by the Board.
Maintenance expenditure up to 40% of OPEX budget.	13%	-27%	Monthly management account.
80% Collection of debt in respect of rentals.	61%	-19%	Revenue report.
5% collection of historical debt.	0.32%	-4.68	Revenue report.
100% of valid invoices paid within 30 days of invoice receipt.	99.50%	-0.5	Invoices register.
95% implementation of corrective action against identified risks.	50%	-45%	Risk reports approved by the Board.
95% implementation of corrective action against audit findings.	60%	-35%	Audit Action Plan approved by the Board.
95% monitoring of compliance to laws and regulations.	89%	-6%	Compliance reports submitted to the Board.
80% implementation of the HR strategy.	43%	-37%	Performance evaluation reports for mid-year and end-year.
100% implementation of a stakeholder engagement plan activities.	50%	-50%	Quarterly stakeholder reports approved by Board.
80% implementation of the communication plan activities.	70%	-10%	Quarterly communication reports approved by Board.
330 Social Housing units developed.	330 Social Housing units developed.		
300 Jobs created for the unemployed through the EPWP programme.	185	-115	Quarterly reports on jobs created.

ORGANISATIONAL PERFORMANCE RESULTS AS AT 30 JUNE 2020

Table 16: Organisational Performance Results as at 30 June 2020 (continued)

IDP Programme	Key Performance Indicator	Baseline	Initial target as per business plan
Enhanced quality services and sustainable environmental practices.	% Customer satisfaction rating.	84% customer satisfaction rating.	Same
	% occupancy rate.	91% occupancy rate.	Same
A growing, diverse, and competitive economy that creates jobs.	% Of CAPEX spent on 51% Black owned companies.	30% of CAPEX spent on 51% Black owned companies.	Same
	% of CAPEX spent on SMMEs.	30% Of CAPEX spent on SMMEs.	Same
Enhanced quality services and sustainable environmental practices.	% implementation of ICT Action Plan.	82% implementation of ICT Action Plan.	Same

NB: 330 Social Housing units developed (24 units complete, 214 completed with no services, 92 units at 80% completion).

Total target for the year 2019/20	2019/20 Actual	Variance	Means of Verification
86% Customer satisfaction rating.	The KPI was not implemented due to COVID-19 and deviation was approved by Council.		Customer Satisfaction survey report.
98% occupancy rate.	96%	-2%	MDA Occupancy reports
30% of CAPEX spent on 51% Black owned companies.	35.5%	+5.5%	Quarterly Capital Expenditure reports.
30% of CAPEX spent on SMMEs.	11%	-19%	Quarterly Capital Expenditure reports.
75% implementation of ICT Action Plan.	41%	-34%	ICT Action Plan implementation report.

KEY FUNCTIONS

Tenanting and Allocation Function of Rental Units

Leasing and allocation of tenants are the core competencies of the housing management function within the organisation. As at the end of the financial year, the organisation achieved an overall occupancy level of 96% related to the occupancy of the rental infrastructure, against a target of 98%.

The table below depicts the analysis of the occupancy levels for the year ending June 2020.

Table 17: Occupancy Levels per Project as at 30 June 2020.

No.	Project	Total Units	Vacancies	Total Occupied	Occupancy (%)
1.	AA House	252	3	249	98,81%
2.	Antea Block A	141	15	126	89,36%
3.	Antea Block B	204	32	172	82,77%
4.	Antea Block C	56	2	54	96,16%
5.	Antea Block D	4	2	2	50,00%
6.	Antea Block E	4	0	4	100,00%
7.	African Diamond	61	15	46	75,19%
8.	Botlhabela	521	2	519	99,62%
9.	Bellavista Infill	36	0	36	100,00%
10.	Chelsea	80	2	78	97,50%
11.	Citrine Court	79	0	79	100,00%
12.	City Deep Communal	74	33	41	53,46%
13.	City Deep Flats	232	51	181	78,02%
14.	City Deep Greenfield	329	2	327	99,39%
15.	City Deep Housing P	123	21	102	82,93%
16.	Devland	255	2	253	99,14%
17.	Diepkloof	148	3	145	97,97%
18.	Dobsonville	505	45	460	90,80%
19.	Europa House	167	2	165	98,68%
20.	Fleurhof Riverside	252	0	252	100,00%
21.	Fleurhof Junction	452	4	448	99,12%
22.	Hoek Street	265	6	259	96,89%
23.	Jabulani	54	0	54	100%
24.	Kliptown	478	2	476	99,51%
25.	Kliptown Golf Course	949	7	942	99,26%
26.	La Rosabel	50	2	48	96,35%
27.	MBV	188	7	181	96,28%
28.	Orlando Ekhaya	190	2	188	73,10%
29	Orlando Family	102	10	92	90,63%
30.	Orlando West	44	1	43	97,73%
31.	Pennyville Communal	564	4	560	99,29%
32.	Pennyville Flats	207	12	195	94,20%
33.	Phoenix House	137	9	128	94,19%
34	Raschers	95	0	95	100,00%
35	Roodepoort Phase 1	82	0	82	100,00%
36	Roodepoort Phase 2	70	0	70	100,00%
37	Roodepoort Phase 3	172	0	172	100,00%
38	Roodepoort Phase 4	108	0	108	100,00%
39	Selby comm	19	0	19	100,00%
40	Selby village	262	10	252	96,26%
41	Textile	162	36	126	77,64%
42	Turffontein	525	45	480	90,29%
	TOTALS	8698	389	8309	95,53%

Maintenance Function Highlights

Maintenance is a component of Property Management, which is a strategy for retaining and growing the value of the building as an asset. Maintenance is therefore pivotal to the management of the entire investment of the building. Maintenance falls into the following categories:

- Common area and grounds maintenance.
- Vacancy reinstatement maintenance.
- Planned maintenance.
- Reactive maintenance.

In the year to June 2020, a total of 4977 jobs were logged with a total maintenance investment cost of R20,548,295 incurred. Of the R20,548,295, R12,278,946 was spent on reactive jobs logged, and an amount of R8,269,350 was spent on planned maintenance for the year.

The Service Level Standard (SLS) key performance indicator of 96% that relates to the number of maintenance cases closed within turnaround time of seven days was not achieved . On average for the period under review, a 91% turnaround time of seven days was achieved.

Impact of COVID-19 on Repairs and Maintenance

The target was not achieved due to the challenges relating to the COVID-19 lockdown regulations, this included a reduced number of available artisans, limited and shortages of materials required to complete maintenance jobs, and strict travel regulations. Though only essential services were being attended to, the increased number of residents at home during the day resulted in there being no real change to the number of maintenance requests being logged from the beginning of the lockdown to the year ended June 2020.

Costs

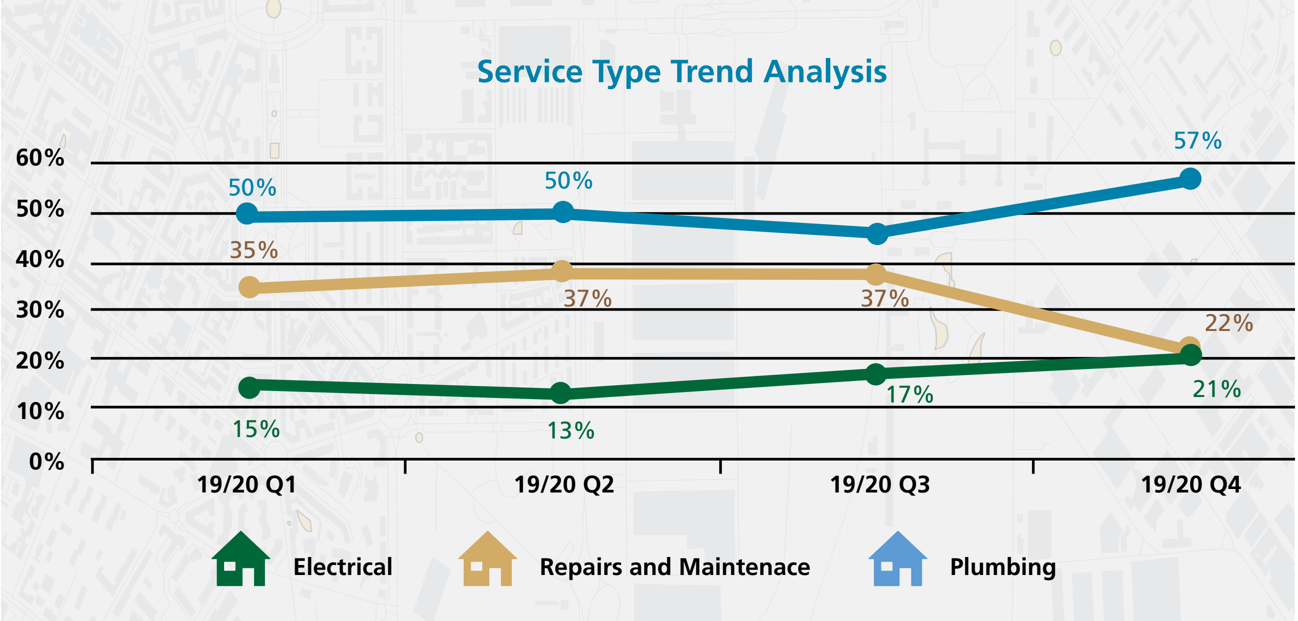
The following table provides an analysis of maintenance costs per quarter as at 30 June 2020.

Table 18: Analysis of maintenance costs per quarter as at 30 June 2020.

Quarter	Cost YTD	Cost Per Quarter	Total Units	Cost Per Unit	Cost Per Unit YTD	Occupied Units	Occupancy (%)
1st	R3 322 266	R3 322 266	8044	R413	R413	253	100%
2nd	R5 749 435	R2 427 169	8044	R302	R715	39	64%
3rd	R 9 082 516	R3 333 081	8044	R414	R1129	302	100%
4th	R 12 278 947	R3 196 431	8454	R378	R1452	35	95%

The below chart provides a trend analysis of the service type per quarter to the year ending 30 June 2020.

The plumbing shows an increasing trend during the period when the country was in a lock down and this can be attributed to high number of tenants that have occupied the units all the time.



Planned Maintenance Schedule

The following report provides a breakdown of planned maintenance executed during the 2019/2020 financial year for various projects.

Table 19: Planned maintenance as at 30 June 2020.

Planned Maintenance: 2019-2020	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual
OHSA					
OHSA Remedial Work	312 460	49 632	24 559	236 330	622 981
Service fire equipment	30 693	235 758	72 364	67 125	405 940
AA House					
Refurbishment of communal kitchens	35 864				35 864
Replacement of common area lights			14 022		14 022
Antea					
Installation of passage lighting at Block A	28 152				28 152
Internal painting of units	34 617	23 974	237 280	387 076	682 947
Bellavista Infill					
Install palisade fence around play equipment	7 399				7 399
Bothlabela					
Reinstatement of collapsing retaining walls	50 148				50 148
Chelsea					
Install Clear-Vu fence at building main entrance	53 809				53 809
Service of water pump and tanks			33 681		33 681
City Deep					
Refurbishment of communal toilets		73 648			73 648
Gate motors for Greenfield entrances		24 200			24 200
Citrine Court					
Waterproofing of building roof	108 375				108 375

Table 19: Planned maintenance as at 30 June 2020 (continued)

Planned Maintenance: 2019-2020	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual
Devland					
Refurbishment of vandalised units		1 896 533	473 634		2 370 167
Installation of additional street-lights				41 051	41 051
Installation of boundary fence				172 349	172 349
Europa House					
Waterproofing of building roof	52 442				52 442
Servicing of heat pump	39 523				39 523
Fleurhof Junction					
Installation of Heat pump Block R and S	208 268				208 268
Maintenance of water meters			22 609		22 609
Repair and Service of heat pumps				444 118	444 118
Fleurhof Riverside					
Replacement of sewer pipes Block C		22 858			22 858
Installation of surge protectors in Block K			19 927		19 927
Maintenance of water meters			16 551		16 551
Hoek Street					
Installation of automated roller shutter doors	47 974				47 974
Installation of extractor fans in communal bathrooms	65 783				65 783
Service and repair of generators	43 214				43 214
Install shower curtains in all communal bathrooms	25 826				25 826
Additional roller shutter door for basement parking			45 311		45 311
Installation of motion sensors for lights/fans in bathrooms				15 740	15 740
Klipspruit					
Replacement of metal roof at Block 1	134 395				134 395
Installation of Jo-Jo water storage tank		30 533			30 533
Maintenance of metal roof and trusses Block 2			330 537		330 537
Kliptown Golf course					
Repair of sewer pipes	18 031				18 031
Kliptown Square					
Internal painting and replacement of kitchen sink	554 114	357 875			911 989
La Rosabel					
Building of dividing walls in communal showers	23 932				23 932
Installation of washing lines		3 480			3 480
MBV					
Replacement of basement submersible pumps		103 750			103 750
Repair and service of submersible pump				25 328	25 328
NBS					
Replacement of basement submersible pumps		63 800			63 800
Orlando Ekhaya					
Installation of gate motor	16 961				16 961
Service and repair of solar geysers	308 880				308 880
Repair of entrance driveway	28 335				28 335
Painting of roads and parking bays	36 934				36 934
Cleaning of all roof gutters		28 770			28 770

Table 19: Planned maintenance as at 30 June 2020 (continued)

Planned Maintenance: 2019-2020	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual
Orlando West					
Installation of boundary bollards			14 347		14 347
Pennyville					
Installation of burglar bars at entrance of Flats	78 750				78 750
Maintenance to roof tiles and ridges			29 279		29 279
Phoenix House					
Installation of clothes washing area			12 709		12 709
Selby					
Labelling and securing of wheelie bins		8 220			8 220
Textile House					
Replacement of passage lights	15 528				15 528
Tshedzani Flats					
Replacement of gate motors at 4 phases			42 750		42 750
Turffontein					
Installation of Clear-Vu fence and stormwater wall channel	36 170				36 170
Installation of grids on stormwater channels	41 975				41 975
Installation of fencing around the storeroom area	29 974				29 974
Installation of ceiling boards on balcony roofs	53 442				53 442
Installation of Clear-Vu fence around stormwater		13 173			13 173
Total Expenditure	**2 556 469**	**2 936 204**	**1 389 562**	**1 389 116**	**8 271 351**

High Level of Vacant Units

The vacancy level had increased in the fourth quarter due to the number of units that were vandalised and declared untenantable during the third quarter of the year under review. These units were repaired and handed over to Housing Management for tenanting during level 4 of the National lockdown. This had made it difficult for the Leasing Department to tenant the units as normal due to the lockdown measures. As part of the containment measures to mitigate the spread of the Coronavirus, electronic platforms for public enquiries and applications were created as a measure to prevent public walk-in.

Untenantable Units

There were 70 units outstanding from Diepkloof Hostel project. The units were vandalised during the community protest in 2015/2016 and as at 30 June 2020, the service provider was on site finalising renovations for tenanting purposes.

Expanded Public Works Programme (EPWP)

The EPWP is one of several government strategies aimed at addressing unemployment. The fundamental strategies are to increase economic growth so that the number of new jobs being created starts to exceed the number of new entrants into the labour market, and to improve the education system such that the workforce is able to take up the largely skilled work opportunities (which economic growth will generate). The EPWP's aims to ensure that a significant number of the unemployed are drawn into productive work and gain skills . The programmes provide poverty and income relief through EPWP participant work opportunity for the unemployed to carry out useful activities. JOSHCO, as part of its Capital Development Programme and in terms of Council Policy, ensures that job opportunities are created for the local community where projects are implemented. These job opportunities range from skilled work to manual labour (depending on the type of projects) and the existing skills in the community. In large projects, Community Participation Goals (CPG) are set, where the main contractors are required to source services from the local sub-contractors. For the financial year under review, JOSHCO has managed to create 185 EPWP jobs. This are EPWP participants that were contracted in various projects that are under construction and in tenanted projects including head office.

Customer Satisfaction on JOSHCO Services as at 30 June 2020

The customer satisfaction survey is one of the tools that the organisation makes use of to determine market satisfaction, and to craft strategies to mitigate negative sentiment about its services. The annual target of the 2019/2020 financial year was 86%, and could not be achieved as a result of the pandemic, and consideration of the safety of officials who conduct the survey. The organisation intends to undertake the survey in the new financial year, as the survey results have an impact on decision making, and areas of improvement in relations to service quality and managing the risk of negative sentiment by customers.

CHAPTER

4

HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

SECTION 1:

EMPLOYEE REMUNERATION

The Human Resources Unit provides human resource leadership to ensure a high-performing organisational workforce. The unit provides strategic direction and advice related to human resource policies and initiatives such as: the development in terms of diversity and leadership; development and implementation of innovative corporate human resource policies and practices; and fulfilment of legislative and delegated responsibilities for recruitment, compensation, benefits, employee development, employee wellness, and labour relations. During the year under review, the unit evolved and adapted its service offerings and structure in order to meet ongoing business demands. The following is a summary of the most notable achievements and challenges against the implementation of the Human Resources (HR) Strategy:

- **Employee Compensation**
  In the 2018/2019 financial year, the organisation embarked on a job grading exercise. The exercise came with a number of recommendations which included the alignment of positions. Furthermore, a number of employees would benefit financially due to the grading system. During the reporting period, employees especially from the Supervisory levels, received salary adjustments with backpay. These adjustments also impacted positively on the employee's provident fund amounts which meant that the entity contributed even more to the employee's retirement funds.

- **Organisational Design**
  Human Resources successfully completed the organisational structure review and design for the 2018/19 financial year. The newly designed process included review and development of Job Profiles and conducting job evaluation for all positions in the organisational structure. This initiative supported and continued into the 2019/2020 financial year recruitment processes. All recruitments were managed in accordance with the new structure.

- **Talent Sourcing and Vacancy Rate**
  A key objective has been to keep the vacancy rate at below 5%. Following the upliftment of the recruitment moratorium, the entity was able to proceed to fill vacancies at senior management levels, as well as capacitating critical functions within the business. As at the end of June 2020, the vacancy rate stood at 2%. The improvement in the vacancy rate is also attributed to the rapid increase in our headcount due to the insourcing of security and cleaning functions.

- **Employee Performance Assessments**
  JOSHCO achieved 74% in respect of employee performance contracting. No final reviews were conducted for the reporting period, and this non-achievement could only be attributed to the disruptions as a result of COVID-19.

- **Employment Equity**
  JOSHCO's contribution towards the City's social and economic transformation agenda remains on course. As an organisation, JOSHCO has always endeavoured to excel and contribute positively to the achievement of Employment Equity (EE) targets. During the year under review, the company achieved and even exceeded, the set percentage as per the City's IDP target. The organisation achieved 99% against a target of 82%.

- **Policy Development and Review**
  A total of 11 of policies were reviewed. These were presented to the Board for approval. A strategy was put in place to socialise these policies to employees, and regrettably, this was not able to be progressed due to lockdown regulations on mass gatherings. Corporate service has placed these reviewed policies on the intranet so that they may be accessed by all employees.

- **Maintaining a skilled and capable workforce**
  In line with the company's Training and Development Policy, JOSHCO offers a wide range of skills development programmes that enable employees to gain valuable and relevant skills competencies and experience to contribute to the attainment of individual, team, and organisational goals. This is especially vital, as the Board and management have high expectations that relate to performance (especially in an increasingly diverse and demanding environment).

As at 30 June 2020, a number of employees attended training, for which a summary is provided in the table below.

Table 20: Training Attended as at 30 June 2020.

Training intervention	Target participants	Number of staff	Costs
MFMA	Executive Management	3	R162 000.00
MIE Training	HR Officer	1	R1 200.00
Health and Safety	Health and Safety Reps	32	R127 245.12
Employee Relations Workshop	Managers and Supervisors	28	Nil
MDA	Leasing Administrators	4	Nil
Total		**68**	**R290 445.12**

A total amount of **R 290 445.12** was spent on skills development initiatives to date. Applications for bursaries opened in December 2019. A summary of funds disbursement is provided below.

Table 21: Bursary Allocation as at 30 June 2020.

Recurring bursaries for studies above one year	Costs	New approvals	Costs
X 4 Staff Members	R171 116.56	X 12 Staff Members	R368 447.45
Total			**R368 447.45**

Skills Audit

As part of performance contracting, employees have an opportunity to complete their individual learning plans. This is a section wherein the employee and their line manager agree on training interventions that the employee requires, either to improve on their current roles or as part of a preparation for the next higher role.

This information was used in addition to the skills audit conducted in 2018/2019 financial year, aimed at identifying skills gaps within the business. A training plan, emanating from this exercise, was put in place. The implementation of the audit results has been deferred to the new financial year.

On-boarding of New Employees

The on-boarding programme is aimed at introducing new employees into JOSHCO's staff compliment. The programme comprises of a two-day programme that includes a meet-and-greet with the CEO, a comprehensive programme of introduction into the various departments within JOSHCO, as well as the opportunity to visit the projects developed by the company.

Learnership and Internship Programme

This programme is in line with the National Skills Development (NSD) plan, to which JOSHCO subscribes. The company offers unemployed youth and graduates the opportunity to acquire workplace skills and experience. A total of 6 interns were given an opportunity for employment during the 2019/2020 financial year. Of these interns, 1 has since obtained permanent employment within the business.

Records Management

As per the requirements of the National Archives Act, 1996 (Act No. 43 of 1996), Promotion of Access to Information Act (PAIA), POPI Act, and various applicable legislations, JOSHCO must ensure proper care and management of employee records. A new filing system has been developed and implemented by the HR team. The system is in line with best-practise, and assists in the ease of administration of confidential documents. For this implementation, taking into account the exponential growth that the business experienced through insourcing, the entity had to purchase new files to accommodate the additional headcount.

Employee remuneration (total costs including executives)

This section provides the total employee remuneration (including the Executive members) as summarised in the table below.

Table 22: Personnel Cost by Occupational Level as at 30 June 2020.

Occupational Level	Number of employees	Salaries cost	(R'000) Average cost per employee per annum
Top Management	2	R3 410 056.00	R1 705 028 000
Executive Managers	4	R6 242 288.00	R1 560 572 000
Professional Qual. / Middle Management	32	R17 778 133.56	R555 566 674
Skilled, Technical & Academically Qualified	86	R29 331 606.86	R341 065 196
Semi-Skilled	16	R1 626 765.36	R101 672 835
Internship	6	R1 770 453.92	R295 075 653
EPWP	85	R3 718 459.00	R43 746 576
Unskilled	368	R3 354 842.72	R9 116 420
Total	**599**	**R 67 232 605.42**	

SECTION 2:

EMPLOYMENT AND VACANCIES

This section provides reporting on key vacancies that have had a serious impact on the business. This data also makes provision for a detailed age analysis of key vacant positions as a result of natural attrition, and turnaround time to fill vacancies. A detailed staff establishment is provided in the table below to indicate occupancy and vacancy percentages as per the approved structure.

Table 23: Employment and Vacancies as at 30 June 2020.

Mandate / Support	Departments	Approved Headcount	Current Headcount	Vacancies	Temps	Interns
Mandate	Housing Development	14	12	2	0	0
	Housing Management	451	420	44	1	0
Support	Office of the CEO	20	7	13	0	0
	Governance and Legal Services	9	3	6	0	1
	Finance, SCM and Revenue	56	44	12	0	2
	Business Plan, Risk and IT	18	11	7	0	1
	Corporate Services	19	11	8	0	2
Total		587	502	85	1	6

Total number of occupied positions (Incl. temps % Interns)	Occupancy	Vacancy
Vacancy and Occupancy (Including temps)	502	85
Total	**86%**	**14%**

JOSHCO is operating at a 76% staff occupancy rate, against the approved staff establishment, with the remaining 24% recorded as a vacancy rate. The high vacancy recorded is inclusive of the new positions in the approved structure, which are in the process of being filled as and when funds become available.

Staff Turnover

Table 24: Reasons for Turnover

2019/2020	No of employees Terminated	% Total of Staff Leaving
Death	4	50%
Resignation	3	38%
Dismissal	0	0%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	1	13%
Other	0	0%
Total	**8**	**100%**

Comments:

- With the exclusion of supervening impossibilities, the tenure at JOSHCO is quite high, with the exception of the executive team.
- The above is generally the case given that the executive team is secured via a fixed term contract, and employees at this level continue to seek other opportunities prior to the expiration of their contracts
- Voluntary resignations are recorded at 0.61%. This is largely due to the current economic conditions, and the perceived job security when working for government.

SECTION 3:
EMPLOYMENT EQUITY

Employment Equity is profiled according to gender, disability, race, salary grade, and by occupational levels. The employment equity targets are aligned to the country's Economically Active Population (EAP) percentage distribution within the Gauteng region. The EAP includes people from 15 to 64 years of age who are either employed, unemployed, and/or seeking employment. This is used to assist employers in the analysis of their workforce to determine the degree of under-representation of the designated groups. JOSHCO is required to use the EAP as a guideline, in order to determine the resource allocation and subsequent interventions that are needed to achieve an equitable and representative workforce. It is important to note that the analysis of this section of the report focuses on the Gauteng EAP and IDP target, as illustrated in the tables below.

Table 25: Employment Equity as at 30 June 2020.

Employment Equity Profile													G/ Ttl	Racial % Achievement	Female Gender % Achievement
Occupational Level	Male				Female				Foreign Nat.		Local				
	A	C	I	W	A	C	I	W	M	F	M	F			
Top Management	1	0	0	0	1	0	0	0	0	0	1	1	2	100%	50%
Senior Management	1	0	0	0	2	0	0	0	0	0	1	2	3	100%	67%
Professionally Qualified / Middle Management	15	0	0	3	11	0	1	0	1	1	18	12	32	84%	38%
Skilled Technically and Academically Qualified	37	2	0	0	43	3	1	1	0	1	39	48	88	99%	55%
Semi-Skilled	1	0	0	0	0	0	0	0	0	0	1	0	1	100%	0%
Unskilled	169	2	0	0	193	3	0	0	0	0	171	196	367	100%	53%
Total	**224**	**4**	**0**	**3**	**250**	**6**	**2**	**1**	**1**	**2**	**231**	**259**	**493**	**99%**	**53%**

Table 26: Person with Disability as at 30 June 2020

Persons with Disabilities													Grand Total
Occupational Level	Male				Female				Foreign National		Total		
	A	C	I	W	A	C	I	W	Female	Male	Female	Male	
Top Management	0	0	0	0	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0	0	0	0	0
Professionally Qualified / Middle Management	0	0	0	0	1	0	0	0	0	0	1	0	1
Skilled Technically and Academically Qualified	0	0	0	0	1	0	0	0	0	0	1	0	1
Semi-Skilled	0	0	0	0	0	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**2**	**0**	**0**	**0**	**0**	**0**	**2**	**0**	**2**

Description	JOSHCO EE Actual	Gauteng EAP EE Target	JOSHCO EE Actual %	Variance
Africans	477	78%	97%	-19%
Coloured	10	3%	2%	-1%
Indians	2	3%	0%	3%
Whites	4	16%	1%	15%
Persons with disability	**2**	**2%**	**0%**	**-2%**
Male	**233**	**50%**	**47%**	**-3%**
Female	**260**	**50%**	**53%**	**3%**

Comments:

- From the above, it is clear that there is an over representation of African and Whites are under represented.
- Our recruitment processes will be driven towards addressing these challenges.

This section provides reporting on the status of performance management of the employees and is in line with approved performance policies. JOSHCO has a well-embedded, standardised performance management policy, and procedure for

SECTION 4:

PERFORMANCE MANAGEMENT

setting performance objectives that is aligned to the Business plans.

Formal performance reviews are conducted bi-annually, In the second quarter and fourth quarter of every financial year. An enhanced performance development and coaching approach is being conducted on a continuous basis to ensure that employee performance is consistently and fairly reviewed. A performance management workshop was held to educate staff on the above-mentioned policy. The table below summarises the submission of performance agreements and reviews, per department.

Table 27: Performance Management 2019/2020 Financial Year.

Department	Eligible Staff	Performance Agreements Submitted	Outstanding
Office of the CEO	7	6	1
Business Planning and Strategy	7	6	1
Housing Management	62	52	10
Housing Development	11	11	0
Finance and SCM	11	10	1
Revenue	20	16	4
Corporate Support and HR	12	9	2
Total	**119**	**100**	**19**
Submission Rate	100%	85%	15%

SECTION 5:

EMPLOYEE RELATIONS

Management and Labour Engagement

At the end of the 2018/2019 financial year, the JOSHCO executive team had underwent a major change, that saw the introduction of an almost 100% new team. As a result, some of the commitments in line with the SALGA agreements could not be achieved. In particular the LLF meetings could not be held as there was no proper handover in this regard. First LLF meeting was held in December 2019, resulting in a number of continuous meetings thereafter. Due to the COVID-19 situation, the meetings regressed. However, issues do continue to be discussed and resolved.

The table below summarises labour relations cases recorded as at 30 June 2020

Table 28: Disciplinary Matters as at 30 June 2020.

Sanction	No of Employees
Verbal Warning	2
Written Warning	0
Final Written Warning	0
Dismissal	0
Suspension	1
Demotion	0
Counselling for PWP	0
Total	**3**

Comments:

Employee discipline, or the recording thereof, is not embedded in our day to day activities within the entity. As an intervention to capacitate line managers, HR developed a handbook and organised two-days workshops to socialise concepts of dealing with day to day employee issues as well enforcement of discipline in the workplace.

Table 29: Grievances Matters as at 30 June 2020.

Status of Grievance	No of Cases
FY 2019/2020	**16**

Comments:

A total of 16 grievances were lodged for the reporting period. This figure represents a grievance rate of 3%, being 1% above acceptable limits.

Pending grievances were mostly as a result of the lockdown and some of our employees do not have the necessary technology to attend virtual meetings.

In line with the approved Leave Management and Regulation of Hour's Policy, JOSHCO employees are entitled to 24 days leave per annum to be taken at a time convenient to JOSHCO, and agreed upon by management. A provision of 80 sick leave days in a three year cycle is also included.

SECTION 6:

LEAVE AND PRODUCTIVITY MANAGEMENT

The tables below provide a detailed overall utilisation of leave within the entity.

Table 30: Overall Company Leave Analysis as at 30 June 2020.

Type of Leave	July - Sept	Oct - Dec	Jan - Mar	Total Leave days Taken	% Leave days Taken
Annual	277	48	91	416	45%
Sick	179	25	24	228	25%
Family Responsibility Leave	27	6	5	38	4%
Study Leave	13	20	0	33	4%
Unauthorised Leave	0	0	1	1	0%
Maternity Leave	141	44	22	207	22%
Total	**637**	**143**	**143**	**923**	

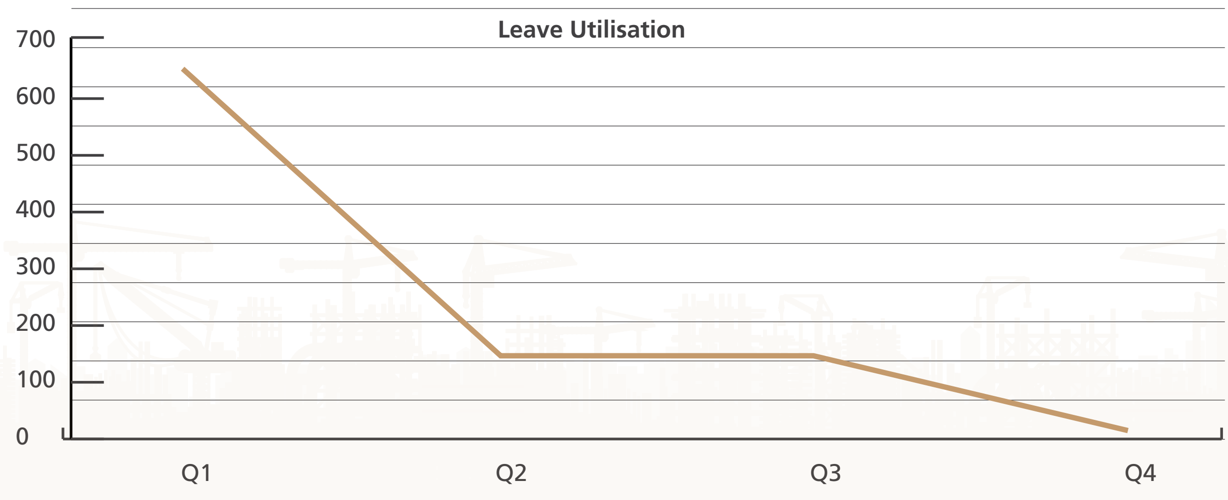


Diagram:13 Leave Management

Comments:

- The leave utilisation decreased by 22% from Q1 through to Q3. This may be attributed to the fact that (traditionally) in December JOSHCO would give employees free annual leave as it closes for the holidays. As a result, employees to do not see the need to take their annual leave while technically they are on holiday.
- Annual leave remains the most utilised provision which is viewed a positive, as it reduces liability to the company (especially on the balance sheet).
- Sick leave utilisation decreased by 14% from Q1 through to Q3.
- Due to COVID-19, leave was either not taken or recorded for the last quarter.
- Q4 maternity leave was not recorded, as it would distort the data given that it would be a stand-alone figure.

SECTION 7:
HEALTH AND SAFETY

To accommodate the National lockdown regulations, that were implemented by the National Government during the third quarter of the financial year, measures were put in place to enable employees to work from home. This minimised general incidences of COVID-19 infections within the workplace.

The table below provides details of the infections, and suspected infections, experienced at the company.

Table 31: Incidence Summary as at 30 June 2020.

Incident	# of affected employees	Comments
COVID-19 confirmed cases	9	4 on self-quarantine and one hospitalised
Contacts sent for testing	79	

7.1 Regulation 28 Compliance

Policy Statement
The organisation's policy statement was amended to include measures for the management of pandemics.

Risk Assessment
The risk assessment was successfully conducted by the Health and Safety Officer of the organisation. The safety plan was then developed and implemented.

The Safety Plan
Not only did the plan require that we implement contingencies for emergencies, it also required that we have a forecasted approach on interventions, in the event that the situation remain unchanged for the remainder of the calendar year.

Table 32: COVID-19 Control Measures Implementation Plan as at 30 June 2020.

COVID -19 implementation				
Measures	**Descriptions**	**Inplace**	**Not inplace**	**Comments**
1. Hazard identification.	• Risk assessments	✓		Done for all properties
2. Access control.	• Suspend the use of biometric system	✓		Done
	• Screening of workers conducted at the entry point	✓		Done
3. Training.	• Induction	✓		Induction programme amended to include detailed COVID-19 wellness tips
	• Behavioural change, Do's and Don'ts of PPE, Social Distancing, Coughing Etiquette, Identification of symptoms		✓	Training arranged with the City nurses. Awaiting the full return of employees for training to be provided
4. Engineering controls.	• Ventilation	✓		Aircon's have been serviced. The building has sufficient ventilation
	• Physical barriers & demarcations		✓	Reception area, H/S offices and ground floor at H/O to use floor demarcations and install glass protected cubicles
	• Adaptation of workstation to maintain social distancing	✓		Social distancing demarcation measures have been implemented in the offices, most employees are working staggered hours, others working from home
	• Isolation room designated		✓	Given that part of the building is being renovated, the City's isolation room is being utilised
5. Administrative control.	• Minimizing contact	✓		All physical customer contact centre have been halted until further notice. All communication is through social media and other communication mediums
	• Rotation and shift work	✓		A Leasing and Revenue department has been identified to rotate staff given the seating proximities in the office
	• Work-at-home strategies	✓		All key employees have been provided with electronic and communication devices to enable working from home

COVID -19 implementation				
Measures	**Descriptions**	**Inplace**	**Not inplace**	**Comments**
	• Communication and information strategies.	✓		Information is dispatched periodically from a central point in the communications office.
	• Role of health and safety committees and representatives.	✓		Very clearly communicated, and managed by the OHS specialist.
	• Reporting of incidents for regulatory purposes.	✓		Registers are kept on site for when reporting is needed.
6. Hygiene and safe practices.	• Cleaning and disinfectants.	✓		The cleaners rotate schedules so that surfaces are cleaned at higher frequencies.
	• Sanitisation.	✓		
	• Hand washing and the use of hand sanitisers.	✓		These were provided for all employees. Each property location was also equipped with these for use on-premise.
	• Personal hygiene.	✓		Constant communication and regular reminders were issued, in relation to the importance of, and requisite personal hygiene measures.
7. PPE.	• Cloth Masks.	✓		Cloth masks have been provided to every employee. Cleaning masks for cleaners have been provided.
	• Gloves.	✓		All cleaners and security guards have been provided with gloves.
8. Provision of safe transport for employees.	• Personal hygiene.	✓		Communication promoting personal hygiene was periodically issued to staff. Hand sanitisers dispatched to all employees.
	• Social distancing.	✓		Any meetings, when held at the office, are kept to a minimum (ensuring sufficient social distancing), and VC is used.
	• Arrangements to minimise exposure associated with commuting.	✓		Head Office cleaners are being transported to and from the office. All other employees are encouraged to work from home.

CHAPTER

5

FINANCIAL POSITION AND PERFORMANCE

SECTION 1:

STATEMENT OF FINANCIAL POSITION AND HIGH-LEVEL NOTES

This section must be read in-conjunction with the Audited Financial Statements of the period reported.

ASSETS

Current assets have increased by R103,6 million (from R354 million to R457.5 million). The significant change is a 78% decrease in Loans to Shareholders (i.e. the sweeping account balance), as a result of invoices for work executed on behalf of the Department of Housing (Housing) being settled before funds are received from Housing. Another significant change is a 142% increase in receivables from exchange transactions - mainly due to high the rental debtors as a result of decreased collection levels, and an increase in the debt from Housing. In the new financial year, a shorter payment process for Housing invoices will be implemented to prevent further strain on cashflow. There has been no material change in the composition of non-current assets.

LIABILITIES

Included in current liabilities is the current portion of the long-term loan from the DBSA. Current liabilities increased by 45% as a result of an increase in related party creditors (salaries and municipal charges), and a high leave pay accrual.

SECTION 2:

STATEMENT OF FINANCIAL PERFORMANCE AND HIGH-LEVEL NOTES

Table 33: Statement of Financial Performance as at 30 June 2020.

Description	Actual	COVID-19 Adjustment Budget	Variance	Variance %
	R'000	R'000	R'000	
Rental Received	151,150	146,990	4,160	3%
Subsidies	19,098	19,098	-	0%
Management fees	13,574	6,103	7,471	122%
Interest Received	13,891	7,587	6,304	83%
Utilities	503	667	(164)	-25%
Other Income	497	1,612	(1,115)	-69%
Share of surplus from joint venture	607	-	607	100%
Total Revenue	**199,320**	**182,057**	**17,263**	**9%**
Governance and staff cost	(115,086)	(80,251)	(34,835)	43%
Other project related cost	(53,944)	(27,008)	(26,936)	100%
Depreciation and amortisation	(1,235)	(1,350)	115	-9%
Finance costs	(1,173)	(1,450)	277	-19%
Repairs and maintenance	(23,860)	(21,277)	(2,583)	12%
Cleaning and gardening	(4,929)	(6,855)	1,926	-28%
Security	(14,432)	(3,722)	(10,710)	288%
Loss on disposal of assets	(177)	-	(177)	-100%
Administrative	(64,615)	(38,644)	(25,971)	67%
Total Expenditure	**(279,451)**	**(180,557)**	**(98,894)**	**-55%**
Operating (Deficit)/Surplus before taxation	(80,131)	1,500	(78,631)	-5242%
Taxation	371	(1500)	1,871	-125%
Operating (Deficit)/Surplus after taxation	(79,760)	-	-	-100%

REVENUE

Revenue and expenditure are recorded on the accrual basis and resulted in a deficit of R79,8 million.

Table 34: Revenue Streams as at 30 June 2020.

Revenue	Actual R'000	Budget R'000	Weighting
Rentals received	151,150	146,990	75.8%
Subsidies	19,098	19,098	9.6%
Management Fees	13,574	6,103	6.9%
Interest Received	13,891	7,587	7.0%
Utilities	503	667	0.3%
Other Income	497	1,612	0.2%
Share of surplus from joint venture	607	-	0.3%
Total	**199,320**	**182,057**	**100%**

The revenue target for the year was 80%. The entity achieved a collection rate of 61%. Total revenue was over budget by R17,2million (9%).

EXPENDITURE

Analysis of significant variances between budget and actual cost:

a). Governance and Staff costs
- 43% above budget (R34,8 million) due to a high leave pay provision, as employees were not able to take their planned leave during lockdown. An additional contributor was the overtime for security guards, as insourced guards were not sufficient for the shift system.

b). Other Project Related Costs
- 100% above budget (R26,9 million) due to a low rental collection rate for the quarter. This lead to a higher provision for bad debts. Our average collections rate has declined to 67%, which was significantly influenced by National lockdown restrictions.

c). Depreciation and Amortisation
- 9% below budget (R115 thousand) due to fewer assets having been acquired for the year than anticipated.

d). Repairs and Maintenance
- Maintenance to operational expenditure ratio is at 12%. This is within target.

e). Cleaning and Gardening
- 28% below budget (R1.9 million) as a result of spending being less than budgeted, for cleaning and gardening services.

f). Security
- 288% above budget (R10,7 million) due to increased security costs relating to development projects under construction or not yet under construction which must be guarded because they have commercial tenants. The variance is also due to a short fall in insourced security guards required which must be supplemented by outsourced security.

g). Administrative
- 67% above budget (R26 million) due to higher than budgeted utility costs, and an increase in legal costs in pursuit of eviction orders. There were also unbudgeted costs incurred for security service consultants required to assist with the set-up of the security function (as a result of insourcing). The increase also includes COVID-19 PPE requirements which were not budgeted for.

Cash and cash equivalents balance as at 30 June 2020, is R165.9 million. The tenant deposit account has a balance of R15.2 million. The SHRA account has a balance of R150.7 million. An amount of R18 million is held in the sweeping account and is disclosed under Loans to Shareholder.

SECTION 3:
CASH FLOW STATEMENT

JOSHCO has been allocated a budget of R405,7 million funded from external funding sources (Extended Fund Facility) and capital reserves (CRR). In the year under review, the organisation had the following programmes:

SECTION 4:

CAPITAL PROJECTS AND EXPENDITURE

i. Greenfields projects;
ii. The Inner-City regeneration programme by purchasing and refurbishing buildings; and
iii. Upgrades programme.

As at 30 June 2020, verified spend was R276,7 million. This translated to a percentage spend of 68% against a target of 70% per the table below.

Table 35: Capital Expenditure Spending as at 30 June 2020.

Source	Budget allocation R'000	Spend to date R'000	Balance R'000	% Spend
EFF-350	226,089	157,599	68,490	68%
CRR-360	179,611	119,142	58,805	66%
TOTAL	**405,700**	**276,741**	**128,959**	**68%**

The effects of COVID-19 were felt by the construction industry across the country amid the National Lockdown, which prohibited the organisation to continue with construction activities as normal. Only under level 4 of the National Lockdown (post the third quarter) was the organisation able to continue with planned construction activities.

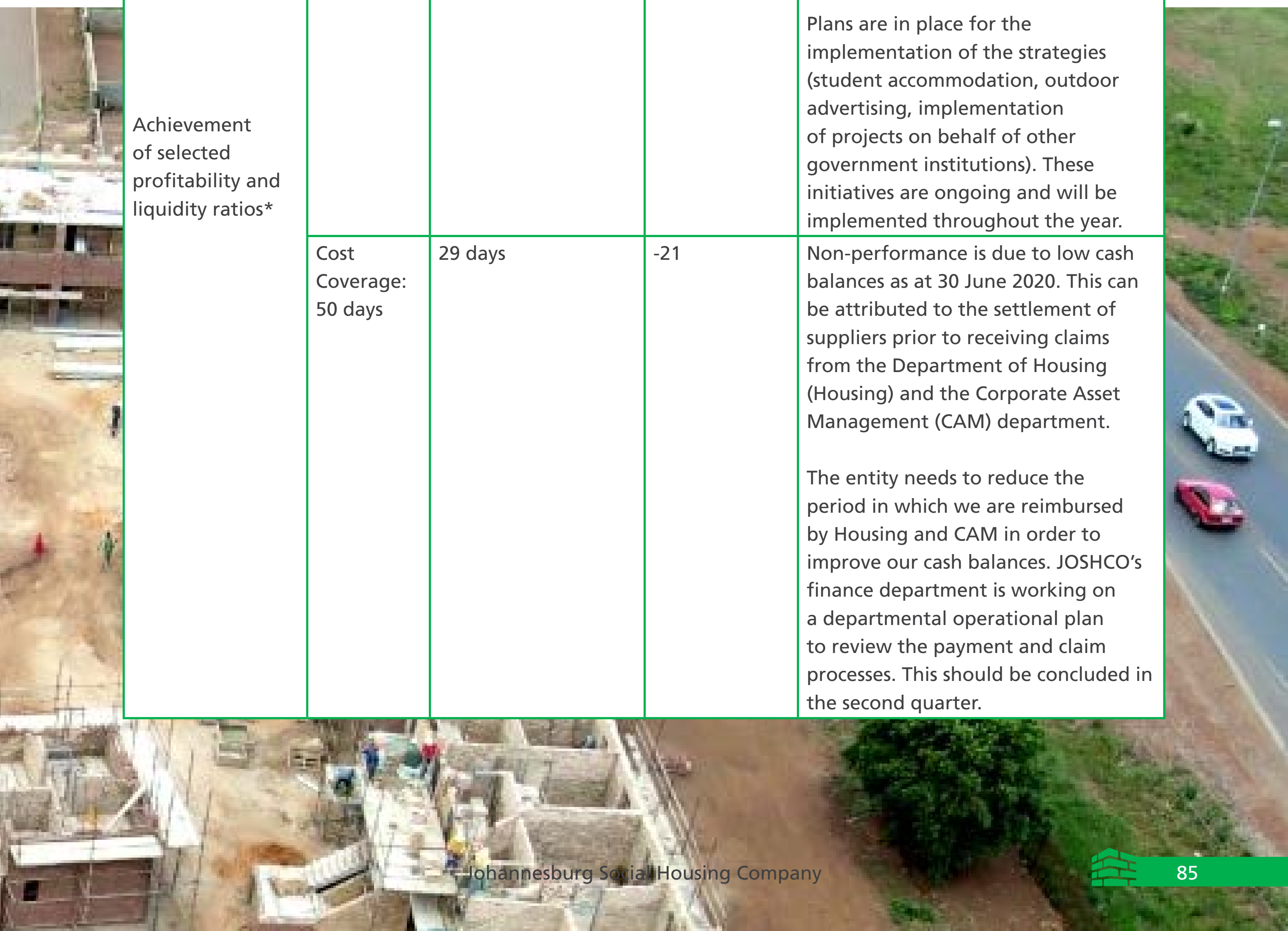
SECTION 5:

RATIO ANALYSIS (MINIMUM: LIQUIDITY, SOLVENCY, COST COVERAGE)

The following ratios are considered as crucial in measuring the financial stability of the entity:

Table 36: Key Ratio Analysis as at 30 June 2020.

Key performance indicator	2020/21 Target	Actual performance	Variance	Mitigation action
Achievement of selected profitability and liquidity ratios*	Current ratio 1:1	0.76:1	-0.24	The non-performance of this target is due to continued losses being incurred - largely due to a high provision for bad debts and high operating costs. The entity has drafted a five-year strategy document with a key focus on revenue enhancement activities, in order to improve our financial sustainability. The strategy is expected to be circulated to the Board for approval before the end of October 2020. Plans are in place for the implementation of the strategies (student accommodation, outdoor advertising, implementation of projects on behalf of other government institutions). These initiatives are ongoing and will be implemented throughout the year.
	Solvency Ratio 1:1	0.83:1	-0.17	
	Cost Coverage: 50 days	29 days	-21	Non-performance is due to low cash balances as at 30 June 2020. This can be attributed to the settlement of suppliers prior to receiving claims from the Department of Housing (Housing) and the Corporate Asset Management (CAM) department. The entity needs to reduce the period in which we are reimbursed by Housing and CAM in order to improve our cash balances. JOSHCO's finance department is working on a departmental operational plan to review the payment and claim processes. This should be concluded in the second quarter.



SECTION 6:
SUPPLY CHAIN MANAGEMENT AND BBBEEE

SECTION 6: SUPPLY CHAIN MANAGEMENT and BBBEEE

Deviations, payments within 30 days, report on Irregular, Budget Overspending, Fruitless and Wasteful Expenditure and Due Processes.

a). DEVIATIONS ON SCM
The details of the deviations recorded for the year ended 30 June 2020 are as follows:

Table 37: List of Deviations as at 30 June 2020

Name of tender	User Department	Reason	Supplier Name	Approve date	PO Amount
Board and Executive Photography for the JOSHCO annual report and website publishing	Company Secretary	Additional work performed by Zoom Photography for Board and Executives photographs. This is for use in the JOSHCO annual report and for publishing on the website	Zoom Photography	04 Dec 2019	R16 445.00
Office Furniture Removal from old JOSHCO office and delivery to the new Offices.	Corporate Services	During the move the elevator stopped working and the elevator company delayed progress, as they did not have the necessary tools to immediately attend to the problem. This delayed the relocation, as furniture was moved via the staircase. This extended the time period, and incurred the need for additional resources, to enable the service provider to move furniture to floors 4, 5, and 6.	Zenzele X	18 Dec 2020	R220 730.00
Retrofitting, furnishing and managing JOSHCO student accommodation.	Housing Management	• Building had to be ready for tenanting and occupancy on or before 01 March 2020. • Guidance and directive to proceed with student accommodation was received in January 2020. • The Board was expecting the launch date to be 01 March 2020.	Kwatloe Projects JV Pro Power	13 Jan 2020	R9 756 607.23

Name of tender	User Department	Reason	Supplier Name	Approve date	PO Amount
Restoration of Electricity at Selby Project	Housing Management	Tenant had no electricity and only one contractor managed to be on site.	Empinent Investment	14 Mar 2020	R6 000.00
Procurement of Sanitisers for COVID-19 prevention	Corporate Services	Service providers were experiencing drastic price inflation on COVID-19 preventative items. SCM provided the most cost-effective quotation and was appointed. The appointment occurred prior to the issue of the National treasury Memo with preferred suppliers.	Lacomora Trading	18 Mar 2020	R30 463.50
Procurement of Wall mounted Sanitizers	Corporate Services	Amount is within the seven-day quote process, however due to the urgency of the matter, the quote request was less than seven-days.	Group LMS	23 Mar 2020	R49 785.00
RFP/PM/012/2020	Special Projects Unit	The grant amount in the tender was calculated incorrectly. Correction of the arithmetic error resulted in the reduction of the awarded amount, and the appointment letter had to be adjusted accordingly.	Limgroup Consulting	25 Jun 2020	R1 071 225.00
Procurement of executive laptop	IT	Only one quote obtained for procurement of executive laptop due to emergency.	Vukani Technologies	02 Jul 2019	R25 429.00
Lufhereng Turnkey Development	Housing Development	Contract concluded by another organ of the state	Lufhereng Development Company	16 Sept 2019	R209 029 660.00
Devland Turnkey Development	Housing Development	Contract concluded by another organ of the state	Urban Dynamics Gauteng	22 Nov 2019	R241 095 613.00

b). PAYMENTS WITHIN 30 DAYS

The MFMA requires that Municipal entities pay suppliers within the 30-day period. In the year to June 2020, a significant number of suppliers were paid within the prescribed period (with a minor number of suppliers paid post the 30-day period). Delays were caused by the extended time for the verification of banking details for suppliers who had changed their business bank accounts. Additional delays were a result of a number of financial officials working from home due to COVID-19.

c). ACHIEVEMENT ON BBBEE

The organisation strives to ensure that procurement of good and/or services involves start-up and mature black-owned companies, with a view to assist in skills capacitation. In the year under review, JOSHCO continued to ensure that black-owned companies were involved in the supply of good and/or services. Below is the quarter-to-quarter analysis ending June 2020.

Below is the quarter-to-quarter analysis ending June 2020.

Table 38: Summary of Spend to at least 51% Black-Owned Companies to the as at 30 June 2020.

Period	Total OPEX from procurement R'000	OPEX to at least 51% black owned companies R'000	% Spend for the period
Quarter 1	12,149	4,125	34%
Quarter 2	18,251	4,274	23%
Quarter 3	6,909	6,909	100%
Quarter 4	17,474	16,489	94%
Total for the year	**54,783**	**31,797**	**58%**
Quarter 1	26,316	25,869	98%
Quarter 2	114,399	38,588	34%
Quarter 3	49,212	49,212	100%
Quarter 4	122,652	105,780	86%
Total for the year	**312,579**	**219,449**	**70%**

d). REPORT ON IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

The cumulative irregular expenditure as at 30 June 2020, amounted R80,1 million. Of the cumulative amount, R32 million was incurred in the year under review. Irregular expenditure was incurred for security services contracts which were extended beyond the allowed threshold pending finalisation of insourcing and related to the insurance contract secured by CoJ. Another contributor is overspending of the budget with governance, staff, and administrative costs being over budget. The entity has incurred fruitless and wasteful expenditure of R1.2 million to date, of which R37 937 was incurred in the current year for advertising costs on cancelled tenders.

SECTION 7:

PENDING LITIGATIONS AND POSSIBLE LIABILITIES

- **JOSHCO//JEH PROPERTIES AND DEMPSTER MCKINNON – CANCELLATION OF A PROPERTY SALE AGREEMENT**

  The matter concerns the sale of property between JOSHCO and JEH Properties. JOSHCO purchased immovable property situated at no. 195 Commissioner Street, Johannesburg. The property was purchased on the 03 April 2014, for an amount of R6 500 000 (six million, five hundred thousand Rands). JOSHCO attempted to cancel the Sale Agreement and to recover the purchase price following the seller's failure to provide JOSHCO with vacant occupation. The attorneys had advised JOSHCO to assess the condition of the property in order to make a decision on whether to proceed with cancellation or finalise the sale. Following further discussions, it was proposed that JOSHCO proceed with the purchase as the full purchase price and transfer costs had been paid.

  Progress: JOSHCO's attorneys have been experiencing difficulty in contacting the seller to finalise the transfer process. Upon conducting a company search, it was discovered that JEH Properties may be in the process of deregistration at the Companies and Intellectual Property Commission. Should JOSHCO's attorneys be unable to receive assistance from the appointed conveyancers, they will approach the court with an application to have the transfer process finalised.

- **JOSHCO//SKN CONSULTING – CLAIM FOR DAMAGES**

  JOSHCO had appointed SKN Consulting (SKN) as project managers on the Randburg Selkirk project. In 2014, SKN sent a notice to JOSHCO demanding payment of professional fees, alleging that JOSHCO had failed to pay the full fees for stages one and two of the project. JOSHCO's reasons for non-payment of the full fees related to non-performance. SKN failed to execute stages one to three of the project to JOSHCO's satisfaction and also failed after numerous meetings to provide JOSHCO with a viable project. JOSHCO then instituted a claim against SKN for damages suffered as a result of their non-performance. The matter was referred for arbitration. Further to the referral, SKN failed to respond to a formal request to provide further details on its defence.

Due to unsuccessful attempts to meet with the attorney initially appointed on the matter, and dissatisfaction with the pace at which the matter had been handled, a request was sent to the City's Legal department to appoint a new attorney to take over and finalise this matter. The attorney was appointed and briefed to proceed with an application for default judgment and finalise the matter.

Progress: The matter could not be finalised in the fourth quarter due to the country's COVID-19 lockdown regulations. It is however anticipated that the matter will be concluded before the end of the calendar year.

- **GOSIAME CONSULTANTS AND NCO-MALI PROJECTS // JOSHCO**
  Gosiame Development Consultants (Pty) Ltd and Nco-Mali Projects CC instituted action for payment of professional fees allegedly incurred on the Randburg Selkirk project in 2015. The total amount claimed is R653 378.47 (including interest). The two companies allege that they were appointed by JOSHCO to provide quantity surveying and architectural services on the project and were never paid for the work done. In September 2019, the above companies filed a notice of intention to amend their initial court papers (particulars of claim), to which JOSHCO objected. The amendments related to details of a briefing session that the companies attended prior to their alleged appointments. There have been no new developments on the matter and we currently await further action from the two companies, after which an update will be provided to the Board.

- **APPLICATIONS FOR DEMOLITIONS – DOBSONVILLE**
  The matter concerns eight properties surrounding JOSHCO's Dobsonville project, which are encroaching onto the site. Following unsuccessful negotiations between JOSHCO and the property owners for demolition of the encroaching structures, attorneys were appointed to institute court applications for demolitions. The attorneys were requested to lodge the eight applications separately in order to avoid one property owner delaying other demolitions. The court applications were served on the property owners in January 2020, and none of the applications were opposed. As a result, the attorneys applied to have the matters heard on 12 March 2020, on an unopposed basis. The property owners however claimed that they were never served with the initial applications and that they only became aware of the court matter when they were served with notices for the court date of 12 March 2020. The court requested that the applications be re-served. The attorneys then arranged with the sheriff to re-serve the applications on 21 March 2020.

  Progress: The attorneys have further applied for a court date for the matters to be heard on an unopposed basis however, a date has not yet been secured as the attorneys are awaiting directives from the court on the process of setting down the matters on the unopposed court roll under the current lockdown regulations.

- **VARIOUS EVICTIONS AND RECOVERY OF OUTSTANDING RENTAL**
  There is currently a total of 173 matters in process for evictions and recovery of outstanding rental.

  Progress: Ten eviction orders have been obtained to date, while actions for recovery of rent are still ongoing. Twenty matters have been set down for hearing for 02 July 2020, for eviction orders while 50matters are ready for default judgment applications for recovery of rental. Court dates for default applications will be obtained once the relevant court provides directives on the process of obtaining court dates under the current lockdown regulations.

APPLICATIONS FOR INTERDICTS

- **Kliptown Square**
  An urgent application for an interdict was lodged against a number of tenants who were instigating protests at the property and harassing the housing supervisor.

  Progress: The matter was last heard on 27 January 2020, and was postponed to 04 June 2020, for respondents to file their supplementary affidavits. The matter has been further postponed to 07 September 2020, due to the lockdown restrictions, and the Respondent's lack of facilities for a virtual trial. The Respondents still do not have legal representation at this stage, which is contributing to the numerous postponements.

- **MOGALE SOLUTION PROVIDERS (PTY) LTD // JOSHCO**

  Mogale Solution Providers (Pty) Ltd (Mogale Solutions) instituted action against JOSHCO for payment of costs allegedly incurred in the recruitment process for the Chief Financial Officer position. The total amount claimed is R263 925.00 including interest. An attorney was appointed to file a defence on the matter as JOSHCO is disputing the amount claimed.

  Progress: The matter is still in progress and a Pre-Trial Conference has been set for 03 July 2020, to determine if parties can agree on certain issues prior to actual hearing in court, to further determine what the common factors are as well as factors that remain in dispute but most importantly to ascertain if it is possible to settle this matter outside court. JOSHCO has proposed a settlement of 50% of the amount claimed, and awaits a response from Mogale Solutions.

- **CEBOLAKHE ZONDO AND 299 OTHERS // JOSHCO, COJ MUNICIPALITY, DILUCULO (PTY) LTD, PENNYILLE HOUSING (PTY) LTD AND ERF 238 STORMILL X9 (PTY) LTD**

  This is an application lodged by 300 applicants against JOSHCO and the companies mentioned above. Only the applicants' answering affidavit and notice of set down (notice of court date) had been served on JOSHCO and as such it was difficult to determine the nature of the matter. An attorney was appointed to obtain all court documents from the court file and oppose the application. The appointed attorney provided clarity herein, and advised that this an old application where in 2016, alleged members of the local community brought an application seeking, in essence, an order declaring "illegal, null and void and of no effect" on the sale of the Pennyville land by the City to Diluculo. Except for opposing papers having been filed by the new and current owners of the land, there have been no developments in this matter since the initial application was removed from the court roll in 2016. The matter was last heard on 14 October 2019, and judgment was reserved.

  Progress: During the lockdown period the court handed down judgment in this matter. The court found that the applicants did not have a valid claim in law but in any event their claim had prescribed. The effective result is that the claim to have the City's Land Development Agreement in relation to Pennyville set aside failed.

NEW MATTERS

- **SMEC SOUTH AFRICA (PTY) LTD// JOSHCO**

  SMEC South Africa has lodged a claim against JOSHCO for unpaid invoices on professional services (project management) rendered in respect of the refurbishment work on the Kliptown Golf course project. The claim is for an amount of R1 664 201.37.

  Progress: Discussions are being held on how the amount will be settled, so as to prevent a cost order against JOSHCO.

- **ESOR CONSTRUCTION // JOSHCO**

  Esor Construction has instituted a claim against JOSHCO for work done on the Casa Mia refurbishment project. The claim is for an amount of R4 019 239.39.

  Progress: Discussions are being held on how the amount can be settled in order to avoid further expenses on legal fees.

SECTION 8:

STATEMENT ON AMOUNTS OWED BY AND TO GOVERNMENT

Table 39: Amounts owed to or by Departments and Public Entities as at 30 June 2020.

Name of department	Amounts owed/(owing) R'000	Account status
City of Johannesburg: Sweeping account	12,032	Current
City of Johannesburg: Treasury	5,958	60 days overdue
City of Johannesburg: Finance	(6,506)	60 days overdue
City of Johannesburg: Housing	97,983	60 days overdue
City of Johannesburg: CAM	132,176	90 days overdue
Gauteng Department of Human Settlements	15,969	180 days overdue
Total	257,612	

CHAPTER

6

INTERNAL AND EXTERNAL AUDIT FINDINGS

SECTION 1:
INTERNAL AUDIT FUNCTION

The Entity's internal audit function is fully outsourced to OMA Chartered Accountants Inc. until the end of January 2020. An Internal Audit Manager was appointed in the third quarter, to establish and capacitate the audit function of the organisation. The main purpose of an internal audit function is to ensure that its activities are governed by the International Standards for Professional Practice of Internal Auditing of the Institute of Internal Auditors. The established internal audit function is an independent assurance function that is functionally accountable to the Audit and Risk Committee, its terms of reference are included in the Internal Audit Charter approved by the Committee. As at 30 June 2020, the below internal audit cycles audited and completed.

These are indicated below:

Table 40: The table below indicates the planned audits that were completed for the as at 30 June 2020.

Audit	Status
1. Compliance	Completed
2. Revenue Management	Completed
3. Housing Management	Completed
4. Performance of Information quarter 1	Completed

SECTION 2:
PROGRESS ON RESOLUTION OF INTERNAL AUDIT FINDINGS

The table below contains progress made in closing the internal audit. The reported number of findings that are resolved does not include findings that have not yet been verified by internal audit. As such the percentage is significantly low.

Table 41: Audit findings raised by Internal Audit as at 30 June 2020.

Current Year: 2019/20				
FY	Findings Raised	Resolved by Management	Verified by Internal Audit	% Resolved
Findings Raised during 2019/2019	146	100	96	66%
Total	**146**	**100**	**96**	**66%**

SECTION 3:

PROGRESS ON RESOLUTION OF EXTERNAL AUDIT FINDINGS

The Auditor-General completed its 2018/2019 audit in December 2019, and a total of 28 findings were raised during the audit. Eight of the findings have been verified by internal audits as having been resolved. Of the findings raised, 14 have been resolved by management.

Table 42: Audit findings raised by Auditor General as at 30 June 2020.

Audited Year: 2018/19				
FY	Findings Raised	Resolved by Management	Verified by Internal Audit	% Resolved
Findings Raised during 2018/2019 Audit	28	14	8	21%
Findings affected opinion			8	
Total	**28**	**14**	**8**	**21%**

SECTION 4:

PROGRESS ON RESOLUTION OF INTERNAL AUDIT FINDINGS

As at 30 June 2020, the overall observation of internal auditor, was that the organisational controls are generally ineffective and inadequate. This observation can be largely seen from the overall performance of the organisation and further concluded that areas of improvement have been identified which require urgent management attention. It is important to note that, management has commenced with putting measure in place to comply with standard 2100 of the International Standards of Internal Auditors.

Report of the Auditor-General to Gauteng Provincial Legislature and council of the City of Johannesburg Metropolitan Municipality on Johannesburg Social Housing Company (SOC) Limited

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Johannesburg Social Housing Company SOC Ltd set out on pages 102 to 153, which comprise the statement of financial position as at 30 June 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Johannesburg Social Housing Company SOC Ltd as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Companies Act 71 of 2008 (the Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the municipal entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

7. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2019 were restated as a result of an error in the financial statements of the municipal entity at, and for the year ended, 30 June 2020.

Material impairments

8. As disclosed in note 5 to the financial statements, the receivables from exchange transactions balance has been impaired. The allowance for impairment of trade debtors was R150 528 192 (2018-19: R96 586 996}, which represents 89,67% (2018-19: 89,30%} of total receivables from exchange transactions. The contribution to the allowance for impairment was R52 596 176 (2018-19: R42 933 522).

Other matter

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

10. In terms of section 125(2)(e) of the MFMA, the municipal entity is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of accounting officer for the financial statements

11. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and the Companies Act, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

12. In preparing the financial statements, the accounting officer is responsible for assessing the municipal entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal entity or to cease operations, or has no realistic alternative but to do so.

Auditor-General's responsibilities for the audit of the financial statements

13. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected objective presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

16. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipal entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures do not examine whether the actions taken by the municipal entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the municipal entity's annual performance report for the year ended 30 June 2020:

Objective	Pages in the annual performance report
Objective 3 – Increase the number of social housing projects in the Inner City	58 - 59

18. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

19. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objective:

- Objective 3 – Increase the number of social housing projects in the Inner City

Other matter

20. I draw attention to the matter below.

Achievement of planned targets

21. Refer to the annual performance report on pages 56 to 61 for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipal entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

23. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

24. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of receivables from exchange transactions, contingent liabilities, provisions, taxation, deferred tax and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

25. Expenditure was incurred in excess of the approved budget, in contravention of section 87(8) of the MFMA.

Consequences Management

26. Irregular expenditure and fruitless and wasteful expenditure incurred by the municipal entity was not investigated to determine whether any person was liable for the expenditure, as required by municipal budget and reporting regulations 75(1).

27. Allegations of financial misconduct laid against officials of the municipal entity were not investigated, as required by section 172(3)(a) of the MFMA.

Other information

28. Th accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information does not include the financial statements, the auditor's report and the selected objective presented in the annual performance report that has been specifically reported in this auditor's report.

29. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

30. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

31. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

32. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

33. Management of the municipal entity did not have sufficient monitoring and reviewing controls to ensure that financial reports submitted for auditing were accurate and complete and that action plans developed were adequately implemented.

34. Management did not adequately review and monitor compliance with applicable laws and regulations.

Auditor-General

Johannesburg

26 March 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-General's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objective and on the municipal entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

   - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipal entity's internal control.

   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting officer.

   - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Johannesburg Social Housing Company SOC Ltd to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipal entity to cease operating as a going concern.

   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, the actions taken to eliminate threats or the safeguards applied.

CHAPTER

7

ANNUAL FINANCIAL STATEMENTS

Director's Responsibilities and Approval

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

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The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

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

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

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

The financial statements set out on page 104 to 153, which have been prepared on the going concern basis, were approved by the board on 22 October 2020 and were signed on their behalf by:

Mr Theodore Dhlamini
Chairperson

Mr Victor Rambau
Chief Executive Officer

Director's and Audit Committee's Report

The directors submit their report for the year ended 30 June 2020.

1. INCORPORATION

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

2. REVIEW OF ACTIVITIES

Business and operations

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

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

The Service Delivery Agreement is entered into between the Parties with the principal objective of providing a framework within which detailed service delivery plans can be developed and implemented by JOSHCO in a manner which is consistent with and which will play a part in giving effect to the City's strategic planning processes. It clearly provides, amongst other things, the set of Key performance areas that the entity should deliver on, the service areas where JOSHCO should service, the service level standard that the entity should adhere to when providing services and the roles and responsibilities of both the entity and the parent municipality.

During the year ended 30 June 2020 there were no major changes in the activities of the business.

The financial position of the company shows a net liability position of R104,749,515 (2019 net liability (R24,989,202). Deficit for the year of the entity was R79,760,199 (2019: deficit R55,654,027), after taxation of R(370,538) (2019: (R (10,372,325))).

3. GOING-CONCERN

We draw attention to the fact that at 30 June 2020, the entity had an accumulated (deficit) of R (104,749,515) and that the entity's total liabilities exceed its assets by R (104,749,395).

The 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 entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the entity from its Shareholder, the City of Johannesburg Metropolitan Municipality.

4. SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year, to date of this report, not otherwise dealt with in the financial statements (note 35), which significantly affect the financial position of the company or the results of its operations that would require adjustments to or disclosure in the financial statements.

5. DIRECTORS' PERSONAL FINANCIAL INTEREST

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

6. ACCOUNTING POLICIES

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

7. SHARE CAPITAL

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

8. BORROWING LIMITATIONS

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

9. CHANGES TO ASSETS AND LIABILITIES

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

10. DIRECTORS

The JOSHCO Board was appointed through an ordinary that was passed at the Annual General Meeting. The following members served under the JOSHCO Board during the year ended 30 June 2020:

Name of Board Members	Membership	Effective Date	Retired/resign date
Mr Tumelo Mlangeni	Non-Executive	Reappointed 12 April 2019	Retired 11 March 2020
Mr Thabo Motloung	Non-Executive	Reappointed 12 April 2019	Retired 11 March 2020
Mr Nyambeleni Tshindane	Non-Executive	Reappointed 12 April 2019	Retired 11 March 2020
Prof Kevin Wall	Non-Executive	Reappointed 12 April 2019	Retired 11 March 2020
Prof Wellington Thwala	Non-Executive	Reappointed 12 April 2019	Retired 11 March 2020
Mr Kgalema Mohuba	Non-Executive	Appointed 12 April 2019	Retired 11 March 2020
Mr Thami Bolani	Non-Executive	Appointed 12 April 2019	Retired 11 March 2020
Mr Tumisho Makofane	Non-Executive	Appointed 12 April 2019	Retired 11 March 2020
Mr Mzamani Khubayi	Non-Executive	Appointed 12 April 2019	Retired 11 March 2020
Ms. Nontobeko Ndimande	Executive Director	Appointed 17 September 2018	To date
Mr Victor Rambau	Executive Director	Appointed 1 July 2019	To date
Mr Robert Hill	Independent Audit Committee Member	Reappointed 12 April 2019	Resigned 11 March 2020
Mr Lindani Mabuza	Independent Audit Committee Member	Appointed 12 April 2019	Retired 11 March 2020
Mr Lesiba Makape	Independent Audit Committee Member	Appointed 12 April 2019	Retired 11 March 2020
Mr Theodore Dhlamini (Chairperson)	Non-Executive	Appointed 11 March 2020	To date
Mr Themba Mamba	Non-Executive	Appointed 11 March 2020	To date

10. DIRECTORS (continued)

Mr Moerane Maimane	Non-Executive	Appointed 11 March 2020	To date
Mr Simphiwe Mhlongo	Non-Executive	Appointed 11 March 2020	To date
Mr Xolani Dlwathi	Non-Executive	Appointed 11 March 2020	To date
Ms. Brenda Makhanya	Non-Executive	Appointed 11 March 2020	To date
Ms. Grace Boikhanyo	Non-Executive	Appointed 11 March 2020	To date
Ms. Sebongile Bhengu	Non-Executive	Appointed 11 March 2020	To date
Mr Moshupi Mokgobinyane	Independent Audit Committee Member	Appointed 11 March 2020	To date
Mr Jason Sobekwa	Non-Executive	Appointed 11 March 2020	To date
Ms. Lesetsa Matshekga	Independent Audit Committee Member	Appointed 11 March 2020	To date

11. CORPORATE GOVERNANCE

General

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

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

Board of directors

The Board:

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

Chairperson and Chief Executive Officer

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

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

Remuneration

The upper limit of the total remuneration for the Chief Executive Officer is determined by the upper limits set for municipalities by the Department of Co-operative Governance and Traditional Affairs (COGTA). The limit of the remuneration of executive managers of the entity are determined by the parent municipality. The Board approves the remuneration within the above mentioned limits.

Board and Board Sub-Committee meetings

The board of directors has met on 13 occasions during the financial year ended 30 June 2020. The Board meetings consisted of four Ordinary Meetings and 9 Special meetings that were convened to discuss urgent business matters. The AGM that was held on 11 March 2020.

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

Attendance at board and sub-committee meetings was recorded as follows:

Director/Member	Board	Development	Audit and Risk	Social Ethics & HR
Total Number of Meetings	13	4	6	4
Mr Tumelo Mlangeni	6	-	-	-
Prof Kevin Wall	6	3	-	-
Dr. Didibhuku Wellington Thwala	6	-	-	3
Mr Thabo Motloung	6	-	5	-
Ms Nontobeko Ndimande	6	3	5	3
Mr Victor Rambau	7	3	5	2
Mr Nyambeleni Tshindane	6	3	-	-
Mr Thami Bolani	6	-	-	3
Mr Mzamani Khubayi	6	-	-	3
Mr Tumisho Mafokane	6	3	-	-
Mr Kgalema Mohuba	6	3	-	-
Mr Robert Hill	-	-	3	-
Mr Lesiba Makape	-	-	4	-
Mr Lindani Mabuza	-	-	5	-
Mr Theordore Dhlamini	7	-	-	-
Mr Themba Mamba	4	1	-	-
Mr Xolani Dlwathi	6	2	-	-
Mr Simphiwe Mhlongo	7	-	-	1
Mr Moerane Maimane	7	-	-	1
Ms Sibongile Bhengu	5	-	-	1
Ms Brenda Makhanya	7	-	-	1
Ms Grace Boikanyo	7	2	-	-
Mr Jason Sobekwa	7	2	2	-
Mr Moshupi Mokgobinyane	2	-	2	-
Mr Lesetsa Matshekga	-	-	2	-

Audit and Risk Committee

In terms of Section 166 of the Municipal Finance Management Act, City of Johannesburg Metropolitan Municipality, as a parent municipality, must appoint members of the Audit Committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that parent municipalities should appoint further members of the company's audit committees who are not directors of the municipal company onto the audit committee. The City of Johannesburg, as a parent municipality, was satisfied that the Audit Committee of the company is properly constituted to fulfil its role and to advise the Board of its responsibilities as provided in Section 166 of the Municipal Finance Management Act.

For the year ended 30 June 2020 the committee met six occasions and was constituted as follows:

Director/Member	Role
Mr Moshupi Mokgobinyane	Independent Audit Committee Member and Chairperson
Mr Jason Sobekwa	Non-executive director
Mr Lesetsa Matshekga	Independent Audit Committee Member
Mr Thabo Motloung*	Non-executive director and Chairperson
Mr Robert Hill^	Independent Audit Committee Member
Mr Lindani Mabuza*	Independent Audit Committee Member
Mr Lesiba Makape*	Independent Audit Committee Member

**Retired 11 March 2020*
^Resigned 11 March 2020

Development Committee

For the year ended 30 June 2020 the committee met four occasions and was constituted as follows:

Director	Role
Ms Gaby Boikanyo	Non-executive director and Chairperson
Mr Jason Sobekwa	Non- executive Director
Mr Xolani Dlwathi	Non- executive Director
Mr Themba Mamba	Non- executive Director
Mr Nyambeleni Tshindane*	Non-executive director and Chairperson
Mr Tumisho Makofane*	Non-executive director and member
Mr Kgalema Mohuba*	Non-executive director and member
Prof. Kevin Wall*	Non-executive director and member

**Retired on 11 March 2020*

Social And Ethics and Human Resource Committee

For the year ended 30 June 2020 the committee met four occasions and was constituted as follows:

Director	Role
Mr Moerane Maimane	Non-executive director and Chairperson
Mr Simphiwe Mhlongo	Non- executive Director
Ms Sibongile Bhengu	Non- executive Director

Social And Ethics and Human Resource Committee (continued)

Ms Brenda Makhanya	Non- executive Director
Mr Mzamani Khubayi*	Non-executive director and Chairperson
Mr Tumisho Makofane*	Non-executive director and Member
Mr Thami Bolani*	Non-Executive director and Member
Mr Prof Wellington Thwala*	Non-executive director and Member

**Retired 11 March 2020.*

Internal audit

The company has outsourced its internal audit function to OMA Chartered Accountants Incorporated. The role is in accordance with Section 165 of the Municipal Finance Management Act (Act 56 of 2003). The contract ended on 31 January 2020. The Internal Audit Manager was appointed from 1 May 2020. The company is gradually capacitating the unit until it reaches its capacity.

The internal audit unit is operational, and this is in compliance with Municipal Finance Management Act (Act 56 of 2003).

12. ECONOMIC ENTITY

The company's parent municipality is The City of Johannesburg Metropolitan Municipality incorporated in South Africa, in terms of the Municipal Systems Act.

13. INTEREST IN JOINTLY CONTROLLED ENTITIES

JOSHCO Madulamoho Joint Venture (JMJV)	R607 090

Name of Jointly controlled entity	Net Surplus
JOSHCO Madulamoho Joint Venture (JMJV)	R1 103 800

The JMJV was formed between JOSHCO and Madulamoho Housing in 2006 for the development and continued management of the BG Alexander building. The main transactions between JOSHCO and the JMJV were accounts receivable in respect of provincial subsidies payable by the JMJV to JOSHCO. JOSHCO has also accounted for its 55% share of the surplus from the joint venture in its consolidated financial statements amounting to R607,090 (2019: Surplus R737,890). The entity is exempt from preparing consolidated financial statements as it is itself a wholly owned controlled entity.

14. SPECIAL RESOLUTIONS

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

15. AUDITORS

The Auditor General South Africa are the external auditors as required by the MFMA and the Public Audit Act.

Audit Committee's Report

We are pleased to present our report for the financial year ended 30 June 2020.

Audit committee members and attendance

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

Name of Audit Committee Members	Audit Committee		
	Attendance	Absent	Apologies
Mr. Moshupi Mokgobinyane	2	-	-
Mr. Jason Sobekwa	2	-	-
Mr. Lesetsa Matshekga	2	-	-
Mr. Thabo Motloung	5	-	-
Mr. Robert Hill	3	-	-
Mr. Lindani Mabuza	5	-	-
Mr. Lesiba Makape	4	-	-

Audit Committee responsibility

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

The effectiveness of internal control and risk management

Internal audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and recommended enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General of South Africa (AGSA), it was noted that there were matters reported that indicate deficiencies in the system of internal control. Accordingly, we can report that the system of internal control over financial reporting for the period under review was ineffective. Management is implimenting internal audit recommendations and revising internal controls, processes and procedures to strenghten internal controls within the company.

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

Evaluation of financial statements

We have:

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

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

Auditor-General of South Africa

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

Company Secretary's Certification

Declaration by the Company Secretary in respect of Section 88(2) (e) of the Companies Act

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

Ms. Xolisile Nontobeko Njapha
Company Secretary

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	2	345 671	235 717
Loans to shareholders	3	17 990 181	83 563 933
Current tax receivable		49 706	-
Receivables from exchange transactions	5	272 180 564	112 647 793
VAT receivable	15	1 058 168	1 171 949
Cash and cash equivalents	6	165 909 035	156 356 105
		457 533 325	**353 975 497**
Non-Current Assets			
Property, plant and equipment	7	5 359 396	4 187 655
Intangible assets	8	460 086	446 031
Investment in joint venture	9	23 761 556	24 254 466
Deferred tax	10	22 526 454	22 155 916
		52 107 492	**51 044 068**
Total Assets		**509 640 817**	**405 019 565**
Liabilities			
Current Liabilities			
Borrowings - DBSA	11	2 141 827	948 454
Current tax payable		-	423 642
Finance lease obligation	13	498 377	166 336
Operating lease liability	4	-	28 759
Payables from exchange transactions	12	599,805,474	413 408 810
Provisions	14	-	1 220 160
		602 944 948	**416 196 161**
Non-Current Liabilities			
Borrowings - DBSA	11	11 140 227	13 282 054
Finance lease obligation	13	626 507	352 752
Deferred income from non-exchange transactions	16	177 800	177 800
		11 944 534	**13 812 606**
Total Liabilities		**614 390 212**	**430 008 767**
Net Assets		**(104 749 395)**	**(24 989 202)**
Share capital	18	120	120
Accumulated surplus		(101 847 241)	(24 989 322)
Total Net Assets		**(101 847 121)**	**(24 989 202)**

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Rendering of services	19	13 574 079	7 617 142
Rental facilities and equipment	19	151 150 439	128 678 969
Utility Recoveries	19	502 904	754 874
Other income (Exchange transaction)	19	496 776	363 445
Interest received	25	13 890 782	13 045 450
Total revenue from exchange transactions		**179 614 980**	**150 459 880**
Revenue from non-exchange transactions			
Other			
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method	9	607 090	737 890
Transfer revenue			
Government grants & subsidies	19	19 098 000	26 941 000
Total revenue from non-exchange transactions		**19 705 090**	**27 678 890**
Total revenue	**19**	**199 320 070**	**178 138 770**
Expenditure			
Personnel	21	(115 085 979)	(52 079 068)
Other housing management costs	24	(53 944 232)	(75 780 204)
Depreciation and amortization	26	(1 235 054)	(804 040)
Finance costs	27	(1 173 025)	(1 247 847)
Loss on disposal of assets		(177 400)	(1 508)
Administrative	20	(107 835 117)	(114 252 455)
Total expenditure		**(279 450 807)**	**(244 165 122)**
Deficit before taxation		**(80 130 737)**	**(66 026 352)**
Taxation	28	370 538	10 372 325
Deficit for the year		**(79 760 199)**	**(55 654 027)**

Statement of Changes in Net Assets

Figures in Rand		Share capital	Accumulate surplus	Total Net Assets
Balance at 01 July 2018		**120**	**30 664 705**	**30 664 825**
Changes in net assets				
Surplus for the year		-	(55 654 027)	(55 654 027)
Total changes		**-**	(55 654 027)	(55 654 027)
Restated* Balance at 01 July 2019		120	(24 989 316)	(24 989 196)
Changes in net assets				
Surplus for the year		-	(79 760 199)	(79 760 199)
Total changes		-	(79 760 199)	(79 760 199))
Balance at 30 June 2020		**120**	**(104 749 515)**	**(104 749 395)**
Note(s)	18			

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		160 326 225	128 678 969
Grants		19 098 000	26 941 000
Interest Received		13 890 782	13 045 450
Other receipts		3 600 306	7 617 142
		196 915 313	176 282 561
Payments			
Employee costs		(107 612 657)	(51 902 434)
Suppliers		(139 503 749)	(101 289 123)
Finance costs		(1 173 025)	(1 247 847)
		(248 289 431)	(154 439 404)
Net cash flows from operating activities	29	**(51 374 118)**	**21 843 157**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(2 460 250)	(741 921)
Purchase of other intangible assets	8	(138 000)	(77 097)
Movement in investments (incl. Controlled entities, JVs & Assoc)		(1 100 000)	-
Net cash flows from investing activities		**(3 698 250)**	**(819 018)**
Cash flows from financing activities			
Net movement on borrowings- DBSA		(948 454)	(874 939)
Proceeds from shareholders loan		65 573 752	119 895 259
Net cash flows from financing activities		**64 625 298**	**119 020 320**
Net increase/(decrease) in cash and cash equivalents		**9 552 930**	**140 044 459**
Cash and cash equivalents at the beginning of the year		156 356 105	16 311 646
Cash and cash equivalents at the end of the year	6	**165 909 035**	**156 356 105**

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	12 103 000	(6 000 000)	6 103 000	13 574 079	7 471 079	37
Rental facilities and equipment	146 990 000	-	146 990 000	151 150 439	4 160 439	37
Recoveries	667 000	-	667 000	502 904	(164 096)	37
Other income	2 413 000	(801 000)	1 612 000	496 776	(1 115 224)	37
Interest received - investment	9 787 000	(2 200 000)	7 587 000	13 890 782	6 303 782	37
Total revenue from exchange transactions	**171 960 000**	**(9 001 000)**	**162 959 000**	**179 614 980**	**16 655 980**	
Revenue from non-exchange transaction						
Taxation revenue						
Share of surplus from associates and joint ventures	-	-	-	607 090	607 090	
Transfer revenue						
Government grants & subsidies	29 677 000	(10 579 000)	**19 098 000**	19 098 000	-	37
Total revenue from non-exchange transactions	**29 677 000**	**(10 579 000)**	**19 098 000**	**19 705 090**	**607 090**	
Total revenue	**201 637 000**	**(19 580 000)**	**182 057 000**	**199 320 070**	**17 263 070**	
Expenditure						
Governance and staff costs	(96 055 000)	15 804 000	(80 251 000)	115 085 979)	(34 834 979)	37
Other project costs	(23 008 000)	(4 000 000)	(27 008 000)	(53 944 232)	(26 936 232)	37
Depreciation and amortisation	(1 350 000)	-	(1 350 000)	(1 235 054)	114 946	37
Finance costs	(1 450 000)	-	(1 450 000)	(1 173 025)	276 975	37
General Expenses	(78 274 000)	7 776 000	(70 498 000)	(107 835 117)	(37 337 117)	37
Total expenditure	**(200 137 000)**	**19 580 000**	**(180 557 000)**	**(279 273 407)**	**(98 716 407)**	
Operating Deficit	**1 500 000**	**-**	**1 500 000**	**(79 953 337)**	**(81 453 337)**	
Loss on disposal of assets and liabilities	-	-	-	(177 400)	(177 400)	37
Deficit before taxation	**1 500 000**	**-**	**1 500 000**	**(80 130 737)**	**(81 630 737)**	
Taxation	-	-	-	(370 538)	(370 538)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	1 500 000	-	1 500 000	(79 760 199)	(81 260 199)	

Accounting Policies

1. Presentation of Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standard Board (ASB). In the absence of effective Standard of GRAP, Directive 5 dated March 2009 from the ASB provides the continued application of International Financial Reporting Standards (IFRS). The recognition and measurements principles in the GRAP and IFRS statements do not differ as a result in material differences in items presented and disclosed in the financial statements. The annual financial statements are prepared on the historical cost basis except where otherwise stated and accounting policies applied are consistent with the application in previous years except where otherwise stated. The Financial statements fairly present the entity's Financial Position, Financial Performance and Cash Flow as per the requirements of GRAP 1.

1.1 Going concern assumption

These financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.2 Consolidation

Interests in joint ventures

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

- JOSHCO SOC Ltd	55%
- Madulamoho (Pty) Ltd	45%
Total	100%

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

An interest in a jointly controlled company is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with Standard of GRAP on non-current asset held-for-sale and discontinued operations. Under the equity method, interest in jointly controlled entities are carried in the consolidated statement of financial position at a cost adjusted for post-acquisition changes in the company's share net assets of the company, less any impairment deficits on transactions between the company and a joint venture are eliminated to the extent of the company's interest therein.

1.3 Significant accounting judgments and key sources of estimation uncertainty

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

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

Accounting Policies

Fair value estimation

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

Trade receivables and loans and receivables

The company assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss and recovery ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

VAT Receivable/(Payable)

The municipality is registered with the SARS for VAT on the cash basis in accordance with Section 15(2)(a) of the Value Added Tax Act, 81 of 1991.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and the condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

Accounting Policies

1.5 Property, plant, and equipment (continued)

The residual value and the useful life of each asset are reviewed at each reporting date. The useful life of items of property, plant, and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Leasehold property	Lower of the Lease Period or useful life (3 - 5 Years)
Furniture and fixtures	5- 8 Years
Motor vehicles	5 - 8 Years
Office equipment	5- 8 Years
IT equipment	5 - 8 Years
Leasehold improvements	Lower of the Lease Period or Useful life 3 Years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

The useful life of technological assets such as computers are set at R1 as these items are expected to have negligible sales value at the end of its useful life.

The residual value of all other assets with a cost less than R5 000 are estimated at 10% of the cost as this is appropriately the maximum amount expected to be at the end of its useful life.

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

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Accounting Policies

1.4 Property, plant and equipment (continued)

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; and
- arises from the contractual rights or other legal rights, regardless of whether those rights are transferable or separate from JOSHCO or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

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

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Computer software	3-8 years
Other intangible assets	3-7 years

1.6 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions, or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants (including capital grants) are recognised when there is reasonable assurance that:

- the company will comply with the conditions attached to them; and
- the grants will be received.

Accounting Policies

1.6 Conditional grants and receipts (continued)

A government grant that becomes receivable as compensation for expenses or deficit already incurred or for the purpose of giving immediate financial support to the company with no future related costs is recognised as income of the period in which it becomes receivable.

Capital grants are recorded as deferred income when they become receivable and are recognised as income on a systematic basis over the periods necessary to match grants with the related costs, which they are intended to compensate. Capital grants on infrastructure property, plant and equipment are credited on a straight-line basis to the Statement of Financial Performance based on the estimated useful life of the relevant infrastructure property, plant and equipment.

1.7 Investment in joint ventures

An interest in a joint venture is carried at cost. The cost of an investment is the aggregate of:

- The fair value of, at the date of acquisition or transfer of functions, assets given, liabilities incurred or assumed, and equity instruments issued by the entity; and
- Any cost directly attributable to the purchase of the jointly controlled entity.

1.8 Financial instruments

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

Subsequent to initial recognition the instruments are measured as set out below:

Financial assets

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

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

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for- sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Loans to/ (from) group companies

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

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Accounting Policies

1.8 Financial instruments (continued)

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) parent municipality

These are classified as loans and receivables.

Accounts and Other receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments, are considered indicators that the trade receivable is impaired.

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the allowance is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written-off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written-off are credited against operating expenses in surplus or deficit.

Payables from exchange transactions

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

Cash and cash equivalents

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

Financial liabilities

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

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

Loans to / (from) group companies

As noted in the financial assets above.

Accounts and other payables

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

Interest bearing borrowings and overdraft

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

Accounting Policies

1.8 Financial instruments (continued)

Gains and losses

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

De-recognition

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

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

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

1.9 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Accounting Policies

1.9 Tax (continued)

Tax expenses

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

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

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

1.10 Leases

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

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

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

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

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Accounting Policies

1.11 Inventories (continued)

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period that the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Construction contracts and receivables

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

1.12 Events after reporting date

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

Two types of events can be identified:

a. those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
b. those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date) Additional text.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

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

Useful life is either:
- the period over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

1.15 Share capital

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.

1.16 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits are recognised in the period in which the service is rendered and is not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The company's retirement benefit plan is managed by the parent municipality.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Accounting Policies

1.17 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

1.18 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments, which is disclosed in note 32.

1.19 Revenue from exchange transactions

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

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

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

Management fees paid by the City of Johannesburg Metropolitan Municipality to the company to manage the properties owned by the City of Johannesburg Metropolitan Municipality, are recognised once the annual budget of the City of Johannesburg Metropolitan Municipality has been approved.

Project implementation fees, which are paid by the City of Johannesburg Metropolitan Municipality to the company and other contractors to manage the construction of new housing projects, are recognised at various stages of project implementation. The fee is determined on the construction cost of the project that will be developed or partly developed in the financial year until the construction of the project is complete.

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Provincial Government subsidies for projects undertaken by the Company are recognised when the Company incurs the cost of the project that is subsidised.

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

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

Interest and dividends

Revenue arising from the use by others of company assets yielding interest and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the company; and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified, or future economic benefits, or service potential must be returned to the transferor.

Control of an asset arises when the entity can use, or otherwise benefit from, the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether they pay taxes or not.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits, or service potential, are required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

1.21 Cash flow statement

The cashflow statement is prepared based on the direct method.

1.22 Investment income

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

1.23 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.24 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Accounting Policies

1.24 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal- agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.25 Comparative figures

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

1.26 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.28 Irregular expenditure

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

Irregular expenditure that was incurred and identified during the current financial period, and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write-off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/ expenditure item, to be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.29 Budget information

The budget is approved by the sole shareholder, the City of Johannesburg Metropolitan Municipality, on the accrual basis by functional classification. The operational budget is prepared using the zero-based budget methodology and applies to the period relevant to the Medium Term Expenditure Framework. The approved budget covers the fiscal periods 01 July 2018, to 30 June 2019.

JOSHCO presents a separate budget statement for public accountability. In the event of variances i.e. where actuals exceed the budgets by more than 1% of total revenue, reasons for such variances are noted on the budget statement. Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.30 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party - regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not the control over those policies.

Accounting Policies

1.30 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements.

1.31 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.32 Presentation of currency

These annual financial statements are presented in South African Rand.

1.33 Offsetting

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

Notes to the Financial Statements

Figures in Rand	2020	2019
2. INVENTORIES		
Consumable stores	345 671	235 717
There was no inventory written down in both the current and prior years.		
3. LOANS TO \ (FROM) SHAREHOLDERS		
Sweeping account - Interest bearing	12 032 012	77 605 764
Interest on Non-Sweeping Bank Accounts	5 958 169	5 958 169
	17 990 181	**83 563 933**

The companies did not default on any of the loans to/from parent municipality.

The loan to shareholders is made up of cash swept by the City of Joburg Treasury Department at the end of each day until 30 June 2020 from JOSHCO's operations bank account. The decrease is mainly due to settlement of intercompany transactions for staff costs and utilities. Interest on non-sweeping bank account is interest from historical accounts that were with Absa Bank before moving to Standard Bank.

Sweeping account		
Loans at beginning of the year	77 605 764	197 498 137
Receipts Advances	(65 573 752)	(119 892 373)
	12 032 012	**77 605 764**

The City of Johannesburg has an arrangement with all municipal owned entities (MOE's) that the bank accounts will be swept over night to the primary bank account of the City of Johannesburg. The required amounts by the MOE's will be swept back to their accounts when requested. The account bears interest at repo rate, compounded daily. Interest on the sweeping account is linked to the bank prime rate.

4. OPERATING LEASE LIABILITY

Current liabilities	-	(28 759)

Operating lease liability represents rental payable by the company in respect of offices as a result of straight lining of lease payments over the lease term. The lease payments are payable monthly and lease payments are straight-lined over a period of the lease. The operating lease agreement has been extended for a period of 24 months from 01 November 2017 to 02 November 2019. The operating lease agreement came to an end on 29 November 2019.

5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors	17 348 602	11 577 106
Sundry Deposits	118 091	118 091
Sundry debtors	29 965 968	15 622 095
Related party debtors	224 747 903	85 330 501
	272 6180 564	**112 647 793**

Trade Debtors

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

Security Deposits

These deposits are held by the lessor of the operating leases for the rental of JOSHCO Offices.

Sundry Debtors

Sundry debtors consist of Bursaries, Rent paid to Easy Pay and other utilities for projects under construction.

5. TAXATION (continued)

Project Debtors

Project debtors consist of the monies owed by provincial government

Related Party Debtors

Related party debtors consist of receivables from the City of Johannesburg Municipal Departments and other related parties

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 1 months past due are not considered to be impaired. At 30 June 2020, R7 652 376 (2019: R5 254 056) were past due but not impaired. JOSHCO has considered the impact of COVID-19 on the trade and other receivables balance not impaire and concluded that no significant increase in credit risk at reporting date.

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

Figures in Rand	2020	2019
1 month past due	7 652 376	5 254 056

Trade and other receivables impaired

As of 30 June 2020, trade and other receivables of R (150,528,192) (2019: R (96,586,997)) were impaired.

Trade Debtors	167 876 794	108 164 102
Less: Impairment of Consumer Debtors	(150 528 192)	(96 586 996)
Trade Debtors Balance	17 348 602	11 577 106

Reconciliation of provision for impairment of trade and other receivables

Opening balance	96 586 997	55 105 674
Provision for impairment	52 596 176	42 933 522
Other	1 345 019	(1 452 199)
	150 528 192	**96 586 997**

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	10 308	97
Bank balances	165 898 727	156 356 008
	165 909 035	**156 356 105**

6. CASH AND CASH EQUIVALENTS (continued)

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

Cash on hand consists of petty cash.

The funds held in the prior year related to funds received from Social Housing Regulatory Authority, were held in a separate bank account. These funds have been transferred to the main bank account.

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

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

The entity had the following bank accounts:

Figures in Rand					2020	2019
Account number/ description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
STANDARD BANK - 197750 - COJ DEP ACCOUNT	15 175 950	14 303 550	13 424 976	15 175 950	14 071 757	13 424 976
STANDARD BANK - 197769 - COJ JOSHCO FLEURHOF	14 303 550	13 424 976	12 609 233	14 071 757	13 424 976	12 609 233
STANDARD BANK - 197718 - COJ JOSHCO CHARGES	150 720 087	142 055 842	2 881 800	150 720 087	126 786 731	2 881 800
STANDARD BANK - 197726 - COJ JOSHCO MAIN	-	-	-	5 019	-	-
Total	**165 893 708**	**156 356 009**	**16 303 463**	**165 898 727**	**140 854 302**	**16 303 463**

7. PROPERTY, PLANT AND EQUIPMENT

	2020			2019		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	177 799	-	177 799	177 799	-	177 799
Leasehold property	1 519 731	(439 365)	1 080 366	2 136 201	(1 621 020)	515 181
Furniture and fixtures	2 556 649	(1 722 851)	833 798	2 556 649	(1 564 575)	992 074
Motor vehicles	350 643	(276 164)	74 479	350 643	(242 701)	107 942
Office equipment	1 593 886	(916 957)	676 929	1 601 686	(1 060 426)	541 260
IT equipment	4 335 850	(1 819 825)	2 516 025	4 024 680	(2 363 522)	1 661 158
Leasehold improvements	-	-	-	3 515 169	(3 322 928)	192 241
Total	**10 534 558**	**(5 175 162)**	**5 359 396**	**14 362 827**	**(10 175 172)**	**4 187 655**

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2020

	2020				2019
	Opening balance	Additions	Disposals	Depreciation	Total
Land	177 799	-	-	-	177 799
Leasehold property	515 181	974 262	-	(409 077)	1 080 366
Furniture and fixtures	992 074	-	-	(158 276)	833 798
Motor vehicles	107 942	-	-	(33 463)	74 479
Office equipment	541 260	243 918	(57)	(108 192)	676 929
IT equipment	1 661 158	1 242 071	(198)	(387 006)	2 516 025
Leasehold improvements	192 241	-	(177 128)	(15 113)	-
Total	4 187 655	2 460 251	(177 383)	(1 111 127)	5 359 396

Reconciliation of property, plant and equipment - 2019

	2020				2019
	Opening balance	Additions	Disposals	Depreciation	Total
Land	177 799	-	-	-	177 799
Leasehold property	20	545 470	-	(30 309)	515 181
Furniture and fixtures	1 041 957	111 020	(2 100)	(158 803)	992 074
Motor vehicles	141 405	-	-	(33 463)	107 942
Office equipment	571 999	58 426	(1 993)	(87 172)	541 260
IT equipment	1 416 818	572 475	-	(328 135)	1 661 158
Leasehold improvements	207 159	45 075	-	(59 993)	192 241
Total	3 557 157	1 332 466	(4 093)	(697 875)	4 187 655

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

	2020			2019		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Leasehold Improvement	-	-	-	3 515 169	(3 322 928)	192 241
Leasehold property	1 519 731	(439 365)	1 080 366	545 469	(30 289)	515 180
Total	**1 519 731**	**(439 365)**	**1 080 366**	**4 060 638**	**(3 353 217)**	**707 421**

Assets subject to finance lease (Net carrying amount)

Leasehold property	**1 080 366**	**515 181**
	1 080 366	**515 181**

8. INTANGIBLE ASSETS

	2020			2019		
	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 627 112	(1 167 026)	460 086	1 595 294	(1 149 263)	446 031

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Amortization	Total
Computer software	446 031	138 000	(16)	(123 929)	460 086

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortization	Total
Computer software	475 100	77 097	(106 166)	446 031

9. INVESTMENT IN JOINT VENTURE

Names of company	Listed/ Unlisted	Carrying amount 2020	Carrying amount 2019
JOSHCO Madulamoho Joint Venture (JMJV)	-	23 761 556	24 254 466

The carrying amount of the joint venture has shown net gain/(loss) of R607 090 (2019: R737 890)

Principal activities and reporting dates of joint venture

Names of entity	Principal activity	Reporting date	Period of Results included
JOSHCO Madulamoho Joint Venture (JMJV)	55%	2020/06/30	01 July 2019 to 30 June 2020

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

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

The JMJV has not been pledged as security.

Reconciliation of Investment in Joint Venture

Net asset value at the beginning of the year	24 254 465	23 516 575
Surplus for the year	607 090	737 890
Changes in Net assets	(1 100 000)	-
	23 761 555	**24 254 465**

10. DEFERRED TAX

Deferred tax asset

The deferred tax assets as detailed below will be offset against future taxable income.

Reconciliation of deferred tax asset \ (liability)

At beginning of year	22 155 916	11 783 591
Movement in temporary differences	370 538	13 732 625
Assessed loss for the year	14 487 645	(3 360 300)
	22 526 454	**22 155 916**

Unrecognised deferred tax asset

Deductible temporary differences not recignised as deferred tax assests	33 751 978

11. BORROWINGS - DBSA

At amortised cost

Development Bank of Southern Africa	13 282 054	14 230 508
Terms and conditions		

JOSHCO has two loans from Development Bank of Southern Africa (DBSA) for City Deep Housing Project an amount of R7 821 487.00 and Roodepoort Social Housing Project for R11 732 231.00. The loan period is for twenty years bearing interest at a fixed interest rate of 8.5% per annum. The borrowing is repayable in 36 equal six monthly instalments totaling R1 070 913.45 with the last redemption date in March 2029.

Non-current liabilities

At amortised cost	11 140 227	13 282 054

Current liabilities

At armortised cost	2 141 827	948 454

Figures in Rand	2020	2019

12. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	155 357 435	103 744 510
Payments received in advance	12 904 552	12 246 437
Accrued leave pay	11 593 388	2 777 906
Accrued finance costs	281 471	301 819
Payroll Liabilities -	-	122 000
Consumer deposit received	19 561 670	16 619 479
Provision	296 729	296 729
Related party creditors	399 810 229	277 299 930
	599 805 474	**413 408 810**

Figures in Rand	2020	2019

13. FINANCE LEASE OBLIGATION

Minimum lease payments due

- within one year	589 113	211 873
- in second to fifth year inclusive	666 954	388 433
	1 256 067	600 306
less: future finance charges	(131 182)	(81 218)
Present value of minimum lease payments	1 124 885	519 088

Present value of minimum lease payments due		
- within one year	498 377	166 336
- in second to fifth year inclusive	626 507	352 752
	1 124 884	519 088

Non-current liabilities	626 507	352 752
Current liabilities	498 377	166 336
	1 124 884	519 088

Reconciliation of provisions - 2018	Opening balance	Additions	Utilised during the year	Total
Performance Bonus	1 731 343	1 324 232	(1 731 343)	1 324 232
Other provisions	-	646 436	646 436	-
	1 731 343	1 970 668	(1 731 343)	1 970 668

The finance lease relates to office and computer equipment. The average lease term is 3 years. The company did not default on any of the interest or capital repayments of the finance lease. Interest rate, entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

14. PROVISIONS

Reconciliation of provisions - 2020	Opening balance	Utilised during the year	Total
Performance Bonus	1 220 160	(1 220 160)	1 220 160
Reconciliation of provisions - 2019			
Performance Bonus	1 324 231	(104 071)	1 220 160
Other provisions	646 436	(646 436)	-
	1 970 667	(750 507)	1 220 160

15. VAT RECEIVABLE

Figures in Rand	2020	2019
VAT Receivable	1 058 168	1 171 949

16. DEFERRED INCOME FROM NON-EXCHANGE TRANSACTIONS

Deferred income from non-exchange transactions comprises of:

Unspent conditional grants and receipts		
Local Government Grant - Roodepoort	177 800	177 800

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

17. FINANCIAL INSTRUMENTS DISCLOSURE

Categories of financial instruments

2020

Financial assets

	At amortized cost	Total
Loans to shareholders	17 990 181	17 990 181
Receivables from exchange transactions	272 659 435	272 659 435
Cash and cash equivalents	165 909 035	165 909 035
	456 558 651	**456 558 651**
Financial liabilities		
DBSA Loan	13 282 054	13 282 054
Payables from exchange transactions	600 304 744	600 304 744
Finance lease obligations	1 124 884	1 124 884
	614 711 682	**614 711 682**

2019

Financial assets		
Loans to shareholders	83 563 933	83 563 933
Receivables from exchange transactions	112 647 793	112 647 793
Cash and cash equivalents	156 356 105	156 356 105
	352 567 831	**352 567 831**
Financial liabilities		
DBSA Loan	14 230 508	14 230 508
Payables from exchange transactions	413 408 810	413 408 810
Current tax payable	423 642	423 642
Operating lease liability	28 759	28 759
	428 091 719	**428 091 719**

18. SHARE CAPITAL

Authorised		
1000 Ordinary shares of R1 each or par value of R1000	1 000	1 000
Issued		
Ordinary	120	120

19. REVENUE

Rendering of services	13 574 079	7 617 142
Rental facilities and equipment	151 150 439	128 678 969
Utility recoveries	502 904	754 874
Other Income	496 776	363 445
Interest received - investment	13 890 782	13 045 450
Share of surplus from associated and joint ventures	607 090	737 890
Government grants & subsidies	19 098 000	26 941 000
	199 320 070	**178 138 770**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	13 574 079	7 617 142
Rental facilities and equipment	151 150 439	128 678 969
Utility recoveries	502 904	754 874
Other Income	496 776	363 445
Interest received - investment	13 890 782	13 045 450
	179 614 980	**150 459 880**
The amount included in revenue arising from non-exchange transactions is as follows:		
Other		
Share of surplus from associates or joint ventures	607 090	737 890
Transfer revenue		
Subsidy received from shareholder	19 098 000	26 941 000
	19 705 090	**27 678 890**

Figures in Rand	2020	2019
20. ADMINISTRATIVE EXPENSES		
Advertising	741 260	432 949
Auditors remuneration	2 892 062	1 711 031
Bank charges	73 828	81 029
Cleaning and Gardening	4 929 420	16 505 789
Computer expenses	603 704	73 263
Project planning and consulting	7 796 141	10 000 487
Consumables	511 706	303 357
Entertainment	84 662	257 339
Fines and penalties	-	4 570
Equipment Hire	502 638	82 541
Insurance	1 200 351	723 587
Conferences and seminars	151 004	232 029
Lease rentals on operating lease	1 468 109	3 232 514
Fuel and oil	27 641	36 783
Placement fees	69 165	1 739 840
Postage and courier	138 085	854 534
Printing and stationery	400 683	604 615

Figures in Rand	2020	2019
20. ADMINISTRATIVE EXPENSES (continued)		
Project maintenance costs	23 859 726	13 706 002
Royalties and license fees	1 669 161	1 981 503
Security (Guarding of municipal property)	14 432 243	23 819 033
Subscriptions and membership fees	506 503	394 364
Telephone and fax	1 878 056	1 559 593
Training	177 175	174 581
Travel - local	-	5 205
Electricity	12 664 234	8 783 100
Gas	-	34 834
Sewerage and waste disposal	38 084	39 968
Water and Sanitation	29 951 513	25 881 842
Refuse	1 067 963	996 173
	107 835 117	**114 252 455**

21. PERSONNEL COSTS

Employee related costs: Salaries and wages	81 999 304	37 592 960
Employee related costs: Temporary staff	163 782	986 551
Employee related costs: Medical aid contributions	2 217 436	1 956 163
Bargaining council	43 861	18 664
Housing benefits and allowances	187 818	42 619
Overtime payments	5 585 584	24 458
Bonus	1 842 605	1 899 938
Travel, motor car, accommodation, subsistence and other allowances	869 892	962 775
Directors remuneration	1 335 703	1 750 000
UIF	528 369	199 921
SDL	919 230	460 445
Leave pay provision charge	9 136 290	1 072 761
Pension fund contributions	10 075 292	4 602 405
Acting allowances	180 813	509 408
	115 085 979	**52 079 068**

22. DIRECTORS REMUNERATION

Non-Executive Directors		
Mr T Dhlamini	60 000	-
Mr T Mamba	30 000	-
Mr M Maimane	44 000	-
Mr S Mhlongo	42 000	-
Mr X Dlwathi	42 000	-
Mr B Makhanya	42 000	-
Ms G Boikanyo	44 000	-
Mr M Ntanga	-	146 000
Ms N Hlatshwayo	-	207 000
Mr N Tshindane	84 000	211 000

22. DIRECTORS REMUNERATION (continued)

Mr T Makofane	96 000	42 000
Prof K Wall	78 000	135 000
Ms N Molao	-	80 000
Mr S Bhengu	30 000	-
Prof D.W Thwala	78 000	175 000
Mr D Mohuba	78 000	48 000
Mr T Bolani	78 000	24 000
Mr M Khubayi	84 000	24 000
Mr T Mlangeni	96 000	341 000
	1 006 000	**1 433 000**
Audit Committee Members		
Mr M Mokgobinyane	32 000	-
Mr J Sobekwa	54 000	-
Mr L Matshekga	12 000	-
Mr T Motloung	180 000	257 000
Mr L Mabuza	30 000	-
Mr R Hill	20 915	35 000
Ms Zabala	-	25 000
	328 915	**317 000**

21. PERSONNEL COSTS (continued)

23. EXECUTIVE AND SENIOR MANAGERS SALARIES

Figures in Rand	2020	2019
Executive Directors - Mr A. T Ngcezula@		
Annual Remuneration	-	1 221 873
Executive Directors - Mr Victor Rambau#		
Annual Remuneration	1 969 379	-
Executive Directors - Ms Nontobeko Ndimande		
Annual Remuneration	1 433 526	1 140 668
Executive Managers and Senior Managers		
Ms P Ngwasheng*	-	257 034
Mr P Maseko^	-	1 037 523
Mr M Mutheiwana#	212 526	-
Mr N Magubane	1 384 396	1 233 706
Ms X Njapha	803 097	62 023
Ms P Mazibuko*	946 615	253 382
Ms K Mokhampanyane	1 384 396	230 948
Ms L Nemaungani	1 382 715	276 003
	6 113 745	**3 350 619**

*Resigned

#Appointed

^Acting

@Seconded 03 August 2018 within the City.

Figures in Rand	2020	2019

24. OTHER HOUSING MANAGEMENT COSTS

The following amounts relate to project costs incurred at various projects:		
Bad debts	52 596 176	68 636 585
Bad debt write off	-	5 293 388
Collection fees	1 000 613	1 085 853
Community Development	169 447	764 378
Project Staff Uniform	130 238	-
Tenant allocation	47 758	-
	53 944 232	**75 780 204**

25. INVESTMENT REVENUE

Interest revenue		
Bank interest	5 315 966	7 888 631
Interest earned - Outstanding debtors	8 574 816	5 156 819
	13 890 782	**13 045 450**

26. DEPRECIATION AND AMORTISATION

Property, plant and equipment	1 111 127	697 874
Intangible assets	123 929	106 166
	1 235 056	**804 040**

27. FINANCE COSTS

Interest paid - DBSA Loan	1 173 025	1 247 847

28. TAXATION

Major components of the tax expense

Current

Local income tax - current period	(370 537)	(10 372 325)

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting surplus / (deficit)	(80 130 737)	(66 026 352)
Tax at the applicable tax rate of 28% (2019: 28%)	(22 436 606)	(17 101 026)
Tax effect of adjustments on taxable income		
Temporary differences	41 440 180	6 728 701
Tax losses carried forward	(19 347 112)	-
	(370 538)	**(10 372 325)**

29. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS/(DEFICIT)

Surplus/(deficit)	(79 760 199)	(55 654 027)
Non cash movements:		
Depreciation and amortisation	1 235 054	804 040
Loss on disposal of assets	177 400	1 508
Surplus from equity accounted investments	(607 090)	(737 890)
Movements in operating lease assets and accruals	(28 759)	11 943
Movements in provisions	(1 220 160)	(750 508)
Movement in tax receivable and payable	(473 348)	(6 516 780)
Changes in working capital:		
Inventories	(110 040)	(39 152)
Receivables from exchange transactions	(134 347 823)	33 807 957
Payables from exchange transactions	163 647 066	50 525 045
VAT	113 781	391 021
	(51 374 118)	**21 843 157**

30. TAX LIABILITY

Balance due (to)/from at beginning of the year	(423 642)	(6 940 422)
Payments made in the current year	473 348	(6 516 780)
Balance due to / (from) at end of the year	**(49 706)**	**423 642**

31. COMMITMENTS

Commitments in respect of capital expenditure:		
Total capital commitments		
Already contracted for but not provided for	1 831 203 506	664 237 368
Not yet contracted for and authorised by directors	-	102 088 933
	1 831 203 506	**766 326 301**
Authorised operational expenditure		
Total commitments		
Authorised capital expenditure	**1 831 203 506**	**636 246 734**

Operating leases - as lessee (Printers)

The entity has entered into a three year lease of supply and maintenance contract for Printers. Commitments regarding the supply and maintenance are as follows.

Figures in Rand	2020	2019
Minimum lease payments due		
- within one year	-	422 992
- in second to fifth year inclusive	-	845 983
	-	**1 268 975**
Operating leases - as lessee (Buildings)		
Minimum lease payments due		
- within one year	-	776 502

Operating lease payments represent rentals payable by the entity for its Head office premises. Leases are negotiated for an average term of three years and rentals are fixed for one year and subject to escalation clauses. The operating lease agreement came to an end on 29 November 2019.

Figures in Rand	2020	2019
32. RELATED PARTIES		
Related party balances		
Trade and other receivables		
City of Johannesburg Metropolitan Municipality	255 772 773	179 427 182
Pickitup	637 354	-
Trade and other payables		
City of Johannesburg Metropolitan Municipality	400 220 148	277 299 930
The Metropolitan Trading Company Pty Ltd	14 406	-

Related party transactions		
Revenue		
City of Johannesburg Metropolitan Municipality	37 988 045	42 446 776
Expenditure		
City of Johannesburg Metropolitan Municipality	(1 202 937)	(670 567)
EMS	(110 648)	-
Pikitup Johannesburg (Pty)Ltd	(1 032 829)	(1 142 371)
City Power Johannesburg (Pty)Ltd	(14 799 164)	(13 750 140)
Johannesburg Water (Pty)Ltd	(26 619 787)	(31 259 951)
MTC	(12 527)	-
Joburg Theatre	-	(8 019)

Related Party transaction not at arms length

The approved service delivery agreement between the City of Johannesburg and JOSHCO states that the City shall lease its property at R1 per annum per project.

It further states that JOSHCO shall lease the properties to and collect rental from its tenants at an approved tariff as determined by the City in order to undertake the repairs and maintenance of the lease.

33. RISK MANAGEMENT

Capital risk management

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, in order to provide returns for shareholder and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2020 and 2019 respectively were as follows:

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The company is a wholly owned subsidiary of the City of Johannesburg Metropolitan Municipality. Risk management is carried out by a central treasury department within the Metro Municipality (City treasury) under policies approved by the City's Assets & Liability committee, of which the company's CFO is a part. City treasury identifies and evaluates financial risks in close cooperation with ALCO. ALCO provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, and credit risk.

Liquidity risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities. The company also receives an annual subsidy from the City of Johannesburg Metropolitan Municipality which mitigates to a large extent the liquidity risk of the company.

33. RISK MANAGEMENT (continued)

Interest rate risk

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

The entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the entity to fair value interest rate risk. During 2020 and 2019, the entity's borrowings of R13,282,054 from the Development Bank of Southern Africa, at fixed rate of 8.5% and the loan is denominated in South African Rands

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, intercompany debtors, and other receivables. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

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

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

Item	2020	2019
Financial instrument		
Receivables from exchange transactions	272 659 435	158 688 040
Loans to shareholders	17 990 181	83 563 933

34. IRREGULAR EXPENDITURE

Opening balance as previously reported	48 094 189	8 568 796
Opening balance	48 094 189	8 568 796
Add: Irregular expenditure - current	7 698 554	39 525 393
Add: Overspending of budget	24 259 605	-
Closing balance	**80 052 348**	**48 094 189**

34. IRREGULAR EXPENDITURE (continued)

Incidents/cases identified in the current year include those listed below:

Extension of security of contracts beyond 15% thresholds	**Disciplinary steps taken/ criminal proceedings** Matters under investigation	7 326 678	39 525 393
Irregular insurance contract act CoJ	The CoJ is not is no longer using contracts	371 876	-
Overspending of operational budget	Revision of budget and development of cost containment policy	24 259 605	-
		31 958 159	39 525 393

Cases under investigation

Irregular expenditure incurred in the prior year has not been condoned as investigations have not been concluded. In the current year, irregular expenditure of R7.3 million for security services where the contracts were extended beyond the 15% threshold pending the insourcing project by CoJ.

R24.2 million irregular expenditure relate to overspending of operational budget. The main contributing factor is that we do not generate sufficient income to support our fixed expenses (e.g. staff costs and utilities). The shareholder will be engaged during the budgeting process to increase our subsidy and the 3% management fee we currently charge for execution of projects.

For all other non-fixed expenses, a cost containment policy will be finalised by mid-year in 2020/21 which will provide guidance on how costs will be minimised.

Figures in Rand	2020	2019

35. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure		
Opening balance	1 137 076	1 108 140
Expenditure relating to the current year	37 937	24 366
Discovered during the current year relating to prior year	-	4 570
	1 175 013	**1 137 076**

Fruitless and wasteful expenditure incurred in the prior year has not been condoned as it is still under investigation. R37 937 expenditure incurred in the current year relates to advertising costs on cancelled tenders.

36. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

In terms of Regulation 36(2) of the Municipal Supply Chain Regulations, the accounting officer must record the reasons for any deviations in terms of sub-regulation (1)(a) and (b, and report them to the next meeting of the board of directors, and include as a note to the annual financial statements.

For the financial year, the following deviations occurred and was approved by the Accounting Officer:

36. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

Emergency

The following deviations were due to emergencies as per regulation 36 (1) (i) of the supply chain management regulation:

Name of Service Provider	Description of Emergency	2020	2019
Sunny Side Park Hotel	Increase of the number of delegates to attend Strategic Planning Session to include all managers	-	35 470
Total		-	35 470

Ratification of minor breaches of procurement and other deviations.

Deviation and ratification from the normal procurement processes in terms of regulation 36 (1)(a)(v) and (b) of the municipal supply chain management regulations.

Name of the Supplier	Description of minor breach	2020	2019
Pitney Bowes Batsumi Enterprise Solutions	Supply of pressure seal statement paper for specialised printing machine. A specific paper is used for the machine and can only be sourced from the manufacturer of the machine.	-	120 750
Zoom Photography	Board and EXCO photoshoot for annual report rescheduled due to electrical fault on that day that was not foreseen. An additional shoot had to be arranged on a different date.	16 445	-
Zenzela X	Office lifts brokedown during office move resulting in additional resources being procured.	220 730	-
Lacomora Trading	Procurement of sanitizers for COVID-19 prevention.	30 464	-
Group LMS	Procurement of wall mounted sanitizers. Amount is within the 7 day quote process, however due to urgency of the matter the quote request was less than seven-days.	49 785	-
Limgroup consulting	Correction of tender award amount incorrectly calculated.	1 071 225	-
Empinent Investment	Restoration of electricity at Selby Project. The tenant had no electricity and only one contractor managed to be on site.	6 000	-
Vukani Technoloqies	Procurement of Executive Laptop	25 429	-
Lufhereng Development Company	Lufhereng Social Housing Project Region D - contract that was arranged by other organs of the state	209 029 660	-
Urban Dynamics Gauteng	Devland - Goldern Highway - contracts that were arranqed by other ornans of the state	241 095 613	-
Kwatloe Projects JV Pro Power	Retrofitting, furnishing and managing JOSHCO student Accommodation by 1 March 2020.	9 756 607	-
Total		461 301 959	120 750

37. BUDGET DIFFERENCES

Material differences between budget and actual amounts

In terms of accounting policy, variances of 1% of total revenue must be reported and supported with explanations. The following reasons apply to material variances.

Total Income variances:

Total Revenue was over budget by 10% (R199.6 million vs R182.01 million) mainly due to the following reasons:

1. Rental received is 3% more than full year budget due higher than anticipated occupancy rate for Devland and Dobsonville and improved allocation of units in our new projects.
2. Rendering of services is 129% above budget due to an improved construction spending on projects, mainly Department of Housing projects.
3. Recoveries are less than budget year to date due to less recoveries passed to tenants.
4. Other income is less than budget due to slow tender sales than anticipated.
5. Interest received is 83% more than budget due to more interest charged on outstanding debtors as result of less collection.

Total Expenses variances:

Total expenditure is over budget by 53% (R279.2 million vs R182.01 million) mainly due to the following reasons:

1. Governance and staff costs 44% over budget due to insourcing of securities and cleaning workers which is more than the budgeted amount.
2. Other project management costs mainly comprises of bad debt provision which is above budget due to a low rental collection rate for the leading to a higher provision for bad debts.
3. Depreciation and amortisation is 9% less than budget due to less additions on assets.
4. Finance costs is 19% less than initially budgeted due to repayment of the capital portion for the loan.
5. Administrative expenses are 52% above budget due to higher than budgeted utility costs, increase in security costs relating to projects under construction and increase in legal costs in pursuit of non-paying tenants.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a result of reduction in subsidy, reduction in interest received and income from rendering of services mainly due to inactivity in quarter 4 due to COVID-19.

38. NEW STANDARDS AND INTERPRETATIONS

38.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year:

Name	Effective Date: Years beginning on or after	Expected impact:
GRAP 20: Related parties	01 July 2019	The impact of the is not material.
GRAP 32: Service Concession Arrangements: Grantor	01 July 2019	The impact of the is not material.
GRAP 108: Statutory Receivables	01 July 2019	The impact of the is not material.
GRAP 109: Accounting by Principals and Agents	01 July 2019	The impact of the is not material.

38. NEW STANDARDS AND INTERPRETATIONS (continued)

38.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2020, or later periods:

Name	Effective Date: Years beginning on or after	Expected impact:
GRAP 34: Separate Financial Statements	01 July 2020	Unlikely there will be a material impact
GRAP 38: Disclosure of Interests in Other Entities	01 July 2020	Unlikely there will be a material impact

39. CONTINGENCIES

Contingent liabilities

JOSHCO is currently involved in various legal disputes against the company. See the detail below:

Figures in Rand	2020	2019
Ms. C Holmes - Unfair Dismissal Dispute	-	99 025
Gosiame Development - Damage claim for loss of income at Randburg Silkirk for fence demolition	653 378	653 378
Renaissance Security and Cleaning T/A Topo Security Services	27 852	27 852
Mogale Solution Providers (Pty) Ltd - CFO recruitment services	263 925	-
SMEC South Africa (Pty) Ltd - Interest on overdue professional account and legal fess	157 136	-
ESOR Construction - legal fees from claim for construction work done on the Casa Mia refurbishment project	377 953	-
	1 480 244	**780 255**

Contingent assets

JOSHCO is currently involved in various legal disputes for the company. See the detailed below:

Figures in Rand	2020	2019
Solidaire Construction (Pty)Ltd- Failure by service provider to perform as per JBCC Contract	11 000 000	11 000 000
JEH Properties and Dempster Mckinnon-Breach of Contract	7 000 000	7 000 000
SKN Consulting-Damages suffered claim as result on non-performance	13 926 340	13 926 340
	31 926 340	**31 926 340**

40. PRIOR-YEAR ADJUSTMENTS

During the current financial year, the entity reviewed prior period transactions. The review resulted in a number of adjustments relating to 2018/19 financial year which affected a number of general ledger accounts. The prior period was adjusted retrospectively. The impact of the correction of the error(s) can be summarised as follows:

Property, plant and equipment was increased by R488 715 due to R519 088 capitalised finance lease obligations together with corresponding leased asset depreciation amounting to R30 289 as well as correction of depreciation and amortisation amounting to R86 216. Intangible assets decreased by R59 751 due to amortisation corrections.

Deferred tax was recalculated based on restated figures and resulted in an increase of deferred tax asset by R4 822 190 corresponding taxation expense increased by R4 822 190.

40. PRIOR-YEAR ADJUSTMENTS (continued)

Receivables from exchange transactions decreased by R25 703 063 due to increase in provision for bad debt.

Administrative expenses decreased by R26 381 due to finance charges from capitalised finance lease obligations and reversal of initially expensed contracted services.

Other project management costs increased by R25 703 063 due to correction of provision for bad debt. Accumulated surplus increase by R20 970 997 as a result of the adjustments detailed above.

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments.

Statement of financial position

2019

	Note	As previously reported	Correction of error	Reclassification
Property, plant and equipment	7	3 698 940	488 715	4 187 655
Intangible assets	10	505 782	(59 751)	446 031
Deferred tax asset	13	17 333 726	4 822 190	22 155 916
Receivables from exchange transactions		138 350 856	(25 703 063)	112 647 793
Finance lease obligations	12	-	(519 088)	(519 088)
Accumulated surplus/(deficit)	16	4 018 325	20 970 997	24 989 322
		163 907 629	**-**	**163 907 629**

Statement of financial performance

	Note	As previously reported	Correction of error	Restated
2019				
Depreciation and amortisation	28	(687 535)	(116 505)	(804 040)
Administrative expenses	20	(114 278 836)	26 381	(114 252 455)
Other project management costs	28&19	(50 077 141)	(25 703 063)	(75 780 204)
Taxation		5 550 135	4 822 190	10 372 325
		(159 493 377)	(20 970 997)	(180 464 374)

Notes

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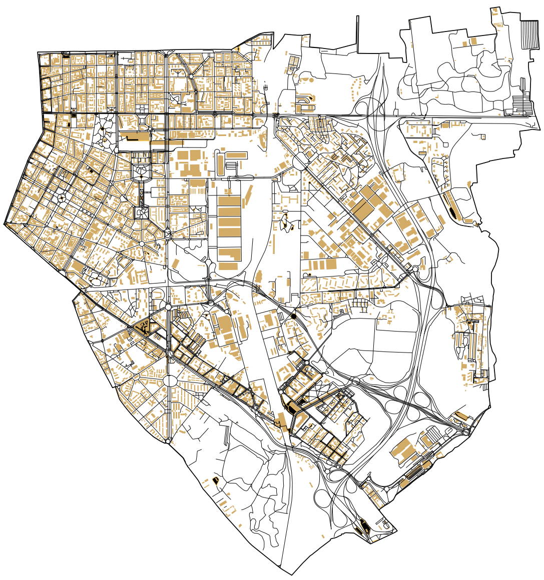
COMPANY INFORMATION:

(In terms of Section 121 of the Municipal Finance Management Act, 2003
and Section 46 of the Municipal Systems Act, 2000)

JOHANNESBURG SOCIAL HOUSING COMPANY SOC LIMITED / NON-PROFIT COMPANY



Registration Number	:	2003/008063/07
Registered Address	:	61 Juta Street Johannesburg 2094
Postal Address	:	P O Box 16021 New Doornfontein Johannesburg 2028
Telephone	:	(011) 406-7300
Fax	:	086 240 6691
Website	:	www.joshco.co.za
E-mail	:	info@joshco.co.za
Bankers	:	Standard Bank of SA Limited
Auditors	:	Auditor-General