



# ANNUAL REPORT 2016/2017

“ WE  
DELIVER  
**AFFORDABLE  
AND SUSTAINABLE  
SOCIAL HOUSING  
IN JOBURG,**”

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Annexure A: Performance Balance Scorecard with Key Performance Areas and Indicators

## 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:** 1<sup>st</sup> Floor, 137 Sivewright Avenue  
New Doornfontein  
Johannesburg  
2094

**Postal Address:** P O Box 16021  
New Doornfontein  
Johannesburg  
2028

**Telephone number** : (011) 406-7300

**Fax number** : 086 240 6691

**Website** : [www.ioshco.co.za](http://www.ioshco.co.za)

**E-mail** : [info@ioshco.co.za](mailto:info@ioshco.co.za)

**Bankers** : Standard Bank of SA Limited

**Auditors** : Auditor-General

#### **Vision**

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


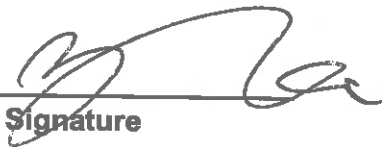

#### **Purpose**

"To enable our customer to live in beautiful spaces out of forgotten places".

#### **Mission**

"JOSHCO will design and build quality resource efficient, economically sustainable and affordable housing products, which 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".

**Approval:**

<u>SURESS MAROTA</u> Name & Surname Chief Financial Officer	<u></u> Signature	Date of Approval: <u>05/12/17</u>
<u>A.T. NGCENZU</u> Name & Surname Chief Executive Officer	<u></u> Signature	Date of Approval: <u>05/12/17</u>
<u>PHILIP TWA</u> Name & Surname Chairperson of the Board	<u></u> Signature	Date of Approval: <u>06/12/17</u>
<u>M. NTULI</u> Name & Surname MMC: Housing	<u></u> Signature	Date of Approval: <u>07/12/2017</u>



## **PART B**

### **Basis for Preparation and Presentation**

The basis of the Johannesburg Social Housing Company's preparation of the Integrated Report is to provide a more cohesive and efficient approach to corporate reporting that draws on different reporting components and communicates the full range of factors that materially affect the ability of an organisation to create value over time. This means that, JOSHCO seeks to report on its annual financial performance, operations, human capital management, Information Communication Technology, performance management and, 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**

Material matters are classified as material once their measurement pose a risk towards the achievement of set objectives. Risk managements plays a key role in determining material reportable information including their effect on achievement of objectives and how those who are charged with governance must respond to such matters identified weaknesses within the control environment.

Principle 11 of the King IV report on corporate governance requires the Board to identify key performance and risk areas as well as the associated key performance and risk indicators. This include areas such as finance, ethics, conduct, compliance and sustainability. Management is tasked with the running of the organisation's day to day business, which then allows management to identify material matters that expose the organisation to risk and develop the necessary risk response measures as well as report to the Board on how it has addressed material matters either (internal or external) to provide the Board with assurance that, stringent measures are in place to respond to material matters.

### **Description of the Reporting Boundary**

The reporting boundary of the report is limited to JOSHCO's performance for the year ended 30 June 2017 as a Municipal Entity of the City of Johannesburg that provides and manages affordable rental housing for the lower income market as an integral part of efforts to eradicate the housing backlog of the City. The boundary of the report extends beyond financial reporting and includes non-financial performance.

### **Summary of the 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
- International Financial Reporting Standards (IFRS)
- 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 the Board to ensure that, the organisation has implemented a structure of review and authorisation designed to ensure the truthful and factual presentation of the organisation's financial position. JOSHCO's assurance process of the Integrated Report is through its governance structures. The Integrated Annual Report is submitted to the Audit Committee for review of financial information and provides the Board with assurance that, it has comfort on reported information. The Board ultimately assumes responsibility of approving the Integrated Annual Report.

## **CHAPTER ONE: LEADERSHIP AND CORPORATE PROFILE**

### **SECTION 1: CORPORATE PROFILE AND OVERVIEW OF THE ENTITY**



***Photo: JOSHCO's Selby Village***

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 housing for up to R15, 000 to the market as 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 may therefore be said to include: the development of social rental housing; refurbishments, upgrading and management of Council owned rental housing stock, including hostels; housing management; the refurbishment, conversion and management of inner city buildings into social housing units; and the provision of turnaround strategies where necessary.

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



## SECTION 2: KEY STRATEGIC OBJECTIVES



**Photo: JOSHCO's City Deep**

1. Increase the number of buildings acquired and refurbished for affordable housing in the Inner City;
2. Develop Social Housing projects within the transport nodes;
3. Improve customer satisfaction levels;
4. Improve service delivery standards;
5. Improve the control environment to minimise fraud and corruption incidents;
6. Enhance financial sustainability;
7. Improve ICT infrastructure and governance;
8. Contribute towards Economic development through SMME empowerment and labour intensive job creation;
9. Cost efficiency in development and management;
10. Inculcate a culture that enables and encourages staff discipline and performance.

## SECTION 3: SALIENT FEATURES

### VARIANCE REPORT

JOSHCO had 21 Key Performance Indicators (KPIs) / pre-determined objectives in the company scorecard and achieved 11 (57%) as at 30 June 2017. 9 (43%) KPIs were not fully achieved, however, progress was made towards attaining the target as reported in the table below.

No#	TARGET	ACTUAL	VARIANCE	MITIGATION
1.	95% Capital Expenditure (CAPEX) spent	83%	-12%	<p>The underachievement is as a result of challenges which were encountered in projects such as Nancefield, Devland - Golden Highway, 80 Plein Street and Dobsonville during the financial year and this impacted negatively on JOSHCO's ability to spend.</p> <p>4 inner city buildings were purchased during the financial year for Social Housing re- development and could not reach contracting stage due to delays in pre-construction planning.</p> <p>In the new financial year there will be vigorous and detailed reporting on the progress of CAPEX.</p>
2.	91% Collection of debtors in respect of rental	90%	-1%	<p>An integrated stakeholder management programme will be implemented through community development intervention and revenue drives to enhance tenant engagement which is expected to improve the revenue collection.</p>
3.	65% successful litigation cases	48%	-17%	<p>The strategy was changed from rental collection through a legal process leading up to evictions to rental collection through the use of debt collectors. This has saved JOSHCO legal fees but has not had a positive impact on the collections level. In the new financial year JOSHCO will be</p>

No#	TARGET	ACTUAL	VARIANCE	MITIGATION
				using internal processes to collect rental. i.e. Working very closely with the revenue department on the stakeholder engagement processes and ensuring that emolument attachment orders are obtained through a court process.
4.	100% implementation of mitigating action plan to reduce risk exposure against JOSHCO business strategic risks	61%	-39%	The corrective measure not achieved are also corrective measures identified in the risk for 2017/18 financial year and will be implemented to ensure that the exposure is addressed.
6.	100% of staff achieving a performance rating of 3;	99%	-1%	Non-implementation of performance improvement plans and personal development plans which resulted in the underachievement of staff performance. JOSHCO is currently reviewing its performance management system to align with organisational performance.
7.	98% compliance with laws and regulations	93%	-5%	In the new financial year greater measures will be put in place to ensure that the target is reached by implementing compliance with the POPI Act and ensuring that there corrective measures are put in place where there is non-compliance Eg: The occupational Health and Safety Act.
8.	100% Implementation of management actions for audit findings.	85%	-15%	The management comments will be followed up in the 1 <sup>st</sup> quarter of the 2017/18 financial year.
9.	800 jobs created	727	-73	Creation of work opportunities using the EPWP Incentive Grant. 4 Inner City projects are starting and 2 green field's projects are starting in the 4 <sup>th</sup> quarter. i.e. Roodepoort phase 2 and Dobsonville.
10.	100% delivery on reported cases of corruption	66%	-34%	Fast track the finalisation of reported cases of corruption which are <i>under investigation</i> by SAPS.
11.	30% of CAPEX spent on Co-Ops and SMME's.	24%	-6%	On all projects under implementation, 30 % of the project scope and budget will continue to be ring-fenced for

No#	TARGET	ACTUAL	VARIANCE	MITIGATION
				Co- operatives and local SMME's at tender stage.



### Inputs

Financial Capital	Manufactured Capital	Intellectual Capital	Human Capital	Social and Relationship Capital	Natural Capital
<ul style="list-style-type: none"> <li>• REZs, 102 million euro budget increases</li> <li>• R 149,842 million Operational Budget</li> </ul>	<ul style="list-style-type: none"> <li>• Common Infrastructure Smart City solutions</li> <li>• Equipment</li> <li>• Property development assets (e.g. mixed development projects)</li> </ul>	<ul style="list-style-type: none"> <li>• joining 2016 ODS strategy</li> <li>• Smart City strategy</li> <li>• Strategic Area Frameworks for the Companies of Tradition</li> <li>• City regulation, organizing and investment attraction</li> <li>• Intellectual</li> <li>• Specialized knowledge and resources (e.g. resources management and management)</li> </ul>	<ul style="list-style-type: none"> <li>• 110 employees</li> <li>• Staff retention rate at 96%</li> <li>• 1015 gender representation</li> </ul>	<ul style="list-style-type: none"> <li>• Talent Engagement</li> <li>• Community Development</li> <li>• Targeted stakeholder groups (e.g. women, youth and the elderly)</li> <li>• Investor relations</li> <li>• NGOs, NGOs and academic stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Purpose oriented to achieve highest returns efficiency</li> <li>• Natural resources sustainability:</li> <li>• Energy efficiency</li> <li>• Solar power installed</li> </ul>

- 12 National Development Plan Outcomes
- Public Consultation Process
- Joining 2040 Growth and Development Strategy
- 600 Outcomes driven through four Clusters
- 100+ Partnership priorities

- Development projects not completed on time
- Inability to achieve Annual Business Plan Targets
- Not meeting service delivery standards
- Inability to collect target revenue from tenants
- Non-compliance to OMB standards for JOHMO buildings

4	Commercial real estate investments through the purchase of other day buildings	✓
5	The fact that the real estate income market is always expanding	✓
6	Major market developments like alternative investments like alternative investments	✓
7	Advantages for day buildings	✓
8	Other activities in building and	✓
9	Services provided	✓
10	Large financial services	✓
11	Investment in infrastructure	✓
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100	Investment in infrastructure	✓

**Economic Sustainability**  
• Hard and green and  
weakly economy

**中国书画函授大学肇庆分校**

• •

**Primer 1997-2001**

- Low-cost stadium seats from European states.
- Transfers for over £50 through the past 24 hours in the Premier League, with 20 transfers in the last 24 hours, including Steven Gerrard, Nani, and Arsenal's and Liverpool's respective players.
- Realistic deadline and setting economic targets within the city's financial capabilities, productivity and competitiveness.
- Creating a dynamic international environment in various business sectors such as education, research, health, social care, energy, creative, and digital.
- Promote high-tech skills development.
- Promote cross-sector economic initiatives.
- Promote talent competition and retention.
- Create a high-tech workforce.
- Promote human capital development, and OGC education.
- Create regional centres.
- Promote innovation and economic growth through strong governance, job security and competence.
- Create financial autonomy.
- Promote social and economic performance.
- Promote city initiatives.
- Promote economic competitiveness and growth.
- Create a strong strategic vision.
- Promote the City's economic growth.
- Food security, safety and social activities.
- Smart economy and economic growth through social, green, and digital innovation and technology.
- City where you can "hang out" every day, through social, economic and cultural.
- Smart social strategy, network with other cities in London and international growth.
- Promote economic change by reducing the cost of living.
- Promote Community Enterprise, Innovation, Talent, Growth, and Education.

## Economic sustainability

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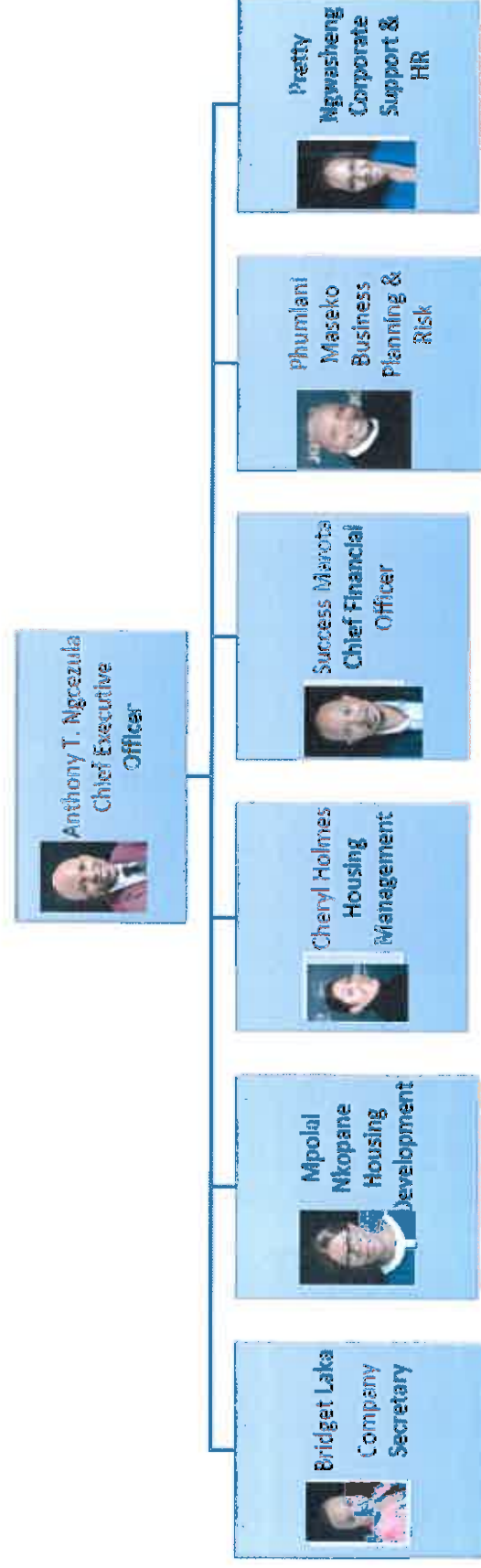
**Abstract**

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## SECTION 5: JOSHCO HIGH LEVEL ORGANISATIONAL STRUCTURE

This diagram demonstrates how the core business of JOSHCO feeds into the different divisions/departments within the organisation.



## **SECTION 6: MMC'S FOREWORD**



It is with great pleasure that I present the 2016/17 annual report for the Johannesburg Social Housing Company (JOSHCO). The entity remains committed to the delivery of affordable rental housing to low-income residents within the city of Johannesburg. The City's Integrated Development Plan (IDP) translates the long-term outcomes of the Growth Development Strategy (GDS) into implementable programmes that enable mutual accountability on agreed priorities and strategic allocation of resources to contribute to the long-term development of the city. It is, therefore, one of the most critical plans in ensuring effective and efficient performance measurement as well as inclusive citizen participation. JOSHCO is seen as a major role player in

retreating the spatial imbalances of the past while contributing to the City's IDP and the National Development Plan (NDP).

### **JOSHCO'S PERFORMANCE**

JOSHCO continued to comply with the City's Service Level Agreement, to enhance the quality of life of residents and to improve services to vulnerable communities. The construction of JOSHCO projects contribute to the growth of an inclusive economy and job creation. This has been achieved through procurement from SMMEs, Extended Public Work Programme (EPWP) and Zenzele Cooperative Programme. JOSHCO is anticipating greater strides in the reduction of unemployment in JOSHCO projects through the Zenzele Programme.

The entity met over half of its annual targets and despite the tough economic environment, thorough analysis into the trends and dynamics in the external environment shaping the ability of the entity to fulfil its mandate were considered to substantiate the performance under review. It is nonetheless with great pleasure that I pronounce that JOSHCO's most important area of performance was achieved. The entity over-delivered on its KPA to deliver social housing units and has been financially prudent as it finished the period under review with a surplus. It is also important to note the entity's promise for a robust approach towards its future performance and effort against fraud and corruption. Since its launch of the Anti-Fraud and Corruption campaign, the company has seen more cases of corruption being reported and both the public and officials put to task. JOSHCO aims to contribute to an honest and responsive local government with its Zero Tolerance policy.

### **FUTURE AREAS OF FOCUS**

The focus on Community Development initiatives across all JOSHCO projects will contribute to building of caring, safe and secure communities. The security of tenure of residents can be enhanced by JOSHCO's participation in Mixed-Use Developments. JOSHCO may in future model/pilot the Financially Linked Individual Subsidy Programme (FLISP) rental accommodation to address the issue of tenants demanding ownership of units. JOSHCO

may also extend its services to provide students with quality affordable accommodation in future.

I wish to thank the Board of Directors, Management and staff of JOSHCO for their collaborated efforts to prove Joburg's most vulnerable part of society that cannot afford decent accommodation with quality and affordable rental housing – A place to call home.

Wishing the JOSHCO TEAM nothing but the best for the new financial year 2017/18.

**Cllr Mzobanzi Ntuli**

**Member of the Mayoral Committee: Housing**

## **SECTION 7: CHAIRPERSON'S FOREWORD**



It gives me great pleasure to provide a foreword JOSHCO's Annual Report 2016/17. JOSHCO continues to demonstrate a commitment to making a difference in the human settlement patterns of City of Johannesburg (CoJ) by giving low income families access to quality rental accommodation closer to work and social amenities.

### **BUSINESS ENVIRONMENT AND LEADERSHIP TRANSITION**

This report provides an overview to our shareholders and stakeholders about JOSHCO'S performance against its predetermined objectives. There were few challenges in 2016/17 financial year such as technical recession, credit downgrade and persistently high unemployment rate. However, I am pleased to report that as a new Board, we have inherited an entity that is technically and administratively sound.

### **ORGANISATIONAL PERFORMANCE**

JOSHCO has achieved over a half of its annual targets and performed well in delivering social housing units in the Inner City and across the City of Johannesburg (CoJ). Major social housing projects are under construction. The organisational structure was aligned to the organisational strategy to close the gap identified in the strategic risk register. The appointment of a new Chief Executive Officer in March 2017 also contributed towards the enhancement of the company's performance.

### **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. One new administration's priority is the Inner City regeneration, with JOHSCO as one of its key delivery agents.

### **THE WAY FORWARD**

JOSHCO intends to do a segmentation of its customers and pilot students accommodation.

### **CONCLUSION**

I wish to thank the MMC of Housing, Mr Mzobanzi Ntuli, my fellow Board members for their support in oversight and strategic leadership, the Chief Executive Officer, and his Executive Management team and the entire JOSHCO staff for giving effect to our strategic and operational plans.

I look forward to working with you in the new financial year 2017/18.

A handwritten signature in black ink, appearing to be 'B. Twala', written over a horizontal line.

**Professor Bhekisipho Twala**  
**Chairperson: Board of Directors**

## **SECTION 8: CHIEF EXECUTIVE OFFICER'S REPORT**



The financial year 2016/17 proved to be rewarding and challenging for JOSHCO, culminating in the appointment of a new Board of Directors in March 2017. JOSHCO contributed to the spatial justice by developing projects along transport corridors and well-located land for low-income households. The economic conditions posed a challenge in the ability of some JOSHCO's tenants to pay monthly rent as well as the cost of operations and capital projects.

### **SERVICE DELIVERY PERFORMANCE**

The performance of JOSHCO against pre-determined objectives as at year end was 52%. JOSHCO delivered 1,172 social housing units against the target of 1,164.

A customer satisfaction rate of 84.22% was achieved against a target of 75%. JOSHCO achieved 99% of service level standards pertaining to the resolution of tenant complaints within agreed turnaround times, against the target of 91%. There were 727 EPWP jobs created against a target of 800.

### **FINANCIAL PERFORMANCE**

A capital expenditure of R540, 2M (83%) was spent against the target of R652, 8M (100%). The rental revenue of R 87,4M (90%) was collected against the target of R97, 6M (100%). R51, 1M (35%) was spent on repairs and maintenance against a target of R57, 7M (40%).

### **AUDIT PERFORMANCE**

JOSHCO achieved a clean audit in the period under review. A combined assurance model was applied to ensure an effective internal control environment.

### **TRANSFORMATION AND SOCIAL RESPONSIBILITY**

The JOSHCO's preferential procurement strategy will focus on Black-Owned and Female-Owned companies. The capex spent on Cooperatives and Black SMMEs will be increased. There will be an emphasis on Community Development across all JOSHCO projects.

### **AREAS OF IMPROVEMENT**

JOSHCO will embed risk management in its operations. The project management function will be strengthened. The cost and time efficiencies will be enhanced through insourcing of some repairs and maintenance. The fight against fraud and corruption will be intensified. Legal costs will be reduced through better contract management. Stakeholder engagement will be targeted and intensified. There will be capacitation of the IT function to realise operational efficiencies.

### **CONCLUSION**

I would like to thank the JOSHCO Board of Directors for their strategic stewardship. JOSHCO's staff is the most valuable resource, my sincere gratitude goes to them for their hard work on a daily basis. Lastly, my thanks to the JOSHCO Executive Management team for their dedication.

**Mr Anthony Ngcezula (Bcom MBA)**  
**Chief Executive Officer**



## SECTION 9: CHIEF FINANCIAL OFFICER'S REPORT



The Office of the Chief Financial Officer is responsible and accountable for 3 functional areas of operation namely the revenue, supply chain management and finance divisions. Through the operation of these divisions, we served to integrate the entity's business and hence in certain instances exceeded some of our targets.

### REVENUE COLLECTION REPORT

JOSHCO's revenue collection target for the 2016/17 financial year was 91% (2015/16: 89%) of billing. We have performed 1% behind this budgeted target as on average we collected 90% (2015/16: 91%) for the financial year. The decline in collection levels is partly attributed to rising levels of unemployment in some of our projects as a result current economic conditions.

### 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) and resulted in a net surplus before taxation of R3.9M.

In terms of the entity's policy, variances in excess of R1.5M (i.e. 1% of total revenue) must be reported and supported with explanations. The following reasons apply to material variances:

- Total revenue was ahead of budget by 5% (R147.4M vs R144.5 M) mainly due to interest received from a positive bank balance throughout the financial year.
- Repairs and maintenance - This relates to both planned and unplanned repairs and maintenance and delivery has occurred in terms of the approved business plan.
- General expenses were over expended as a result of bad debts written-off during the financial year amounting to R5.5M as these debts were uneconomical to pursue them legally, some were untraceable former tenants and some deceased.

### CAPITAL EXPENDITURE

Capital expenditure is directed towards the development, renovation and upgrade of CoJ and JOSHCO's properties that are to be leased as housing units. JOSHCO's performance on capital projects reflects an actual expenditure including accruals of R541, 1M against a total budget of R652.8 M. This translates to a spending of 83% for the financial year. Challenges were encountered in projects such as Nancefield, Devland - Golden Highway, 80 Plein Street and Dobsonville during the financial year and this impacted negatively on our ability to spend. 4 inner city buildings were purchased during the financial year for Social Housing.

### BLACK ECONOMIC EMPOWERMENT

JOSHCO's total expenditure (i.e. both capital and operational) for the period ended 30 June 2017 amounted to R 804.2M of which the Broad Based Black Economic Empowerment (BBBEE) contribution was at 103% (R824.9M). The expenditure for the benefit of small medium enterprises and companies that comply with the prescripts of the BBBEE legislation represented 100% of the total expenditure and this was above the target of 90%.

**GOING CONCERN**

The going concern of the entity over the short term (i.e. 12 months) can be demonstrated by considering the accumulated reserves of R20.8M. It is further supported by the current ratio which shows liquidity of entity as 1.5:1 (current assets to current liabilities). The solvency ratio was at 1.05:1 for the period ended 30 June 2017. The entity is therefore able to continue its operations over the foreseeable future.

JOSHCO is currently dependant 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 housing stock. To this end, JOSHCO intends to be more innovative in its systems for the take-on of tenants and rental collections and the implementation of efficiencies in practising supply chain management.

**Mr Success Marota CA (SA), RA**  
**Chief Financial Officer**

## **SECTION 10: COMPANY SECRETARY'S CERTIFICATION**

Declaration by the company secretary in respect of Section 88(2) (e) of the Companies Act

In my capacity as the Acting Company Secretary of the Company, 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.

**Ms Tshidi Molefe**  
**Acting Company Secretary**

## **CHAPTER TWO: 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 company's establishment. The fundamental objective has always been to do business ethically while building a sustainable company that recognises the short- and long-term impact of its activities on the economy, society and 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 Executives 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 shareholders and other stakeholders may 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 Code on Corporate Governance forms part of the mandate of the Audit 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 member and parent municipality in the interest of good corporate governance and good ethics.

#### **iii. Corporate Citizenship**

The Board and Management recognise that the entity is formed under a political 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 natural environment, and 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 peoples' lives through jobs and Housing.

#### **iv. Compliance with laws, rules, codes and standards**

The Board is responsible for ensuring that the entity complies with applicable laws and considers adhering to non-binding rules, codes and standards.

## SECTION 2: BOARD OF DIRECTORS

The Board of Directors was presided over by a non-executive Director.

The Board, under the Chairpersonship of Prof Bhekisipho Twala, met at least quarterly and retained full and effective control over the Company. It monitors executive management through a structured approach of reporting and accountability. The Board of Directors comprised of eight (8) non-executive directors and two (2) executive directors being the Chief Executive Officer and the Chief Financial Officer. The Directors have a range of skills and experience that they bring to the benefit of JOSHCO.

A declaration of interests register with Directors' and Senior Management disclosures is kept and updated.

The Board Composition as at the end of the financial year of 2016/17 is as follows:

Member	Capacity: Executive / Non- Executive	Race	Gender	Skills
1. Dr L Matlhape	NED	A	M	Leadership and Management, Corporate Governance, Masters in Management, Business Management Skills, Executive Coaching, General Management in various areas, Former member of IDC Executive team for 14 years, Remuneration, Human Resources and Labour Relations and Training Skills, Board Membership for IDC, Investec Companies.
2. Professor B Twala	NED	A	M	Construction, Engineering and Business Leadership
3. Father M Olifant	NED	A	M	Business Leadership, Corporate communication, Project and Strategic Management, Facilitator and Coaching. Ordained & Practicing Anglican Priest, Pastoral Care, Counselling and Community Development.
4. Mr A Ngcezula	CEO	A	M	Strategy development and Implementation and Business Leadership, Construction and Contract Management, Project Management



Member	Capacity: Executive / Non- Executive	Race	Gender	Skills
5. Mr S Marota	CFO	A	M	Finance, Audit and Business Leadership
6. N Nyembe	NED	A	F	Currently studying for a Higher Certificate in accounting sciences, Office Administration experience.
7. Mr T Motloun	NED	A	M	Banking, Business Leadership, Strategy Development
8. Mr T Mlangeni	NED	A	M	Experience and expertise in Human Capital Management and Industrial Relations.
9. Mr S Mhlongo	NED	A	M	Diploma in Security Services
10. Mr M Molefi	NED	A	M	Construction and Property management experience, Building management, and Property development management.

Director	Board			Corporate Support			Development			Social and Ethics		
	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies
<b>Number of Meetings</b>	14*			5			6			5		
1. Prof. Bhekisipho Twala	10	0	0	-	-	-	3	0	0	-	-	-
2. Mr. Moses Molefi	4	0	0	-	-	-	3	0	0	-	-	-
3. Mr. Tumelo Mlangeni	1	0	0	0	-	0	-	-	-	-	-	-
4. Ms. Nontobeko Nyembe	2	0	0	-	-	-	-	-	-	1	0	0
5. Mr. Thabo Motloun	4	0	0	-	-	-	3	0	0	-	-	-
6. Mr. Sipiwe Mhlongo	2	0	0	-	-	-	-	-	-	1	0	0
7. Mr. Anthony Ngcezula	6	0	0	1	0	0	3	-	-	1	0	0
8. Fr. Molefi Olifant	13	0	0	5		0	0	-	-	5	0	0
9. Dr. Lesenyego Matlhape	12	0	0	5	-	-	3	0	0	-	-	-
10. Mr. Success	7	0	0	5	-	-	5	0	1	4	0	0

Director	Board			Corporate Support			Development			Social and Ethics		
	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies
Marota												
11. Ms. Zeona Jacobs +	4	0	1	-	-	-	-	-	-	-	-	-
12. Ms. Buyiswa Majola +	5	0	0	-	-	-	-	-	-	4	0	0
13. Mr. Joel Chauke +	5	0	0	-	-	-	3	0	0	-	-	-
14. Ms. Dereleen James +	4	0	1	4	0	0	-	-	-	-	-	-
15. Ms. Nosicelo Twala +	3	0	1	-	-	-	3	-	-	-	-	-
16. Mr. Edgar Neluvhalani +	4	-	-	-	-	-	-	-	-	4	0	0
17. Mr. Haroun Moolla**	8	0	0	-	-	-	-	-	-	-	-	0

\*It should be noted that some meetings were special meetings in which only the Chairperson of the Board and Committee Chairpersons were invited to attend. There were also other meetings where the Chairperson had delegated some Board members to attend to HR related matters. It is for this reason that it appears as if the number of meetings attended by some of the Board members and the Chairperson of the Board were less than the actual number of meetings which took place in the financial year.

\*\*Mr Haroun Moolla, the Independent Chairperson of the Audit Committee attends all Board meetings on invitation.

+ Members were retired from the City/rotated to another entity within the City at the AGM of 16 March 2017.

AUDIT COMMITTEE MEMBERS	Audit			Risk		
	Attendance	Absent	Apologies	Attendance	Absent	Apologies
Number of Meetings	6			4		
1. Mr. Thabo Motloun*	3	0	0	-	-	-
2. Mr. Anthony Ngcezula	0	0	1	1	0	0
3. Mr. Success Marota	6	0	0	3	0	1
4. Mr. Edgar Neluvhalani **	3	0	0	-	-	-
5. Mr. Haroun Moolla	6	0	0	-	-	-
6. Mr. Robert Hill	6	0	0	4	0	0
7. Ms. Lulama Zabala	6	0	0	1	0	0

\*Mr Motloun is a non-executive director appointed in the Audit Committee after the AGM of 16 March 2017.

**\*\*Mr Edgar Neluvhalani was a non-executive director who was appointed in the Audit Committee but was rotated to another entity within the City at another entity in March 2017.**

### **SECTION 3: BOARD COMMITTEES**

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

- Corporate Support Committee;
- Development Committee;
- Risk Committee; and
- Social and Ethics 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.

#### **Audit Committee**

The Audit Committee's composition is compliant with the Local Government: Municipal Finance Management Act, Act 56 of 2003.

The Audit Committee consist of the followig members:-

<b>H Moolla</b>	<b>Independent Audit Committee Member and Chairperson</b>
<b>R Hill</b>	<b>Independent Audit Committee Member</b>
<b>L Zabala</b>	<b>Independent Audit Committee Member</b>
<b>T Motloung</b>	<b>Non – Executive Director (appointed 16 March 2017)</b>
<b>E Neluvhalani</b>	<b>Non – Executive Director (rotated within the City on 16 March 2017)</b>

The mandate of the Audit Committee as delegated by the Board of Directors in the Audit Charter includes: -

- Financial Reporting and Reliability of Financial Information;
- Business Planning and Budget Implementation;
- Assist the Risk Committee to identify financial, business and operational risk areas of the company to be covered in the scope of internal and external Audits;
- Ensure that the Accounting Officer of the company 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 absolute confidence and confidentiality, about possible wrongdoing or improprieties in financial reporting and other matters; and
- 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.

### **Risk Committee**

The Risk Committee consists of the following members: -

<b>R Hill</b>	<b>Independent Member and Chairperson</b>
<b>L Zabala</b>	<b>Independent Member</b>
<b>T Mlangeni</b>	<b>Non – Executive Director</b>

The duties of the Risk Management Committee as outlined in the Risk Committee Terms of Reference includes the following: -

- 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 the Committee's formal opinion to the Audit Committee 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.

### **Corporate Support Committee**

The Corporate Support Committee consists of the following members: -

<b>L Matlhape</b>	<b>Non-Executive Director (Chairperson)</b>
<b>M Olifant</b>	<b>Non-Executive Director</b>
<b>T Mlangeni</b>	<b>Non- Executive Director (app 16 March 2017)</b>
<b>D James</b>	<b>Non – Executive Director (retired from the City 16 March 2017)</b>

The mandate of the Corporate Support Committee is set out in its terms of reference and inter alia includes the following;

- Overseeing of the setting and administering of remuneration at all levels in the company;
- Overseeing the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance;

- Reviewing the outcomes of the implementation of the remuneration policy for whether the set objectives are being achieved.
- Ensuring 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; and
- Make recommendations to the Board where necessary or take approved action within its delegated authority.

### Development Committee

The Development Committee consists of the following members: -

<b>M Molefi</b>	<b>Non- Executive Director (Chairperson)</b>
<b>T Motloun</b>	<b>Non- Executive Director (appointed 16 March 2017)</b>
<b>L Matlhape</b>	<b>Non- Executive Director (appointed 16 March 2017)</b>
<b>J Chauke</b>	<b>Non- Executive Director (retired from the City on 16 March 2017)</b>
<b>N Twala</b>	<b>Non- Executive Director (retired from the City on 16 March 2017)</b>
<b>B Twala</b>	<b>Non – Executive Director (appointed Chairperson of the Board on 16 March 2017)</b>

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

- To approve reports on detailed investigation stage of new developments, 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.
- To approve reports on detailed investigation stage of new developments, and to give approval to proceed with the development i.e. Design and Business Plan development stage.

### Social and Ethics Committee

The Social and Ethics Committee consists of the following members:-

<b>M Olifant</b>	<b>Non – Executive Director (Chairperson)</b>
<b>S Mhlongo</b>	<b>Non- Executive Director (appointed 16 March 2017)</b>
<b>N Nyembe</b>	<b>Non- Executive Director (appointed 16 March 2017)</b>
<b>T Mlangeni</b>	<b>Non- Executive Director (appointed 16 March 2017)</b>



<b>B Majola</b>	<b>Non- Executive Director (retired from the City on 16 March 2017)</b>
<b>D James</b>	<b>Non-Executive Director (retired from the City on 16 March 2017)</b>

The mandate of the Social and Ethics Committee is set out in its Terms of Reference includes the following;

- Social and economic development, including the organization'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.
- Good corporate citizenship including promotion of equality and contribution to development of communities.
- The environment, health and public safety.
- Consumer relationships.
- Labour and Employment.
- To draw matters to the attention of the Board as occasion requires.
- To report to the Shareholders at the AGM on matters within its mandate

#### **SECTION 4: DIRECTORS AND PRESCRIBED OFFICER'S REMUNERATION**

The remuneration of directors is in accordance with the Council approved rates.

##### **Board of Directors Remuneration as at 30 June 2017**

<b>Name</b>	<b>Designation</b>	<b>Remuneration at 30 June</b>
B Twala	Chairperson of the Board	R 213 715.00
M Olifant	Non-Executive Director	R 242 972.00
L Matlhape	Non-Executive Director	R 283 054.00
M Molefi	Non-Executive Director	R 120 068.00
N Nyembe	Non-Executive Director	R 80 709.00
T Motlounq	Non-Executive Director	R 124 644.00
T Mlangeni	Non-Executive Director	R 68 589.00
S Mhlongo	Non-Executive Director	R 80 709.00
Z Jacobs	Former Chairperson	R 207 391.00
D James	Former Non – Executive Director	R 65 684.00
J Chauke	Former Non – Executive Director	R 87 046.00
Mr E. Neluvhalani	Former Non – Executive Director	R 42 640.00
Ms N Twala	Former Non – Executive Director	R 87 046.00
Ms B Majola	Former Non – Executive Director	R 16 289.00
Dr DW Thwala	Former Non – Executive Director	R 16 289.00
Ms T Sethaelo	Former Non – Executive Director	R 16 289.00
Ms G Sengoara	Former Non – Executive Director	R 16 289.00
<b>Total</b>		<b>R 1 844 808.00</b>

**Independent Audit Committee Members Remuneration as at 30 June 2017**

<b>Name</b>	<b>Designation</b>	<b>Remuneration at 30 June 2017</b>
H Moolla	Independent Chairperson	R 381 804.00
R Hill	Independent Member	R 226 260.00
L Zabala	Independent Member	R 91467.00
<b>Total</b>		<b>R 699 531.00</b>

**Senior Management Remuneration as at 30 June 2017**

<b>Name</b>	<b>Designation</b>	<b>Remuneration at 30 June 2017</b>
A Ngcezula	Chief Executive Officer	R 438 895.00
S Marota	Chief Financial Officer	R 1 256 995.00
M Nkopane	EM: Housing Development	R 1 222 631.00
C Holmes	EM : Housing Management	R 1 088 926.00
P Maseko	SM : Business Planning and Risk	R 768 755.00
P Ngwasheng	SM : Corporate Support	R 920 661.00
B Laka	Company Secretary	R 351 764.00
<b>Total</b>		<b>R 6 048 627.00</b>

**SECTION 5: COMPANY SECRETARIAL FUNCTION**

The Company Secretary has a key role to play in ensuring that board procedures are both followed and regularly reviewed. The Chairperson and the Board will look to the Company Secretary for guidance on what their responsibilities are under the rules and regulations to which they are subject and on how these responsibilities should be discharged.

All Directors should have access to the advice and services of the Company Secretary and should recognise that the Chairperson is entitled to strong support from the Company Secretary in ensuring the effective functioning of the Board.

**SECTION 6: RISK MANAGEMENT AND INTERNAL CONTROLS**

Risk is about the effect of uncertainty on objectives and, therefore a clearly defined, time-based objective is crucial to successful risk management. An enterprise risk focus is not intended to identify every risk facing an organisation but, to identify those that are most significant to its ability to achieve and realise its core business strategy and objectives supporting 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. The Board understands that, risk and the internal control environment is an inseparable process in driving the organisation to the achievement of its objectives and has implemented a robust risk management system to respond appropriately to significant

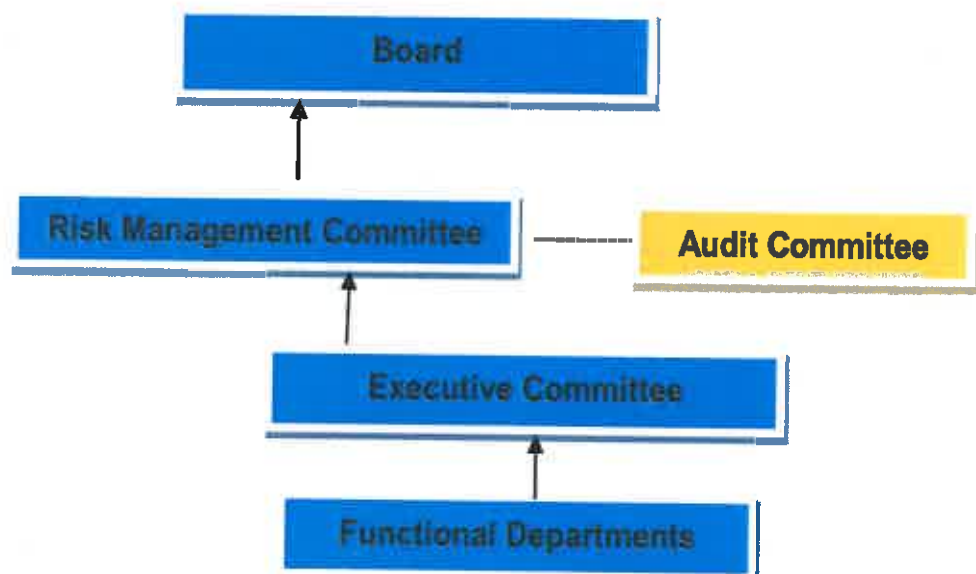
risk.

In the year June 2017, the Board adopted the King IV report on Corporate Governance which then meant the adoption of Principle 12 of the King Report. Principle 12 states that “the governing body (Board) should govern risk in a way that supports the organisation in setting and achieving its strategic objectives”. The Board also subscribes to section 95 (C) of the MFMA Act, No. 53 of 2003 which states “the Accounting Officer has to maintain effective, efficient, transparent systems of financial, risk management and internal control”.

### **Risk Escalation Methodology**

The risk framework provides guidance on which risks should be escalated to the various governance Committees with JOSHCO. The risk Committee, chaired by an Independent Audit Committee Member is the standing Committee of the Board which 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.

### **Risk Governance Structure:**



The Audit Committee's role to liaise with and assist the Risk Committee to identify financial, business and operational risk areas of the company to be covered in the scope of internal and external audit. The Committee also assesses financial risks to ensure that, financial information is accurate and complete and that, the financial information present the true reflection of JOSHCO's financial affairs.









































### **Strategic Risk Status and JOSHCO's Top 6 Risks**

- 1) Inadequate supply chain management process;
- 2) Non-compliance to Occupational Health & Safety standards for JOSHCO buildings;





- 3) Inability to achieve annual targets derived from JOSHCO business plan;
- 4) Not meeting service delivery standards;
- 5) Inability to collect targeted revenue, and
- 6) Non- compliance to applicable legislation e.g. Companies Act and MFMA.

The table below depicts the residual risk results against the risk identified for the year ended 30 June 2017. During the year under review, an independent assessment for health and safety was undertaken and there were material findings which affected the residual risk rating from moderate to high. This was also experienced when an ICT COBIT assessment was undertaken prior to the end of the financial year.

**Table: JOSHCO Strategy Risk**

No	Risk Description	Inherent Risk Rating	Residual Risk Rating	Residual Risk Rating Per Quarter			
				Q1	Q2	Q3	Q4
1	Organisational structure not aligned to business strategic plan (and supporting the mandate).	High	Moderate				
2	Inadequate supply chain management process.	Very High	Moderate				
3	Non-compliance to occupational health and safety standards for JOSHCO Projects.	Very High	Moderate				
4	Development Projects not completed on time due to poor project management and therefore target not achieved.	High	Moderate				
5	Development projects not meeting the required standards resulting to poor quality product.	High	Moderate				
6	Lack of adequate Citizen engagement.	High	Moderate				
7	Non-compliance with ICT Governance Framework. Inadequate or unreliable IT systems and business continuity solutions.	High	Moderate				
8	Inability to achieve annual targets derived from JOSHCO business plan.	Very High	Moderate				
9	Not meeting service delivery standards.	Very High	Moderate				
10	Inability to collect targeted	Very	Moderate				



No	Risk Description	Inherent Risk Rating	Residual Risk Rating	Residual Risk Rating Per Quarter			
				Q1	Q2	Q3	Q4
	revenue from tenants.	High					
11	Non-compliance to applicable legislations e.g. Companies' Act and MFMA.	Very High	Low				

The table below depicts the annual performance risk results against the quarterly targets to 30 June 2017, which indicates that, as at the end of the financial year, JOSHCO managed to achieve an annual result of 61% against an overall target of 100%. Although the annual target was not achieved, management is committed to ensure that, risks are managed adequately and effectively from an operational and strategic perspective for the achievement of objectives in each financial year.

**Table: Quarterly Risk Report**

Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	Average Achievement
100 %	50%	100%	70%	100%	65%	100%	59%	61%

## SECTION 7: INTERNAL AUDIT FUNCTION

The Entity's internal audit function is fully outsourced to OMA Chartered Accountants Inc. As at 30 June 2017, internal audit completed the approved audit plan and below are internal audit cycles audited and completed.

The table below indicates the planned audits that were completed in the period under review: -

AUDIT	STATUS
1. Housing Management	Completed
2. Housing Development	Completed
3. Revenue Management	Completed
4. Financial Controls	Completed
5. Supply Chain Management- contract management	Completed
6. ICT General Controls	Completed
7. Follow-up AG Findings and Human Capital Management	Completed
8. Human Capital	Completed
9. Performance Information 2nd quarter	Completed

## SECTION 8: CORPORATE ETHICS AND ORGANISATIONAL INTEGRITY

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, Board Committees and the Risk Management Committee, being a sub-committee of the audit committee, 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.

## **SECTION 9: SUSTAINABILITY REPORT**

### **9.1 Sustainability Commitments**

JOSHCO aims to enhance its financial sustainability by extending its housing products and services. Customer segmentation will be done to realise cross-subsidization. The cost of doing business will be reduced through capacitation of key functions and insourcing. The high growth trajectory in delivery of units will be completed by increased efficiencies in housing development and housing management. Fiscal discipline will be exercised.

### **9.2 Economic Impacts**

JOSHCO's capital projects contribute to the local Gross Domestic Product (GDP). Our construction projects value chain avail enterprise development opportunities and job creation. Private sector investment in social housing is stimulated. JOSHCO contributes to the fiscus through taxes.

### **9.3 Transformation and Empowering of Employees**

JOSHCO is committed to Employment Equity and Gender balance. The new structure will avail promotion and re-assignment opportunities. A skills audit will lead to an appropriate workplace skills plan and individual learning plans. A staff bursary is available to assist JOSHCO staff further their education relevant to their job roles.

### **9.4 Information Technology (IT) Governance**

Information Technology (IT) plays an important role in supporting an organization to set and achieve its strategic objectives. As entrusted by King IV, the JOSHCO Board of Directors exercise an oversight role over IT governance and has delegated to the Risk Committee and Executive Management the effective IT Management. The IT Strategic Framework, Annual IT implementation Plan and IT Policies which articulate and give effect to set IT direction, were approved. The IT risk is integrated into the organization-wide risk management. JOSHCO IT is compliant with relevant laws. Through IT governance, JOSHCO provided proper arrangements for business resilience and business continuity.

## **SECTION 10: ANTI-CORRUPTION AND FRAUD**

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 the current financial year in the bid to uphold good corporate governance and embedded a culture of integrity and an honest work culture. To maintain an honest culture, not only at head office but, also at project level and to spread 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 and malls in and around SOWETO to promote the anti-fraud hotline and the Zero tolerance message to members of the public and tenants. Furthermore, JOSHCO subscribes to the Protected Disclosure Act, and the Prevention and Combatting of Corrupt Activities Act and further enforces its Fraud Prevention Policy.



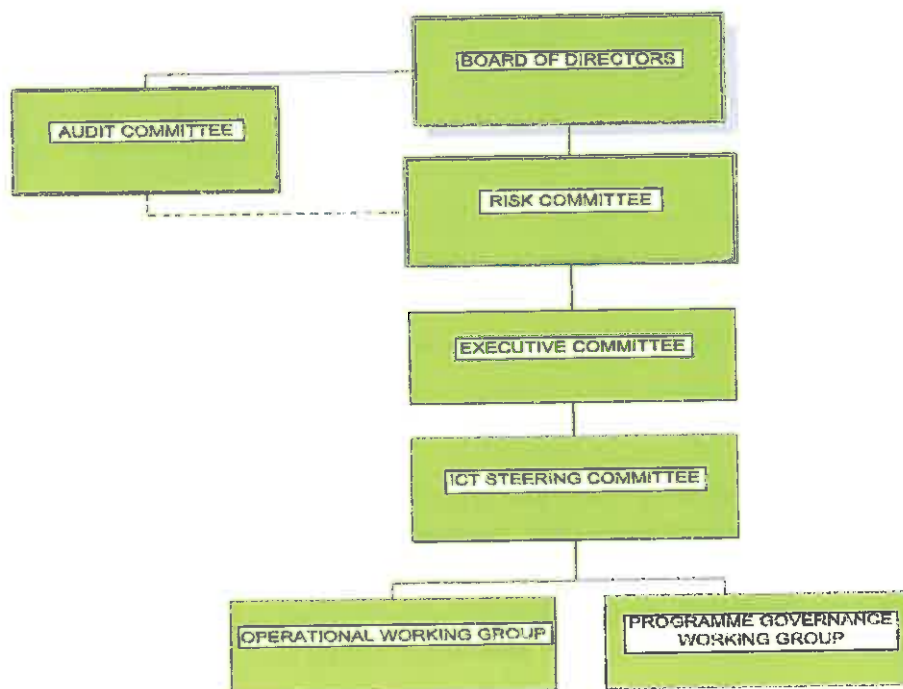
JOSHCO continues to encourage Community members, its tenants and employees to report instances of fraud and corruption through the JOSHCO fraud hotline and or the SMS (whistle blowers). **The fraud hotline number is 0800 002 587 or SMS 32840.**

## SECTION 11: ICT GOVERNANCE

ICT governance is about ensuring that the organisation's IT systems support and enable the achievement of the organisation's strategies and objectives. It encompasses leadership, organisational structure, business process, standards and compliance. In the year under review, the Board adopted the King IV report on Corporate Governance South African 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 setting and achieving its strategic objectives".

It has delegated its responsibility for ICT governance to the Risk Committee and the Audit Committee. The Audit Committee's oversight role, is to liaise with and assist the Risk Committee to identify financial, business and operational risk areas of the company to be covered in the scope of internal and external audits. It also assesses the risk of ICT information related to the integrity of financial information to ensure that, financial information is free of material misstatement and accurately presents the financial affairs of the organisation. The Risk Committee's role is that of organisational wide risk, directing, evaluating, and monitoring organisational risks inclusive of the ICT risks and their relative impact to the achievement of the strategic objectives and reports to the Board on the overall risk response of the organisation and how best the risk should be managed for the achievement of ICT efficiency and effectiveness.

- Executive Committee's role is to ensure that the ICT strategy, policies and procedures are implemented and adhered to, and to review through internal audit as an assurance provider the application and constancy thereto.
- The ICT Steering Committee is responsible for:
  - the implementation of corporate governance of ICT and governance of ICT in JOSHCO;
  - to ensure that ICT strategic goals are aligned with JOSHCO's business plan;
  - to ensure that business related ICT strategic goals are cascaded throughout JOSHCO for implementation and reporting thereto; and
  - to measure performance of the ICT function on a quarterly basis and provide advice on how best to improve performance and efficiency.



JOSHCO ICT Governance Structure

- The Portfolio Governance Working Group is responsible for:
  - major projects, IT budgets, standards, procedures, and overall IT performance;
  - co-ordination of priorities between the ICT department and user departments;
  - review of the adequacy and allocation of IT resources in terms of the funding, personnel, equipment, and service levels;
  - source and apply for funding for the development of the ICT department and its systems; and
  - define ICT programme/ project governance framework.
- The Operational Working Group is responsible for:
  - monitoring of the ICT service provider performance;

- monitoring and review of ICT systems performance; and
- review of the ICT departmental performance and report to the Steering Committee.

## **SECTION 12: SUPPLY CHAIN MANAGEMENT & BLACK ECONOMIC EMPOWERMENT**

### **DEVIATIONS ON SCM**

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.

#### **Emergency**

The following deviation was due to an emergency as per regulation 36 (1) (i) of the municipal supply chain management regulations.

<b>Name of service provider</b>	<b>Description of minor breach</b>	<b>Amount</b>
Joe Malherbe Attorneys	Contractual dispute with a contractor at 80 Plein Street - An attorney with construction experience was procured on an emergency basis as the contractor refused to vacate site after termination of their contract. JOSHCO's panel did not have attorneys with construction experience.	873 159
		<b>873 159</b>

#### **Ratification of minor breaches of procurement and other breaches**

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

<b>Name of service provider</b>	<b>Description of minor breach</b>	<b>Amount</b>
Futshane Consulting	Year-end tax consultancy to complete SARS audit	21 450
Face of the Earth foundation	City Deep - Community vocational work program	40 969
Eller Security Services	Extension of security contract to finalise the procurement	339 732
Ingwempisi Security Services	Extension of security contract to finalise the procurement	459 246
Kya Guards Security Services	Extension of security contract to finalise the procurement	212 792
Datacol T/a SSG Systems	Extension of the IT support contract to finalise procurement	39 900
PC Plug	SAGE standard reports	12 777
Accotech Interim	Extension of contracted services for	16 192

Name of service provider	Description of minor breach	Amount
Outsourcing	temporary employee	
<b>TOTAL</b>		<b>1 143 058</b>

#### ACHIEVEMENT ON BBBEE

Procurement of goods and services are made after considering the principles of the Municipal Finance Management Act (MFMA) i.e. procurement must be fair, transparent, cost effective, economically and competitive. In addition to these fundamental procurement principles, consideration is given to Broad Based Black Economic Empowerment (BBBEE). JOSHCO's contribution to BBBEE for the period ended June 2017 is as follows:

Expenditure type	Amount
<b>CAPEX</b>	
Actual Expenditure on CAPEX	710 596 591
Procurement Recognition of Actual Capital Expenditure	750 856 623
BBBEE Procurement Recognition Levels as a percentage of Total Procurement Spend	106%
<b>OPEX</b>	
Actual Expenditure on OPEX	R 93 627 559
Procurement Recognition of Actual Operational Expenditure	R 74 071 662
BBBEE Procurement Recognition Levels as a percentage of Total Procurement Spend	79%
<b>Total Expenditure</b>	
Actual Expenditure on CAPEX and OPEX	804 224 150
Procurement Recognition of Total Expenditure	824 928 285
<b>BBBEE Procurement Recognition Levels as a percentage of Total Procurement Spend</b>	<b>103%</b>

The two areas of procurement in JOSHCO's functional mandate relates to capital expenditure (CAPEX) on the development of housing units and operational expenditure (OPEX) on the maintenance of housing units and other administrative functions. For these areas i.e. CAPEX and OPEX, JOSHCO has achieved 106% and 79% BBBEE contribution respectively. The total cumulative for these functional areas is therefore 103% BBBEE contribution that surpassed our target of 90%.



## CHAPTER THREE: SERVICE DELIVERY PERFORMANCE



Picture: Orlando West Female Hostel

### SECTION 1: CORE BUSINESS

JOSHCO is a thriving social housing provider, servicing a constantly growing market where the demand for quality and affordable housing exceeds the supply. Johannesburg attracts a huge influx of people in search of better opportunities from all parts of the continent. Due to the increasing demand for employment, housing, food and other basic needs, the City of Johannesburg created JOSHCO, as one of its preferred implementing agents for social and institutional housing developments and management of rental accommodation for qualifying beneficiary households within the Johannesburg metropolitan.

### SECTION 2: JOSHCO'S MANDATE

JOSHCO was created by the City of Johannesburg with four (4) specific mandates to facilitate the transformation of Johannesburg into a world-class city.

These directives include:

- Managing the city's housing stock;
- Converting and managing single sex hostels;
- Rehabilitating and managing certain inner-city buildings; and
- Developing and managing new social housing projects.

## **Maintenance:**

The planned maintenance programme was fully implemented a cost of R 2.9M from the Opex budget. JOSHCO's maintenance programme includes refurbishments of existing projects which is funded through the capex programme. Both the maintenance programmes that are funded through Capex and Opex are based on conditional assessments that were undertaken on all JOSHCO's existing Projects.

### **Maintenance Complaints Resolved**

- A total of 6460 jobs were logged in the financial year.
- The service delivery key performance indicator achieved for maintenance files closed is 97% against a target of 96%, resulting in an overachievement of 1%.
- The refinements to the maintenance processes, continuous communication with contractors, monitoring of performance and commitment to service delivery, has assisted in the performance levels being sustained.

### **Jozi@Work**

R 6.4M was paid to Jozi@Work participants for the period July 2016 to April 2017. 42 Co-operatives/micro enterprises created 171 jobs, to deliver cleaning and gardening services in the projects. These were appointed in the previous financial year for a period of one year, their contracts ended on 31 April 2017.

### **“Zenzele” Project**

198 Unemployed tenants and family members were appointed to participate in the “Zenzele” Project, to deliver cleaning and gardening services in all the projects. R 2.3M (inclusive of materials and equipment) was paid directly to the participants of the programme. 129 Participants of the programme paid R 156 650 towards the payment of their rental arrears against an average rental bill of R 309 600 this translates to 50% recovery.

### **Customer Satisfaction Levels**

The customer satisfaction levels increased by 0.72% from 83.72% in the previous financial year to 84.22% at the end of June 2017 which is above the target of 75%.

## **SECTION 3: SERVICE DELIVERY HIGHLIGHTS AND ACHIEVEMENTS**

### **Number of Units Developed**

- The target for the financial year was 1164 housing units, 1172 Units were delivered at the end of June 2017.
- Under-performance on targets for 80 Plein street, Nancefield Station, Selby Villages and Dobsonville, was made up by the additional units delivered in Turffontein Project (114 units), 27 Hoek Street (204 communal rooms), Phoenix House (137 units), Abel Street (104 units) and 23-25 Kerk Street (223 units). This resulted in the target being overachieved by 8 units.

## **Corridors of Freedom**

JOSHCO has prioritised social housing projects in various areas within the Corridors of Freedom. These projects are either under construction or in planning stages:

### **Projects in Construction**

- Soweto to CBD along Empire and Perth: 474 planned units, 152 units completed by 30 June 2017.
- CBD to Alex along Louis Botha: 540 planned units, 860 units completed by 30 June 2017.
- Turffontein Node: 90 planned units, 204 units completed by 30 June 2017.

### **Projects in Planning**

- Soweto to CBD along Empire and Perth : 1968 units
- CBD to Alex along Louis Botha : 1317 units
- Alexandra- Marlboro to Sandton: 1452 units
- Turffontein Node : 300 units
- Mining Belt: 396 units.

## **Inner City Buildings**

JOSHCO is as key role player in contributing towards the transformation of the Inner City by providing affordable rental housing and transitional accommodation.

- JOSHCO purchased 4 Inner City Buildings in 2016/2017 which will yielded a total of 464 units.
- During 2016/2017 procurement processes and the appointment of Contractors was finalised on four of the six buildings purchased in the previous financial year.
- Construction commenced in three inner city buildings during 2016/2017: 133 Albert Street, Fraser House and 16 Wolmarans Street projects.

## **Upgrades**

The upgrade programme is implemented on the basis of condition assessments undertaken in all JOSHCO's projects under management. The programme is funded through capex, and this allows JOSHCO to ensure that the value of the properties is maintained. The programme also contributes to tenant satisfaction levels. During the 2016/2017 Financial Year, R33m was spent in Roodepoort, City Deep, Antea, Chelsea, Pennyville and Botlhabela (Alex).

## Service Delivery Challenges

Projects	Challenges	Action to be taken
Golden Highway (Devland Project)	Subsequent to the liquidation of main Contractor, RBA Homes, JOSHCO has signed an addendum with Urban Dynamics to implement the project as it is a sole shareholder of Akula Trading. A new Contractor (Raubex Construction) was appointed and re-commenced works at the beginning of April 2017. The project achieved delivery of 102 units by the end of June 2017 against a target of 180 units per approved 2016/2017 business plan.	<ul style="list-style-type: none"> <li>A new main Contractor was appointed to take-over phase 1 of the project up to completion. The Contractor completed 102 units by June 2017.</li> <li>Procurement to complete phase to be implemented in financial year 2017/2018, once all required pre-construction approvals have been obtained.</li> </ul>
Lombardy Project	The main Contractor was appointed during the 2015/2016 financial year. The neighbouring community raised an objection of the Environmental Exemption with the Planning Tribunal. Subsequent to this, JOSHCO implemented a full Environmental Impact Assessment and a Record of Decision was received in May 2017, authorising JOSHCO to proceed with construction. As JOSHCO and the main Contractor were preparing for works commencement on site, a High Court Notice to appeal was received from the Objectors.	<ul style="list-style-type: none"> <li>An Appeal has been lodged against the City of Johannesburg Tribunal regarding JOSHCO's project site. JOSHCO is in constant liaison with the City to resolve and address matters raised in the Appeal.</li> </ul>
Nancefield Station	A Contractor was appointed during the 2017/2017 financial year to commence with the project. However the community objected as they had been promised that RDP houses would be built first. There have been on-going community engagements and consultation to negotiate with the community.	<ul style="list-style-type: none"> <li>Intensive community engagement processes were undertaken 2016/2017 financial year to resolve the stalemate with the Nancefield community.</li> <li>A notice to terminate the current contract between Motheo and JOSHCO has been issued at the end of 2016/2017.</li> </ul>
80 Plein Street	JOSHCO terminated the services of the main Contractor on 09 December 2016, due to non-	<ul style="list-style-type: none"> <li>The termination process has been concluded after Solidaire Construction</li> </ul>

Projects	Challenges	Action to be taken
	performance on site. Due to these challenges, the project could not deliver the targeted 120 units, in line with the approved 2016/2017 business plan.	<p>filed for Liquidation. JOSHCO applied for and received a claim on its favour for R 11, 5 million from the Guarantee.</p> <ul style="list-style-type: none"> <li>JOSHCO will commence and finalise procurement process to appoint a contractor to complete the project during 2017/2018.</li> </ul>

#### Participatory Site Model: Housing Development

Projects	Status	Critical community issues for engagement
<b>Albert Street, Devland Social Housing Project, Dobsonville Social Housing Project, Hoek Street Project, Randburg Project, Nancefield Project</b>	<p>In line with the participatory model, the community engagement on the following activities :</p> <ul style="list-style-type: none"> <li>the initiation report,</li> <li>community engagement plan,</li> <li>public meetings,</li> <li>CLO appointment,</li> <li>Establishment of SMME and local labourer database of job seekers,</li> <li>appointment of local labourers,</li> <li>establishment of Project Steering Committees,</li> <li>community assessment reports, local SMME skills audit,</li> <li>Appointment of EPWP SMMEs, Issues and Response Trail,</li> <li>Monthly progress reports and monthly EPWP reports.</li> </ul>	<p>Training programme:</p> <ul style="list-style-type: none"> <li>Procurement of the training service provider to be concluded by both the social facilitator and the contractor in September 2017.</li> <li>A selected number of individual will be sent for training exercises that are construction related, including selected SMME's.</li> <li>Monitoring and reporting on implementation of SMME beneficiation and labour-employment programmes.</li> <li>Community engagement and feedback to local leadership.</li> </ul>

#### Stakeholder Engagement: Housing Management

JOSHCO's stakeholder engagement programme includes greater participation of tenants in providing input on the type of programmes that will be implemented during the financial year. This objective of the programme ensures that tenants also actively



participate in community development, resource sustainability programmes as well as service delivery matters.

The stakeholder plan for the financial year includes:-

- Kick off focus group meetings with tenants and local Councillors to provide them with progress reports and explanations on service delivery for 2016/17 and to obtain their inputs.
- Building and best practice assessment tour which assessed the levels of service delivery problems that impacted on tenant satisfaction.
- Rating of projects and implementation of turn around plans with input from tenants.
- Personalised house visits to understand the perspective of individual tenants on service matters as well as to identify management gaps.
- Public meetings, committee meetings, where possible as well as informative newsletters and regulatory notices.

The following is a summary of common challenges in the various projects:-

Challenges	Interventions
Demand for ownership is prevalent in the former staff and public hostels, including greenfield projects in "townships". Tenants and external lobby groups are advocating very strongly that rental units that are managed by the state should become "rent to buy" options.	Presentation workshops were conducted in 2 projects on the various subsidy options provided by government, specifically the Finance Linked Individual Subsidy Programme for tenants who want to own properties. The workshops will continue in the new financial year.
Structural defects due to poor construction	<ul style="list-style-type: none"> <li>• Condition assessments were undertaken in all projects.</li> <li>• An upgrade programme was implemented and funded through the capex programme</li> </ul>
Lack of recreational spaces for children in inner city buildings	<ul style="list-style-type: none"> <li>• Rooms that were vacated were converted to indoor recreational spaces.</li> <li>• JOSHCO will include in recreational spaces in the design for all future inner city conversions.</li> </ul>
Unemployed tenants	<ul style="list-style-type: none"> <li>• The "Zenzele" Job Creation Project was implemented and jobs were created for unemployed tenants and family members.</li> </ul>

## **Tenant Initiatives**

JOSHCO engages its tenants through various social development programmes and activities.

### **Children and Youth Programmes**



**Children's Fun Day in Orlando Ekhaya**



### **Outreach Programme / Tenants Wellness Day**

JOSHCO in partnership with Right to Care, conducted an outreach programme at Bellavista Infill and Citrine Court to promote health and wellness, this included HIV AIDS counselling and testing, sugar diabetes screening and blood pressures tests.



**Youth Month Events:**

### **Kliptown Golf Course:**

JOSHCO and the tenant community at Kliptown Golf Course, held an awareness campaign, where children, parents and the whole community came together to learn, interact with each other and have fun. The main aim of the awareness campaign was to:-

- Promote healthy lifestyle for children.
- Promote a safe and secure environment
- Education to parents on the use of substances by their children and what the signs to look for.
- Building communities by getting to know each other



**SAPS Safety and Substance Abuse Workshop**

More than 100 tenants actively participated in the programme, including both parents and children. Different speakers from different organisation including SAPS and JMPD were also invited to address the safety and security issues. JOSHCO partnered with Grow Your Life, a group within the project, to ensure that the campaign was successful.



### Youth Day Celebrations:

JOSHCO celebrated its Youth Day at Kliptown Square. The purpose of the event was to officially launch the new soccer field, create awareness on challenges facing the youth such as drugs and substance abuse. The event was attended by more than 150 tenants including members of the public from the surrounding community. JOSHCO invited representatives from SANCA and Ms Darleen James (former Board member) who is an Anti-Drug Activist to address issues of drug abuse and the impact thereof.

The guest speakers gave real life experiences of how drugs affected their lives and they also encouraged the youth to seek help through SANCA and other community based institutions. The festivities ended with a soccer tournament, celebrating the new pitch launched.

### Europa House

Europa House tenants held an event to commemorate 16 June (Youth Day). The following activities took place such as Netball, Soccer and Cleaning of the park.



### Cleaning Campaign

Europa House tenants held a cleaning campaign in the park next to Europa House. The tenants saw how dirty the place and took it upon themselves to assist City Park as their children often played there.



Events:



Women's Day Celebrations



Heritage Day Celebrations



16 Days of Activism in City Deep



## SECTION 4: "GAME CHANGERS" PROGRAMMES

The report summarises the progress on Jozi@Work based on work packages that were issued in 2015/16 under Housing Management. There were no new work packages issued during the year under review, all the co-ops contracted for cleaning and gardening services terminated in April 2017. There were 42 Co-ops that were appointed in 2015/2016, 171 jobs were created and R 6.4m was paid directly to the co-ops for the period July 2016 to April 2017.

JOSHCO implemented the programme in Regions B, C, D, E and F where JOSHCO's projects are located, JOSHCO therefore does not have any projects in Region A and G. The table below expenditure on existing co-ops for the period July to April 2017.

Table: Jozi@Work work packages

Region	Co-ops Actual Appointed in 2015/2016	Jobs Actual Commenced in 2015/2016	Expenditure Target for 2016/2017 for Existing Co-ops Appointed in 2015/2016	Actual Benefit to Existing Co-ops July to April 2016/2017
B	4	25	930,225.60	930,225.60
C	7	24	792,979.20	792,979.20
D	14	47	1,873,794.60	1,873,794.60
E	2	15	579,484.80	579,484.80
F	15	60	2,276,002.80	2,276,002.80
<b>Total</b>	<b>42</b>	<b>171</b>	<b>6,452,487.00</b>	<b>6,452,487.00</b>

### "ZENZELE" Job Creation Project

The biggest challenge in JOSHCO's projects is the number of unemployed tenants who are unable to pay their rent and this has a direct impact on the collection levels. The Customer Satisfaction survey results for 2015/2016, indicated that out of a sample of 2244 tenants surveyed across JOSHCO's portfolio, 20% of them reported to be unemployed and looking for work, this translates to 449 tenants. It is against this background that JOSHCO developed a job opportunity programme called ZENZELE to address the challenges of unemployed tenants within the projects. The programme aims to ensure that unemployed tenants who are unable to pay rent are not evicted as this will increase the number of people who would require alternate accommodation.

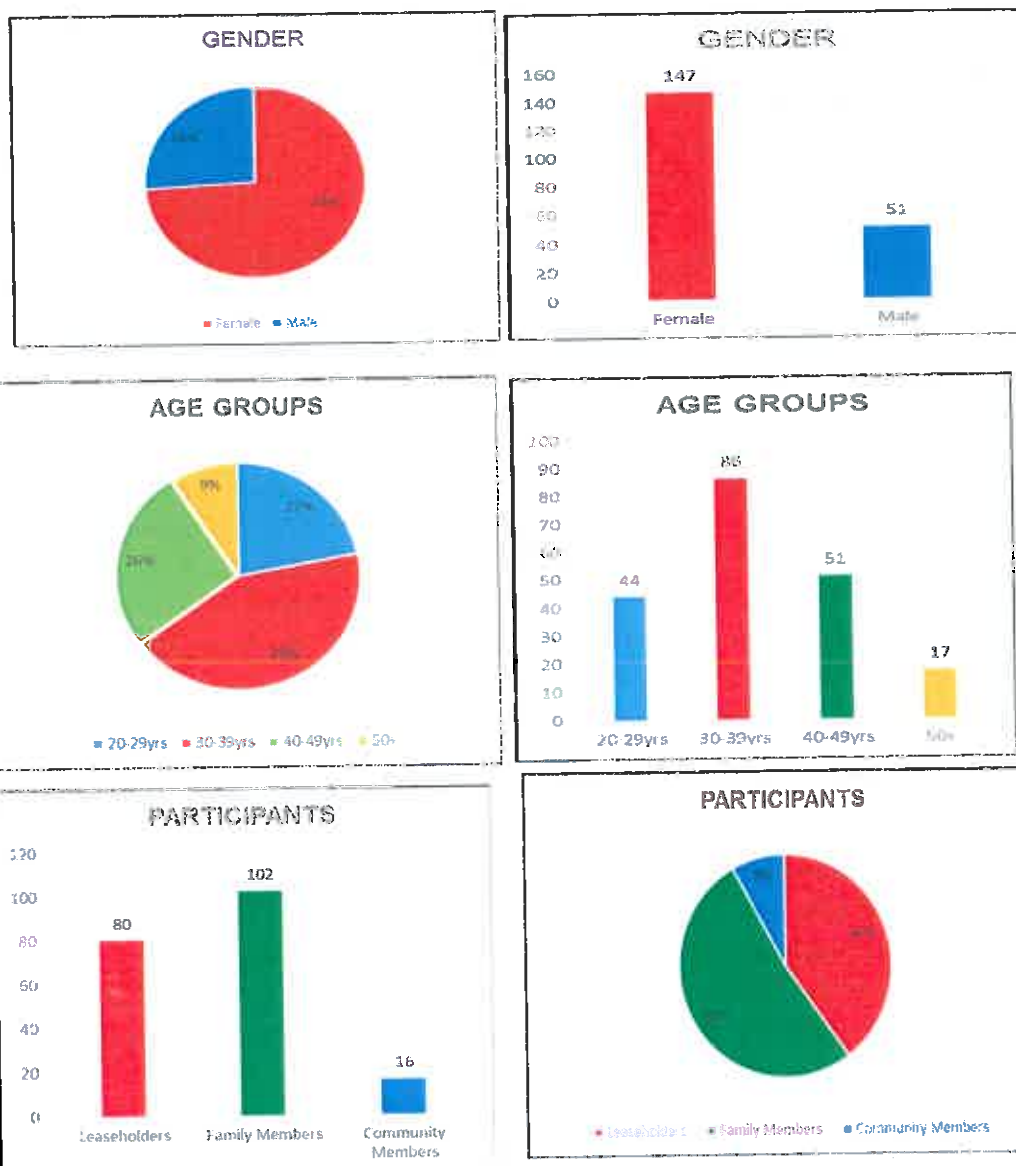
The programme seeks to ensure the following:-

- Participants are trained and will be contracted for two years and must have the ability to source other contracts as registered cleaning service providers who are registered with the National Contract Cleaners Association.
- Develop networks and partnerships to source opportunities.
- In the first two years, they will pay a flat rate of R650 towards their rent and thereafter revert back to their original rent, once additional contracts have been secured.

## Progress Report

- 198 Unemployed tenants, family and community members (public hostels only) participated in the project.
- R 2.3M (inclusive of costs for materials and equipment) was paid directly to the beneficiaries of the project for rendering cleaning and gardening services in JOSHCO's project.
- R 156, 650 was paid by 129 participants towards their rental arrears for the months of May and June. The average rent charged per month for the 129 units based on JOSHCO's tariff is
- R154, 800 this will total R 309 600 for the months of May and June. The income towards rentals for the participants is 50% (R156, 650) of R 309 600 for May and June 2017. Two projects, Bothlabela and Kliptown Golf Course did not commence in May 2017, Bothlabela with twenty two (22) participants commenced in mid-June and Kliptown Golf Course with twenty four (24 participants) will commence in August 2017.

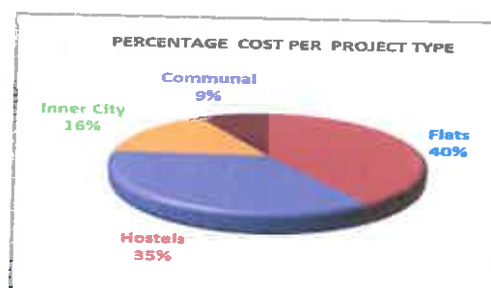
## Demographics of "Zenzele" Participants in percentages and numbers:



## SECTION 4: PERFORMANCE AGAINST SERVICE STANDARDS

### Maintenance

A total of 6460 jobs were logged in the financial year. The service delivery key performance indicator achieved for maintenance files closed is 97% against a target of 96%, resulting in an over-achievement of 1%. The refinements to the maintenance processes, continuous monitoring of performance and commitment to service delivery standards has assisted in the performance levels being attained. 37% of jobs were related to plumbing, twelve percent 12% related to electrical, and the remaining fifty one percent 51% to general repairs and maintenance.



### Costs

Table 1: Maintenance Costs

Quarter	Cost YTD	Cost Per Quarter	Total Units	Cost Per Unit	Cumulative Cost Per Unit
1 <sup>st</sup>	R 5 068 690	R 5 068 690	6850	R 740	R 740
2 <sup>nd</sup>	R 7 968 613	R 2 899 923	6850	R 423	R 1 163
3 <sup>rd</sup>	R 11 947 031	R 4 023 815	6900	R 583	R 1746
4 <sup>th</sup>	R 15 407 171	R 3 424 993	6985	R 490	R 2206

### Turnaround Times

Table 2: Turnaround Times and Analysis

Turnaround Analysis	Number of Jobs
Jobs completed within 24 hours	574
Jobs completed in 1 day	337
Jobs completed in 2 days	240
Jobs completed in 3 days	169
Jobs completed in 4 days	105
Jobs completed in 5 days	83
Jobs completed in 6 days	96
Jobs completed in 7 days	77
Jobs completed in more than 7 days	32

Performance Per Quarter	Q1	Q2	Q3	Q4	Average
	95.9%	95.4%	96.0%	99.0%	97%

## Customer Satisfaction Survey and Project Rating

A customer satisfaction survey was undertaken in the 4<sup>th</sup> quarter to measure the tenant's satisfaction levels of the services rendered by JOSHCO. The survey was conducted by an external service provider and the overall satisfaction rating achieved for 2016/2017 is 84.22% which recorded a slight increase of 0.50% compared to the 2015/2016 financial year.

In the financial year, JOSHCO developed an action plan for each project to address the areas of concern. Focus groups were held with tenants to unpack the survey results of 2015/2016 and to enable them to give input on how services or areas of weakness can be improved. The table below is a baseline report on each project as at June 2016 and indicates the decline or improvements made at the end of June 2017. In the 1<sup>st</sup> quarter of 2017/2018, JOSHCO will develop action plans to address issues raised in the 2016/2017 satisfaction survey.

The table below illustrates the "Star Rating" given to projects based on the results of the satisfaction survey. Twenty two (88%) of JOSHCO's projects are "Three Star Ratings" and only 12 (2%) are "Four Star Ratings". It is JOSHCO's intention through improved service delivery and implementation of Best Practice that projects improve their rating to four and five star ratings.

One Star ☆	20% to 39%
Two Stars ☆☆	40% to 59%
Three Stars ☆☆☆	60% to 79%
Four Stars ☆☆☆☆	80% to 95%
Five Stars ☆☆☆☆☆	95% to 100%

## SECTION 5: CAPITAL PROJECTS AND EXPENDITURE

### Capital Projects and CAPEX Spending

JOSHCO was allocated a budget of R 652,8m and 83% of the capex budget was spent, against a target of 95%. Although JOSHCO's unit's delivery target for 2016/2017 business plan was delayed due a number of project-based challenges resulting in contract cancellations on some of its Greenfield project i.e. Dobsonville, Nancefield, Plein Street and Golden Highway. These challenges have resulted in JOSHCO not necessarily achieving its target of unit's delivery in line with the approved 2016/2017 business plan. However mitigation-plans were initiated to address the short-fall, through the initiation of turn-key projects and completion of building conversions within the Inner City. In the current financial year, JOSHCO implemented the following programmes:

- i. Greenfields projects;
- ii. The Inner-City re-generation programme by purchasing and refurbishing buildings; and
- iii. Up-grades programme.

### **Inner City Buildings:**

The City of Johannesburg through the planning department developed a statement of intent and a road map for transforming the Inner City of Johannesburg. One of the key challenges identified in the Inner City Transformation Roadmap is that accommodation within the City is insufficient. The demand for inner city accommodation is far greater than the current supply. The CoJ Housing Department and JOSHCO were identified as key role players in contributing towards the transformation of the Inner City by providing affordable rental housing and transitional accommodation. JOSHCO is a key role player in contributing towards the transformation of the Inner City by providing affordable rental housing and transitional accommodation. JOSHCO purchased 4 Inner City Buildings in financial year 2016/2017 and continued with its conversion of buildings in the Inner City, which in total yielded 816 units.

The programme is implemented based on the condition assessments undertaken in all JOSHCO's existing projects that are under management. The programme is funded through capex and this allows JOSHCO to ensure that the value of the properties is maintained, as the programme contributes to tenant satisfaction levels. R48M was budgeted in this financial year for upgrades at the following 11 projects;

- AA House
- Bellavista
- City Deep
- Citrine court
- Jabulani
- Kiptown Golf Course
- La Rosabel
- Kiptown Square
- Rachers
- Pennyville Rooms
- Orlando

### **Expenditure report:**

<b>Capital Projects 2016-2017</b>					
<b>#</b>	<b>Project</b>	<b>Adjustment budget</b>	<b>Certified claims</b>	<b>%</b>	<b>Variance</b>
1	27 Hoek Street	69,000,000	69,132,083.70	100%	-132,083.70
2	80 Plein Street	8,742,000	8,996,667.99	103%	-254,667.99
3	Casa Mia Social Housing	5,721,000	5,717,968.55	100%	3,031.45
4	Chelsea Social Housing	500,000	-	0%	500,000.00



Capital Projects 2016-2017					
#	Project	Adjustment budget	Certified claims	%	Variance
5	Marlboro South	331,000	8,580.72	3%	322,419.28
6	Dobsonville Social Housing	28,000,000	27,999,999.87	100%	0.13
7	Fleurhof Riverside Ridge	3,227,000	161,909.13	5%	3,065,090.87
8	Devland Golden Highway	29,910,000	29,908,361.37	100%	1,638.63
9	Inner City: Purchases/Other	286,368,000	186,845,344.47	67%	91,961,746.37
10	Inner City: 280 Smit Street	5,000,000	4,696,587.09	100%	-
11	Inner City: Fraser House	13,563,326.16	13,563,326.16	100%	-
12	Inner City: 133 Albert Street	12,000,000	12,000,000.01	100%	-
13	Inner City: 50 Durban Street	258,000	257,831.61	100%	-
14	Inner City: 106 Claim Street	1,436,000	1,435,999.47	100%	-
15	Inner City: 16 Wolmarans Street	9,801,000	9,764,647.87	100%	-
16	Inner City: Phoenix House	1,181,000	1,180,592.54	100%	-
17	Inner City: 8-16 Abel Street	5,736,673.84	5,073,854.66	100%	-
18	Ivory park Social Housing	7,000	6,990.71	100%	9.29
19	Jabulani Social Housing	921,000	921,000.00	100%	-
20	Kelvin Social Housing	1,000,000	304,890.00	30%	695,110.00
21	Kliptown Social Housing	115,000	94,421.63	82%	20,578.37
22	Lombardy East	7,000,000	4,511,619.08	64%	2,488,380.92
23	Lufhereng Social Housing	187,000	186,563.04	3%	6,813,436.96
24	MBV Social Housing	500,000	41,500.20	8%	458,499.80
25	Nancefield Station	9,700,000	9,585,983.51	99%	114,016.49
26	Nederburg Social Housing	20,400,000	18,181,708.76	89%	2,218,291.24
27	Princess Plots	5,000,000	4,993,377.74	100%	6,622.26

Capital Projects 2016-2017					
#	Project	Adjustment budget	Certified claims	%	Variance
28	Roodeport Social Housing	10,776,000	10,742,127.90	100%	33,872.10
29	Selby Hostel	11,230,000	11,201,486.22	86%	1,798,513.78
30	Randburg Selkirk	6,382,000	5,937,568.95	93%	444,431.05
31	Turffontein Social Housing	64,212,000	64,080,235.65	100%	131,764.35
32	Upgrades: Raschers	1,972,000	1,972,000.00	100%	-
33	Upgrades: Pennyville Rooms	63,000	66,464.12	105%	3,464.12
34	Upgrades: La Rosabel	891,000	872,245.62	98%	18,754.38
35	Upgrades: Kliptown Square	17,000	16,992.35	100%	7.65
36	Upgrades: Kliptown Golf Course	16,800,000	16,800,000.00	100%	-
37	Upgrades: Jabulani	1,862,000	1,862,000.00	100%	-
38	Upgrades: Orlando	1,487,000	1,026,712.02	69%	460,287.98
39	Upgrades: inner City AA House	1,308,000	1,289,069.76	100%	-
40	Upgrades: City Deep	6,500,000	6,467,698.64	100%	32,301.36
41	Upgrades: Citrine Court	2,111,000	2,009,684.27	95%	101,315.73
42	Upgrades: Bellavista	1,584,000	1,515,434.17	96%	68,565.83
Total		652,800,000.00	541,431,529.54	83%	111,368,470.46

Table 3: Financial year 2016/2017 expenditure per category of projects

Summary Table	Budget	Expenditure	Expenditure %
Projects in Construction	608,894,581.83	608,888,855.26	78%
Projects in Planning	27,888,586.56	22,952,535.59	4%
Projects at Tender Stage	16,016,831.61	9,590,138.52	1%
Total	652,800,000.00	541,431,529.37	83%

Capex Spent as Per Allocated Category



### Number of Units Developed in 2015/2016

The target for the financial year was 1164 social housing units, and a total of 661 units was achieved against per approved 2016/2017 business plan. The under achievement is due to under-performance on the targets on some projects i.e. Dobsonville, 80 Plein Street, Nancefield Station and the Golden Highway projects. This was however, mitigated by the completion of 3 Inner-City conversion projects namely 27 Hoek Street, Phoenix House and 8-16 Abel Street which yielded more units than anticipated. Furthermore, JOSHCO initiated 4 turn-key projects which yielded a total of 464 units and delivered 708 units on both Greenfields and Brownfields projects as reflected below.

Project	Total Yield	Target 2016/2017	Units Achieved	Variance
Golden Highway (Devland Project)	588	200	102	(98)
Dobsonville	502	204	50	(154)
Turffontein Social Housing	481	60	204	144
27 Hoek Street	264	60	264	204
Nederburg Project	60	40	43	3
16 Wolmarans Street Project	89	60	45	(15)
<b>Total</b>	<b>1873</b>	<b>624</b>	<b>708</b>	<b>568</b>

The table below reflect projects initiated by JOSHCO to mitigate the shortage of units due to various challenges on some projects in the 2016/2017 approved Business Plan.

Inner City Buildings Purchased as Turnkey	Number of Units
2-16 Abel Street	104
Phoenix House	137
23 Kerk Street	61
25 Kerk Street	162
<b>Total number of units</b>	<b>464</b>



The combination of the projects listed above resulted in JOSHCO delivering a total of 1172 units for the financial year which surpasses the planned target.

#### Projects that Commenced in 2016/2017

Construction commenced in the following projects as per JOSHCO's development programme. There were no units planned for this financial year. The projects will begin to yield units in 2016/2017.

Projects	Project Yield	Project Status
133 Albert Street	83	The project will yield 83 units 2017/2018
Fraser House	104	The project will yield 104 units at the end of 2017/2018
16 Wolmarans Street	89	The project will yield 89 units at the end of 2017/2018.
1-6 Abel Street	104	The project will yield 104 units at the end of 2017/2018.
Total	380	

#### Projects Status Report (Construction)

Programmes	Projects	Planned units for f/y	Units achieved	Progress
Greenfield projects Under construction	Dobsonville Social Housing Project	204	50	Due to termination of the previous main Contractor, JOSHCO had to procure and appoint a new Contractor to complete the project. A total of 50 units for the financial year 2016/2017 were delivered, while the balance of 154 units will be delivered in October 2017. In total, the project will yield 502 units, once complete.
	Golden Highway Social Housing/De vland	180	102	The planned target on the approved Business Plan was 180 units for 2016/2017. This included some of the units on phase 2 of the project. A total of 102 units was delivered on this project at the end of June 2017 as part of completing phase 1 only. The balance of 78 units will be delivered once phase 2 is implemented.
	Nancefield Project	90	0	There were challenges with the neighbouring community

Programmes	Projects	Planned units for f/y	Units achieved	Progress
				protesting against the project. Some sections of the community are demanding that a RDP housing project to be implemented by the Provincial Human Settlements department commences simultaneously with the JOSHCO project.
	Turffontein Social Housing Project	90	204	The main Contractor (Stefanutti and Stocks) is currently on site, progressing on various blocks to deliver the balance of the required units. The Contractor delivered 204 units against a target of 90 units for this financial year. This project is 9% ahead of schedule and planned to deliver the balance of 310 units in May 2018.
<b>SUB-TOTAL</b>		<b>624</b>	<b>356</b>	
<b>Inner City Projects Under Construction</b>	Albert Street	40	0	A 2016/2017 target of 40 units for the project could not be met due to delays in pre-construction approvals and procurement processes.
	Claim Street	35	0	The project could not be implemented due to delays in pre-construction planning approval delays. The delayed approvals have since been received and procurement process for the service provider is currently underway.
	Durban Street	65	0	The procurement process has been delayed, and JOSHCO will conclude procurement process during second quarter of 2017/2018 financial year.
	Fraser House	60	0	The procurement and appointment of main Contractor delayed, resulting in later start of the project. The project will yield at completion yield a total of 104 units.



Programmes	Projects	Planned units for f/y	Units achieved	Progress
	Hoek Street	60	264	Although the deliver target on this project was 60 units was planned for financial year 2016/2017. The Contractor, Ubuhlebethu JV ISF has over-achieved and delivered a total of 264 units at the end of June 2017, full project scope.
	Nederburg	60	43	The project had a target of 60 units. Only 43 units were delivered at the end of June 2017, and 20 units will be delivered at the end of October 2017. The delay on the project is mainly attributed to the main Contractor's capacity to execute the project, resulting in slow progress on site and repetition of works to achieve quality required.
	Plein Street	120	0	The main Contractor on this project was terminated in December 2016. This has resulted in delays as JOSHCO is finalising a litigation process with the terminated Contractor.
	Selby	40	0	A service provider could not be appointed on this project due to lack of pre-construction planning approvals.
	Wolmarans Street	60	45	The main Contractor was appointed and commenced work on site during third quarter of 2017/2017.
<b>SUB-TOTAL</b>		<b>540</b>	<b>352</b>	
<b>GRAND-TOTAL</b>		<b>1164</b>	<b>705</b>	

## Projects photos

### Turffontein project photos:



**One of the blocks nearing completion**



### Devland Project



**Aerial view of blocks completed on phase one.**

### Inner City Buildings Purchased

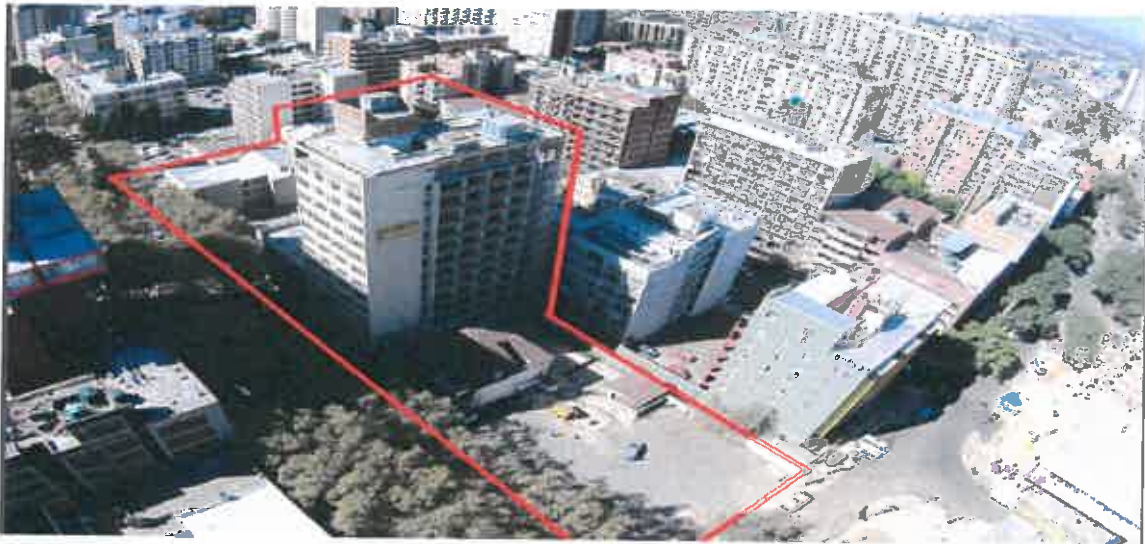
The City of Johannesburg through the planning department has developed a statement of intent and a road map for transforming the Inner City of Johannesburg. One of the key challenges identified in the Inner City Transformation Roadmap is insufficient. The demand for inner city accommodation is far greater than the supply. The CoJ Housing Department and JOSHCO have been identified as key role players in contributing towards the transformation of the Inner City by providing affordable rental housing and transitional accommodation.

#### The five properties were purchased in 2016/2017:-

Summary of Buildings	Estimated Number of Units
2-16 Abel Street	257
Phoenix House	137
23 Kerk Street	61
25 Kerk Street	162
<b>Total</b>	<b>617 Units</b>

**Abel Street, Hillbrow**

The 2-16 Abel Street property consists of three buildings and two portions of potential development land. The three buildings consists of a total of 257 units that require minor remedial works at minimal construction costs in order to reach practical completion. The two portions of development land totalling 2130 square meters provides a great opportunity for the development of additional units and/or provision of other uses. The property is a stone's throw away from the Chelsea project and in close proximity to the Claim Street property purchased last year.



Estimated Unit Yield = 257 units in current condition. Additional units to occur if development land is used for residential development.

**Stephenson Street, Wemmer, Johannesburg**

The 3-7 Stephenson Street property is a high quality, vacant building in Johannesburg offering 6 storeys of residential space. The property has 135 residential units that are in the process of being refurbished. JOSHCO has requested that the building be refurbished according to JOSHCO's specifications. The property is located on the Corner of Stephenson Street and Eloff Ext and is located in close proximity to Faraday Taxi Rank. It offers very good access by both motor car and a range of public transport nodes. Estimated unit Yield = 135 units

**70 Loveday Street, Raschers retail component**

The 70 Loveday Street (Raschers) is a building which JOSHCO has sectional title ownership of the residential portion of the property i.e. from the first floor upwards. The private owner of the ground floor retail component placed it for sale. JOSHCO took up the opportunity to purchase this portion of the property thereby allowing JOSHCO to have full ownership of the building.

**Eleventh Street, Malvern**

2 Eleventh Street is a property located in Malvern containing a single storey building and an extremely large piece of development land. The single storey property provides JOSHCO with an opportunity to provide temporary and emergency housing in accordance with the Inner City housing Implementation Plan. The total development



land size is 7273 square meters. The property has a development potential of 300 residential units. Estimated unit Yield = 300 units

#### **97-99 Rissik Street, Park Chambers, Johannesburg CBD**

Park Chambers consists of a 9 storey building together with an associated warehouse. Acquisition was done through JPC. Estimated Number of Units = 120 Units

#### **Upgrade of Existing Stock**

The upgrading of existing JOSHCO stock was implemented at 100% as per the planned programme. The programme is based on the condition assessments that were undertaken in all JOSHCO stock in 2014/2015. The upgrade programme has a positive impact on the customer satisfaction levels of JOSHCO tenants.

#### **Land Parcels /Buildings secured in the Corridors of Freedom**

The target for the financial year was to achieve 4, the annual target has been over-achieved by 2 at the end of the 3<sup>rd</sup> quarter, and the total achieved to date is 6 land parcels at:-

- Elias Motsoaledi (COJ Housing)
- Turffontein
- Kelvin (JPC)
- Marlboro (JPC)
- Jabulani 2 (JPC)
- Princess Plots (JPC)

#### **Projects Planned within 1km Radius of Corridors**

The annual target is 4, the target was achieved for the financial year for the following projects:-

- Roodepoort
- Lufhereng
- Randburg
- Princess Plots

#### **New Projects that Obtained Planning Approval**




The target for the financial year was to achieve 4, the annual target was over achieved, and 8 project approvals were achieved for the financial year:-



- Devland: Building Plans approved on the 6<sup>th</sup> November 2015
- Dobsonville: Building plans approved on the 2<sup>nd</sup> November 2015 and the SDP approved on 23 October 2015
- Princess Plots: Building plans approved in November 2015
- Lombardy: Approved 2 February 2016
- Turffontein: Approved 16 February 2016
- Nederberg: Approved August 2015
- Plein street: Approved 29 September 2015
- Orlando : Approved 6 August 2015

## SECTION 6: PERFORMANCE AGAINST INSTITUTIONAL SDBIP





This section provides the performance of the entity during the year and the comparisons of the performance against set targets and performance on the City's IDP scorecard. The full performance report is annexed at the back of the report titled "Performance Scorecard".

### Legend:

	Target for the year has been met and performance on track.
	Target for the year has not been met; but progress is being made. Close management is required.
	Problems are being experienced and intervention is required.

Key Performance Indicator/s	Target for the year	Annual Achievement		
		Year to date Achievement	Performance Assessment Status	Remarks/ Mitigation
STRATEGIC ASSESSMENT (SDBIP)				
Number of social housing units developed	2016/17	1172		Target for the year is 1164, which means JOSHCO over achieved by 8 units
OPERATIONAL COMPLIANCE				
Unqualified Audit Opinion - Auditor General (AG) Findings Resolution				Audit to commence in September 2017
Unqualified Audit Opinion - Internal Audit Findings Resolution	100% implementation management actions against internal audit findings.	4 findings were raised in the first half of the year and were resolved. In the second of the financial year, 64 findings were raised by internal audit of which 10 were resolved, 17 were partially		The implementation of corrective measures against the 54 findings will be undertaken in the first half of the financial year to ensure that, management has adequate time to put sounding mitigating measures in place for the findings not to re-occur.



Key Performance Indicator/s	Target for the year	Annual Achievement		
		Year to date Achievement	Performance Assessment Status	Remarks/ Mitigation
		resolved, and 33 were pending resolution and 4 not resolved.		
<b>SERVICE DELIVERY</b>				
Zenzele job creation project	800 jobs to be created	198 Jobs created		The target for the year was has been exceeded by 30 more jobs created. JOSHCO is proud of this initiative and results are showing.
% achievement of Service Level Standards	96%	97%		The target set was achieved.
<b>FINANCIAL PERFORMANCE</b>				
Revenue Collection/ Losses	91%	91%		The target was achieved.
Capital Expenditure	95%	83%		The Capital expenditure target for the year was impaired by a transaction related to the purchasing of one of the Inner-City buildings not concluded.

#### Breakdown of Service Standards Achieved for the Year

No.	Aspect of Services			Minimum Acceptable Service Standards	Minimum Acceptable Turnaround time	Target 2016/2017	Achieved 2016/2017
1.	Maintenance	1.1	Maintenance of properties under	Maintenance to address compliance	Once per year and as when required	None	The all the fire equipment were

No.	Aspect of Services		Minimum Acceptable Service Standards	Minimum Acceptable Turnaround time	Target 2016/2017	Achieved 2016/2017
			JOSHCO control	to health and safety standards		served in the year under review.
		1.2	Attending to requests for maintenance	Investigation of request	Within 7 days' request	96% 97%
2.	Repairs	2.1	Repairs to properties under JOSHCO control	Repairs in instances where safety of people of property should be a concern	Within 24 hours of logging a request	9% 97%
		2.2	Repairs to properties under	Repairs in other instances	Within 7 days of request	96% 97%
3	Billing	3.1	Billing	100% accurate bills to 100% of JOSHCO customers	Once per month	Once per month None
4	Resolutions of complaints	4.1	Resolution of Complaints relating to billing	Acknowledgment of receipt and details of contact person to whom complaint has been assigned to for resolution; Resolution or escalation of complaint – with	Within 24 hours (excluding weekends) of complaint being logged. Within 7 days of complaint being logged	Complaints are resolved within 24 hours of being logged None

No.	Aspect of Services			Minimum Acceptable Service Standards	Minimum Acceptable Turnaround time	Target 2016/2017	Achieved 2016/2017
				detailed feedback to customer			

## SECTION 7: ASSESSMENT OF ARREAR ON MUNICIPAL TAXES & SERVICE CHARGES

### Assessment of Municipal Taxes and Service Charges owed to the entity

Detail	Current	30 days past due	31-60 days past due	61-90 days past due	Over 90 days past due	Total
Debtor's Age Analysis by income Source	R4 673 123	R3 774 444	R3 242 143	R2 890 514	R39 507 580	R54 087 804

### Amounts owed by entity for service charges

Name of Entity	Amount Owed	Status	Comments
COJ	R2 664 172.55	Current	Substantially reduced Compare to prior year.

### Assessment of Directors' and senior managers' municipal accounts

Name of Director/Senior managers	Designation	Name of Municipality	Municipal Account Name & Number	Account Status as at 30 June 2016
Bhekisipho Twala	Chairperson	City of Tshwane	B Twala 1. 8001286908 2. 5011794057	Current
Molefi Olifant	Non-Executive Director	City of Johannesburg	Not Applicable	Not applicable
Lesenyego Matlhape	Non-Executive Director	City of Johannesburg	403059582	Current
Success Marota	CFO	City of Ekurhuleni	NS//MR Marota 2103933196	Current
Anthony Ngcezula	CEO	Nelson Mandela Bay	AT Ngcezula 1. 600208264103 2. 600103512604	Current
Pretty Ngwasheng	SM:HR & Corporate Support	City of Tshwane	MM//PN Ngwasheng 5007206487	Current

Name of Director/Senior managers	Designation	Name of Municipality	Municipal Account Name & Number	Account Status as at 30 June 2016
Cheryl Holmes	Acting SM: Housing Development	City of Johannesburg	C Holmes 501615381	Current
Phumlani Maseko	SM: Business Planning & Risk Management	City of Johannesburg	L/P Maseko 502884459	Current
Moses Molefi	Non-Executive Director	City of Johannesburg	Not Applicable	Not Applicable
Thabo Motloun	Non-Executive Director	City of Ekurhuleni	TD Motloun 210016375	Current
Tumelo Mlangeni	Non-Executive Director	City of Johannesburg	TM Mlangeni 553988505	Current
Siphiwe Mhlongo	Non-Executive Director	City of Johannesburg	Not Applicable	Not Applicable
Pretty Nyembe	Non-Executive Director	City of Johannesburg	Not Applicable	Not Applicable

#### SECTION 8: STATEMENT ON AMOUNTS OWED BY GOVERNMENT DEPARTMENTS AND PUBLIC ENTITIES

Name of department	Amounts owed	Account status
City of Johannesburg: Sweeping account	R84 206 289.75	Current
City of Johannesburg Treasury: Intercompany	R5 958 169.39	Current
Gauteng Department of Human Settlements	R15 968 756.79	180 days overdue
City of Johannesburg: Housing	R16 069 050.13	Current
City of Johannesburg: Capital Asset Management	R84 302 595.02	Current
<b>Total</b>	<b>R347 201 456.82</b>	



## SECTION 9: RECOMMENDATION AND PLANS FOR NEXT FINANCIAL YEAR

Hereunder is an indication of JOSHCO's project pipeline.

### Projects under Planning (Pipeline of Projects)

Projects	Outputs	Future activities
<b>Auckland Park</b>	<b><u>400 units</u></b> The property is currently vacant and forms part of the Helen Joseph Hospital Site. The property will be donated by the Department of Public Works and JPC is required to handle the donation process. It should be noted that JOSHCO will finalise the appointment of consultants once the land acquisition process has been concluded with JPC.	<b><u>2017/18:</u></b> Finalisation of project feasibility studies. CoJ Housing has agreed to assist JOSHCO acquire this land portion through a Devolution Process which is quicker than a Donation Process.
<b>8-18 Abel Street</b>	<b><u>257 Units</u></b> Phase 2 of the project is under-going pre-construction planning. Phase 1 of the project constitutes 2 buildings that are currently being upgraded. A contractor has been appointed for Phase 1 and upgrade works are currently under way.	<b><u>2017/18:</u></b> Designing and costing of phase 2
<b>Claim Street</b>	<b><u>65 Units</u></b> The project is currently in planning and detailed design stage.	<b><u>2017/18:</u></b> Procurement of contractor and construction.
<b>280 Smith Street.</b>	<b><u>286 Units</u></b> The Professional team is finalising the detailed designs and costing to explore the most financially-viable option for the project.	<b><u>2016/17:</u></b> Design and costing are in final stages and will be approved by the Board in October 2017.
<b>Jabulani</b>	<b><u>280 Units</u></b> The Comprehensive feasibility report has been completed. Findings of the report were approved by JOSHCO EXCO in August 2017. The project has now been escalated to planning and detailed design phase.	<b><u>2017/18:</u></b> Planning and detailed design. Preparing tender documentation.
<b>Ivory Park/Midrand</b>	<b><u>300 Units</u></b> The Use and Maintenance Agreement has not been received from JPC yet, the professional team will only be appointed once the land acquisition process is concluded. JOSHCO has requested for a meeting with JPC to discuss issuing	<b><u>2017/18:</u></b> Pre-construction feasibility studies and Planning.

Projects	Outputs	Future activities
	of the Agreement.	
<b>Kelvin</b>	<b><u>350 Units</u></b> The Comprehensive feasibility report has been completed. Findings of the report were approved by JOSHCO EXCO in August 2017. The project has now been escalated to planning and detailed design phase.	<b><u>2017/18:</u></b> Planning and detailed designs. Preparing tender documentation.
<b>Kliptown</b>	<b><u>500 Units</u></b> Feasibility studies and planning activities are currently underway. The proposed development is made up of two separate developments located in Klipspruit Ext 6 and Ext 11. Concept designs for both townships have been completed and will be approved at the September 2017	<b><u>2017/18:</u></b> Planning and detailed design. Preparing tender documentation.
<b>Lufhereng</b>	<b><u>418 Units</u></b> Building Plans have been submitted for approval. The Review Consultant has also been appointed and already facilitating finalisation of the Development Agreement. The Developer and the CoJ still need to finalise the removal of illegal occupants on the property before the development Agreement can be signed.	<b><u>2017/18:</u></b> Planning, approvals and services installation  <b><u>2017/18:</u></b> Top structure construction.
<b>Marlboro</b>	<b><u>400 Units</u></b> The Use and Maintenance Agreement has now been signed with the JPC. Consultants have been allocated to the projects. Feasibility Studies are currently underway.	<b><u>2017/18:</u></b> Finalisation of project feasibility studies. Planning and detailed design.
<b>Princess Plots</b>	<b><u>289 Units</u></b> The Consolidation application has been approved. Positive comments have now been received from City Power. Approval of the rezoning application is expected in September 2017.	<b><u>2017/18:</u></b> Planning and detailed design. Procurement of contractor and construction.
<b>Randburg Selkirk</b>	<b><u>521 Units</u></b> Consultants were issued with an instruction to proceed with planning and detailed designs. The Use and Maintenance Agreement from JPC	<b><u>2017/18:</u></b> Planning, approvals and services installation.  <b><u>2017/18:</u></b> Top structure construction.

Projects	Outputs	Future activities
	has been received for signature. The Power of Attorney has been issued to the project team to enable them to submit Site Development Plans and Building Plans.	
<b>Turffontein Corridor</b>	<p><b><u>300 Units</u></b></p> <p>The Use and Maintenance Agreement has now been received from JPC. Consultants have been allocated to the project. Feasibility Studies are expected to be completed by 31 August 2017.</p>	<p><b><u>2017/18:</u></b> Finalisation of project feasibility studies.</p> <p><b><u>2017/18:</u></b> Planning and detailed designs.</p>

## CHAPTER FOUR: HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT



### SECTION 1: HUMAN RESOURCE MANAGEMENT

This chapter presents the Human Resource (HR) function within JOSHCO in relation to creating, delivering and sustaining the value proposition while ensuring employees are engaged and motivated to help the organisation achieve its objectives. HR focused its efforts towards repositioning the organisation to fulfil its mandate through the implementation of the performance management system and the training and development of employees. Human Resources had only one (1) direct strategic objective which related to the "Achievement of optimal use of Human Capital" by ensuring that a percentage of JOSHCO staff achieve a performance rating of 3.

### PERSONNEL RELATED EXPENDITURE

The table below summarises the expenditure and provides an indication of the amount spent on personnel costs per occupational level against the total expenditure.

Table: Personnel expenditure by occupational level and total salary cost:

Occupational Level	No. of employees	(R'000) Personnel Expenditure	% of total personnel cost	(R'000) Average cost per employee
Top Management	4	4 007 555,88	12%	114 498.45
Senior Management	5	3 434 402,20	10%	74 660.92
Professional Qualified / Middle Management	21	10 930 394,15	32%	47 940.33
Skilled Technical and Academically Qualified	64	14 221 265,04	41%	19 779.23



Occupational Level	No. of employees	(R'000) Personnel Expenditure	% of total personnel cost	(R'000) Average cost per employee
Semi-Skilled	15	1 783 594,87	5%	11 581.78
Unskilled	3	295 259,79	1%	6561.33
<b>Total</b>	<b>112</b>	<b>34 672 471,93</b>	<b>100%</b>	

## EMPLOYMENT AND VACANCIES

During the year under review 112 positions were filled and out of which 60 are permanent and 52 are on Fixed-term contract. These includes the two key critical positions of Company Secretary and Chief Executive Officer which were filled in January and March 2017. Furthermore, a moratorium was put in place with regards to filling of senior management and support positions pending approval of the revised organisational structure. Therefore, the vacancy report rate will only reflect the percentage of posts that were not filled in the current approved structure. The following tables summarise the number of approved, filled and vacant positions on the establishment.

Table: Number of Positions and filled on the establishment

Programme	Number of posts on approved establishment	Number of posts filled	Number of posts vacant
Office of the CEO	2	2	0
Governance & Legal Services	2	2	0
Business Planning & Risk	4	4	0
Finance, SCM & Revenue	32	32	0
Corporate Support & HR	10	9	1
Housing Management	53	50	3
Housing Development	13	13	0
<b>Total</b>	<b>116</b>	<b>112</b>	<b>4</b>
<b>Total number as % of total employment</b>		<b>97%</b>	<b>3%</b>

JOSHCO was operating at 97% occupancy rate against the approved staff establishment with the remaining 3% recorded as vacancies.

## EMPLOYMENT CHANGES

This section provides information on changes in employment over the financial year. Turnover rates provide an indication of trends in the employment profile of the company. The following table provide a summary of turnover rates by occupational levels.

Table: Annual turnover rates by Occupational Levels

Occupational Levels	Number of employees on 01 July 2016	Appointments and transfers	Terminations	Turnover rate
Top Management	3	1	-	%
Senior Management	5	1	-	1%
Professional Qualified / Middle Management	18	3	-	-
Skilled Technical and Academically Qualified	55	12	7	7%
Semi-Skilled	15	5	-	-
Unskilled	4	-	-	-
<b>Total</b>	<b>100</b>	<b>21</b>	<b>7</b>	<b>8%</b>

Majority of the termination were involuntary due to termination of service and/or dismissal due to misconduct related cases, recruitment for filling these positions will be completed in the new financial year.

## SECTION 2: EMPLOYMENT EQUITY

JOSHCO 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 or unemployed and seeking employment and 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 guide, 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 EAP as depicted in the tables below.

Table: Employment Equity Profile

Occupational Level	Male					Female					Grand Total
	A	C	I	W	Total	A	C	I	W	Total	
Top Management	2	0	0	0	2	1	1	0	0	2	4
Senior Management	3	0	0	0	3	2	0	0	0	2	5
Professionally Qualified / Middle Management	8	0	0	4	12	8	0	1	0	9	21

Occupational Level	Male					Female					Grand Total
	A	C	I	W	Total	A	C	I	W	Total	
Skilled Technically and Academically Qualified	29	1	1	0	31	28	3	1	1	33	64
Semi-Skilled	8	0	0	0	8	6	1	0	0	7	15
Unskilled	0	0	0	0	0	3	0	0	0	3	3
Total	50	1	1	4	56	48	5	2	1	56	112
% of Gender Representation	45 %	1%	1%	4%	50 %	43 %	4%	2%	1%	50 %	

Table: Disability Profile

Occupational levels	Males				Female				Total PWDs
	A	C	I	W	A	C	I	W	
Top Management	-	-	-	-	-	-	-	-	-
Senior Management	-	-	-	-	-	-	-	-	-
Professionally Qualified / Middle Management	1	-	-	1	-	-	-	-	2
Skilled Technically and Academically Qualified	-	-	-	-	1	-	-	-	1
Semi-Skilled	-	-	-	-	-	-	-	-	-
Unskilled	-	-	-	-	-	-	-	-	-
Total	1	-	-	1	1	-	-	-	3

The employment of 2% Persons with disability target was exceeded by 1%.

Table: Employment Equity Target and Actual

Occupational Levels	EE Target and Actual	Males				Female			
		A	C	I	W	A	C	I	W
Top Management	Actual	2	0	0	0	1	1	0	0
	Target total	2	1	1	0	1	1	1	1
	Gap	0	-1	-1	0	0	0	-1	-1
Senior Management	Actual	3	0	0	0	1	0	0	0
	Target total	3	0	0	1	2	0	0	1
	Gap	0	0	0	-1	0	-1	-1	-1
Professional Qualified / Middle Management	Actual	8	0	0	4	8	0	1	0
	Target total	8	1	1	4	10	1	1	2
	Gap	0	-1	-1	0	+2	-1	0	-2
Skilled Technical and academically Qualified	Actual	29	1	1	0	28	3	1	1
	Target total	27	1	1	1	27	2	1	2



Occupational Levels	EE Target and Actual	Males				Female			
		A	C	I	W	A	C	I	W
	Gap	+2	0	0	-1	-1	+1	0	-1
Semi-Skilled	Actual	8	0	0	0	6	1	0	0
	Target total	6	1	1	2	4	1	1	2
	Gap	-2	-1	-1	-2	+2	0	-1	-2
Unskilled	Actual	0	0	0	0	3	0	0	0
	Target total	2	1	1	1	3	1	1	1
	Gap	0	-1	-1	-1	0	-1	-1	-1

Table: Employment Equity and Economically Active Population (EAP) Targets

Description	Total employees	Gauteng EAP Target %	JOSHCO EE Actual against Target	Variance
Africans	98	78%	88%	+10%
Coloureds	6	3%	5%	+2%
Indians	3	3%	3%	0%
Whites	5	16%	4%	-12%
Persons with disability	3	2%	3%	+1%
Male / Female	56/56	50% / 50%	50% / 50%	0%

During the year under review, overall African representation was 88% which is above the set target of 78%, Coloureds at 5% which is also above a target with 2% Indians remains stabled at 3%. Whites are underrepresented at 4%.

Table 4: Gender Representations

Gender	Total		African		Coloured		Indian		White	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Male	50%	50%	39%	45%	1,5%	1%	1,5%	1%	8%	4%
Female	50%	50%	39%	43%	1,5%	4%	1,5%	2%	8%	1%
Total	100%	100%	78%	88%	3%	5%	3%	3%	16%	4%

The 50/50 target for gender representation has been achieved, which is also exhibited by female employees at Top, Senior and Middle Management positions.

### SECTION 3: SKILLS DEVELOPMENT AND TRAINING

Skills Development has increasingly become an important component of Human Resources as a means of improving performance and organizational effectiveness. JOSHCO offers a wide range of development provision enabling employees to gain skills competencies and experience necessary to contribute to the attainment of



individual, team and organisational goals and expectations in an increasingly diverse and demanding context.

### Compulsory Induction Programme

JOSHCO fully rolled out the induction programme to all newly appointed employees within their first 2 months of employment. The 3 day compulsory induction programme aims to ensure that newly appointees are easily integrated within the company with ease and shorter time periods. The programme entailed general important company information, policies, procedures, processes and organisational values. Issues of employee health, safety; fraud and corruption are also addressed. As at 30 June 2017, 21 staff members including Learners were inducted.

### Training and Capacity Development

Skills Development has increasingly become an important component of Human Resources as a means of improving performance and organizational effectiveness, below is some of the training interventions that was attended by staff: Advanced Excel, MDA, CaseWare, Media, Labour Relations, Cobit Training, Health and Safety etc. A number of training interventions such skills programmes and other short courses were implemented during the year. A total of 108 staff members attended at least 2 interventions with an aim addressing skills gap identified as well as improving competency levels of other employees. In addition to the above 17 employees were awarded study bursaries and in compliance with the National Treasury and Municipal Systems Act, 12 JOSHCO Executives, Senior and Management Team attended Municipal Finance Programme facilitated by the City of Johannesburg and Wits Business School. The first group intake graduated during December 2016.

**Table: Training provided for the period 01 July 2016 to 30 June 2017**

Occupational category	Gender	Number of employees as at 01 July 2016	Training provided within the reporting period			
			Learn ership	Skills programme s & other short courses	MFMA Compliance programme	Bursarie s
Top Management	Female	2	-	2	2	-
	Male	2	-	1	1	1
Senior Management	Female	2	-	2	1	-
	Male	3	-	3	-	-
Professional Qualified / Middle Management	Female	9	-	9	2	3
	Male	12	-	12	3	4
Skilled Technical and academically Qualified	Female	33	-	33	1	5
	Male	31	-	31	2	3

Occupational category	Gender	Number of employees as at 01 July 2016	Training provided within the reporting period			
			Learn ership	Skills programme s & other short courses	MFMA Compliance programme	Bursarie s
Semi-Skilled	Female	7	4	7	-	1
	Male	8	2	8	-	-
Unskilled	Female	3	-	3	-	-
	Male	0	-	-	-	-
Total		112	6	108	12	17

A total amount of R 1 758 904.44 inclusive of bursaries has been spent on skills development.

### Internship and Learnership Programme

JOSHCO partnered with the Services SETA and Insika Foundation to implement the Internship and Learnership Programme for duration of 18 months. JOSHCO hosted 10 learners to assist them to complete their practical work experience and to obtain their formal qualifications. 4 of the learners have got permanent employment outside of JOSHCO and six are remaining to complete their Learnership programme.

## SECTION 4: PERFORMANCE MANAGEMENT AND SUCCESSION PLANNING

JOSHCO has a well-embedded standardised performance management policy and procedure for setting performance objectives, which is aligned to the Business Plan and Divisional plans. Formal performance reviews are conducted bi-annually during December and June. Year-end performance ratings are the determinant of a performance reward. An enhanced performance development and coaching approach is being conducted on a continuous basis to ensure that employee performance is consistently and fairly reviewed. All staff members occupying management positions have concluded and signed their performance agreements within specific timeframes. Information regarding the signing of performance agreements is summarised in the table below.

**Table: Signing of performance agreements by staff occupying management positions**

Occupational category	Total number management positions	Total number of signed performance agreements	Signed performance agreements as % of total number of management positions
Top Management	4	4	100%
Senior management	5	5	100%
Middle	21	21	100%

Occupational category	Total number management positions	Total number of signed performance agreements	Signed performance agreements as % of total number of management positions
management			
Total	30	30	100%

As at 30 June 2017, the submission of Performance Agreements and Mid-Term Performance Reviews is at 100%. The annual performance review submission is at 100%. The process of moderation for annual performance review and payment of performance bonuses has been concluded and an actual staff performance percentage of 99% has been attained against a target of 100%.

## SECTION 5: DISCIPLINARY MATTERS AND OUTCOMES

JOSHCO has a fully established Employee and Labour Relations Forum, which deals with employee / employer related issues and thereby maintaining direct lines of communication with recognised trade unions (IMATU and SAMWU). These Forums are the Skills Development and Employment Equity Committee and Local Labour Forum (LLF) which meets at least once a month in line with the predetermined schedule. The elections of the floor shop stewards has been finalised and the first LLF meeting with new members was held on 07 June 2017. A total of 75 employees belong to labour unions of which 28 subscribe to IMATU, 57 to SAMWU, 4 pay Agency Shop Fees and 23 employees are not affiliated to any Union.

The following table summarizes the outcome of disciplinary hearings conducted within the year under review:

**Table: Outcome of disciplinary hearings**

Outcomes of disciplinary hearings	Number	% of total
Verbal warning	10	50%
Written warning	2	10%
Final written warning	-	-
Notice of Suspension	1	5%
Suspended without pay	-	-
Demotion	-	-
Dismissal	4	20
Voluntary Resignation	2	10%
Reinstatement	1	5%
Grievances	-	-
<b>Total</b>	<b>20</b>	<b>100%</b>

**Table: Types of Offenses addressed at disciplinary hearings**

Types of Offenses	Number	% of total
Alcohol abuse	1	5%
Assault	-	-
Bribery / Fraud / Corruption	7	35%

Types of Offenses	Number	% of total
Dereliction of duty	3	15%
Gross Misconduct / misconduct	2	10%
Non-compliance to policy and procedure	6	30%
Insubordination / refusal to take lawful instruction	1	5%
Negligence	-	-
Total	20	100%

All disciplinary matters were handled in line with the approved disciplinary code policy of the organisation.

## SECTION 6: EMPLOYEE WELLNESS

JOSHCO has an outsourced Employee Assistance Programme through ICAS, whereby employees and their immediate families can access the service free of charge. JOSHCO's Wellness Programme aims to improve the quality of lives for all JOSHCO employees; this includes other health related matters which may interfere with their job performance. It is in light of the aforementioned that Corporate Support has adopted an approach of conducting wellness event specifically aimed at addressing issues raised by staff or identified by management.

During the year under review, over 6 wellness events were hosted related to *Substance Abuse* and *Financial Wellness* and *Stop Women Abuse Dialogue*. Several speakers were invited to share ideas on how to identify the abuse and ways of addressing it.

The tables below details pro-active as well as responsive interventions delivered during the review period. Comparisons are made with the ICAS Public Sector average (where applicable) as well as the previous period's engagement:-

Table: Programme Engagement Overview

Programme Engagement Overview	Number	Projected Annualised %	ICAS Average
Total Engagement Rate	17	29.9%	12.1%
Individual Cases	11	20.5%	7.3%
Group Intervention Participants	2	6.0%	2.5%
Profiled e-Care Users	4	3.4%	2.2%

During the period under review, 1 individuals presenting with significant risk due to substance abuse. The table below shows the number and proportion of problems presented as at 30 June 2017.

Table: Problem Cluster

Problem Cluster	Number of cases	% reported	ICAS Average
Relationship Issues	13	40.6%	19.8%



Problem Cluster	Number of cases	% reported	ICAS Average
Stress	4	12.5%	16.5%
Addictive Behaviours	3	9.4%	2.9%
Information & Resources	3	9.4%	6.0%
Organisational Issues	2	6.3%	9.9%
Personal development	2	6.3%	3.8%
HR Issues	1	3.1%	4.5%
Health & Lifestyle	1	3.1%	3.8%
Mental Illness/Psychiatric	1	3.1%	4.4%
Abuse	1	3.1%	1.2%
Legal Issues	1	3.1%	5.0%
<b>Total</b>	<b>32</b>	<b>100.0%</b>	

Table: Detailed Problem Breakdown

Problem Cluster	Problem type	Number of cases	% reported
Relationship Issues	Partner / Spouse	5	15.6%
	Divorce / Separation	3	9.4%
	Interpersonal Conflict	3	9.4%
	Family members	2	6.3%
	Infidelity	0	-
Stress Management	Stress	3	9.4%
	Anger Management	1	3.1%
Addictive Behaviours	Alcohol misuse/ abuse	3	9.4%
	Drug / misuse / abuse	0	-
<b>Total</b>	<b>32</b>	<b>20</b>	<b>61.5%</b>

## CHAPTER FIVE: FINANCIAL POSITION AND PERFORMANCE

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

### SECTION 1: STATEMENT OF FINANCIAL POSITION AND NOTES

#### *Assets*

Current assets decreased by R26m (from R405m to R383m) as a result of funds that were swept by the City and lesser CAPEX accruals at year-end compared to the financial year 2016. There has been no material change on the composition of non-current assets.

#### *Liabilities*

Non-current liabilities have increased by R112m (from R39m to R151m) as a result of increase in deferred income (SHRA project funding). Current liabilities increased by R139m (from R390m to R251m) and relates mainly to lower CAPEX accruals raised at year-end.

#### Ratio Analysis

The following ratios are considered as crucial in measuring the “financial health” of the entity:

1. Current Ratio (Acid Test Ratio)

$$\text{Current Ratio} = \frac{\text{R383 million}}{\text{R251 million}} \\ = 1.5: 1$$

From the above, it is evident that the entity's working capital (short-term assets) adequately covers the short-term liabilities.

The entity therefore has sufficient liquidity in the short-term to cover its debt i.e. 1.5 times.

2. Solvency Ratio

$$\text{Solvency Ratio} = \frac{\text{R424 million}}{\text{R402 million}} \\ = 1.05: 1$$

From the above, it is evident that the entity's total assets will not adequately cover the total liabilities. The entity therefore has insufficient solvency in the long-term to cover its debt i.e. 1.05 times.

The going-concern of JOSHCO over the short-term (12 months) can be demonstrated by considering the accumulated reserves of R22.1m. It is further supported by the current ratio which shows the liquidity of the entity as 1.5 (current assets to current liabilities).

The entity is therefore able to continue its operations over the foreseeable future.

## SECTION 2: STATEMENT OF FINANCIAL PERFORMANCE AND NOTES

### Revenue

The following table shows how the entity's revenue was made up for the period ended 30 June 2017:

Revenue	Actual R'000	Budget R'000	Weighting
Rentals received (including levies)	110,777	110,696	75%
Subsidies	13,100	13,100	9%
Management fees	9,272	12,070	6%
Interest received	11,583	6,795	8%
Other income	2,673	1,827	2%
<b>Total</b>	<b>147,405</b>	<b>144,488</b>	<b>100%</b>

75% of the JOSHCO's revenue was generated from its core mandate of developing, rehabilitating, converting and managing housing stock on behalf of the City of Johannesburg. This indicates self-financial sustainability and is in line with the intention of the Board of directors and management to become self-sufficient.

Subsidies from the City of Johannesburg only made up 9% of the revenue in order for the entity to break even and this is in line with previous financial years.

The collection rate for the period ended 30 June 2017 on tenant billings was 90%. This collection was 1% behind the budgeted collection rate of 91%. The reduction in collection rate was partly attributed current economic conditions that have adversely impacted on some of JOSHCO's tenants.

### Results of Operations

Description	2016/17 Financial Year			
	Actual R'000	Budget R'000	Variance R'000	Variance %
<b>Revenue</b>	<b>147,405</b>	<b>144,488</b>	<b>2,917</b>	<b>2%</b>
<b>Less: Total expenditure</b>	<b>(143,321)</b>	<b>(142,988)</b>	<b>(333)</b>	<b>0.2%</b>
<b>Core Mandate (Deliverables):</b>	<b>(78,505)</b>	<b>(83,326)</b>	<b>(4,821)</b>	<b>6%</b>
Repairs & Maintenance - Flagship 1	(51,465)	(57,726)	6,261	-11%
Utility Costs - Flagship 2	(13,273)	(13,685)	412	-3%
Other project related costs - Flagship 3	(13,767)	(11,915)	(1,852)	16%
<b>Administrative Costs</b>	<b>(64,815)</b>	<b>(59,662)</b>	<b>(5,153)</b>	<b>9%</b>
Governance & staff costs - Enabler 1	(37,706)	(38,609)	903	-2%
General Expenses - Enabler 2	(27,109)	(21,053)	(6,056)	29%
<b>Surplus before tax</b>	<b>4,084</b>	<b>1,500</b>	<b>2,584</b>	<b>173%</b>

The above table indicates a variance on total actual expenditure of 0.2% (i.e. R333k) compared to budget and this variance represents under-expenditure (i.e. within budget) for the year ending 30 June 2017. In considering the expenditure for the financial year, it must be related to JOSHCO's flagship projects and administrative enablers:

- *Flagship 1 (Repairs and maintenance)* - There is a saving of R6,3M and in relation to responsive repairs and maintenance where there were lesser calls logged than anticipated.
- *Flagship 2 (Utility services)* - There is a saving of R412k and this is linked to actual consumption of utilities in projects.
- *Flagship 3 (Tenant services)* - It is 16% (R1.8m) ahead of budget due to higher provision for bad debts as a result of lower collection levels (Collection target not reached for the year). The collection levels can be linked directly rising unemployment levels of tenant in certain projects. R5.5m bad debts were also written off during the financial year for debt where it was uneconomical to pursue them legally, untraceable former tenants, deceased tenants and this further increased cost incurred for tenant services.
- *Enabler 1 (Salary and staff costs)* - Expenditure was under-expended by R903k. This was mainly due to vacancies that existed at year end.
- *Enabler 2 (General expenditure)* - Expenditure was over-expended by 29% (R6.1 million) mainly due to legal fees, advertising and promotions, license fees for the MDA system and rental paid for the lease of additional office space.

### SECTION 3: SPENDING AGAINST CAPITAL BUDGET

CAPEX projects are directed towards the development, renovation and upgrade of COJ and JOSHCO's properties that are to be leased as housing units. JOSHCO's performance on capital projects reflects an actual expenditure including accruals of R538, 6m against total budget of R652.8M. This translates to a spending of 83% for the period to date. 43% of the actual expenditure (R234.1M vs R538.6M) was spend on the purchase of buildings in the inner city. The following table provide a detailed expenditure analyses per project:-

Expenditure Report Capital Projects 2016-2017					
#	Project	Adjustment budget	Certified claims	%	Variance
1	27 Hoek Street	69,000,000	69,132,083.70	100%	-132,083.70
2	80 Plein Street	8,742,000	8,996,667.99	103%	-254,667.99
3	Casa Mia Social Housing	5,721,000	5,717,968.55	100%	3,031.45
4	Chelsea Social Housing	500,000		0%	500,000.00
5	Marlboro South	331,000	8,580.72	3%	322,419.28
6	Dobsonville Social Housing	28,000,000	27,999,999.87	100%	0.13
7	Fleurhof Riverside Ridge	3,227,000	161,909.13	5%	3,065,090.87
8	Devland Golden	29,910,000	29,908,361.37	100%	



**Expenditure Report Capital Projects 2016-2017**

#	Project	Adjustment budget	Certified claims	%	Variance
	Highway				1,638.63
9	Inner City: Purchases/Other	286,368,000	186,845,344.47	67%	91,961,746.37
10	Inner City: 280 Smit Street	5,000,000	4,696,587.09	100%	-
11	Inner City: Fraser House	13,563,326.16	13,563,326.16	100%	-
12	Inner City: 133 Albert Street	12,000,000	12,000,000.01	100%	-
13	Inner City: 50 Durban Street	258,000	257,831.61	100%	-
14	Inner City: 106 Claim Street	1,436,000	1,435,999.47	100%	-
15	Inner City: 16 Wolmarans Street	9,801,000	9,764,647.87	100%	-
16	Inner City: Phoenix House	1,181,000	1,180,592.54	100%	-
17	Inner City: 8-16 Abel Street	5,736,673.84	5,073,854.66	100%	-
18	Ivory park Social Housing	7,000	6,990.71	100%	9.29
19	Jabulani Social Housing	921,000	921,000.00	100%	-
20	Kelvin Social Housing	1,000,000	304,890.00	30%	695,110.00
21	Kliptown Social Housing	115,000	94,421.63	82%	20,578.37
22	Lombardy East	7,000,000	4,511,619.08	64%	2,488,380.92
23	Lufhereng Social Housing	187,000	186,563.04	3%	6,813,436.96
24	MBV Social Housing	500,000	41,500.20	8%	458,499.80
25	Nancefield Station	9,700,000	9,585,983.51	99%	114,016.49
26	Nederburg Social Housing	20,400,000	18,181,708.76	89%	2,218,291.24
27	Princess Plots	5,000,000	4,993,377.74	100%	6,622.26
28	Roodeport Social Housing	10,776,000	10,742,127.90	100%	33,872.10
29	Selby Hostel	11,230,000	11,201,486.22	86%	1,798,513.78
30	Randburg Selkirk	6,382,000	5,937,568.95	93%	444,431.05
31	Turffontein Social Housing	64,212,000	64,080,235.65	100%	131,764.35
32	Upgrades: Raschers	1,972,000	1,972,000.00	100%	-
33	Upgrades: Pennyville Rooms	63,000	66,464.12	105%	-3,464.12

<b>Expenditure Report Capital Projects 2016-2017</b>					
<b>#</b>	<b>Project</b>	<b>Adjustment budget</b>	<b>Certified claims</b>	<b>%</b>	<b>Variance</b>
34	Upgrades: La Rosabel	891,000	872,245.62	98%	18,754.38
35	Upgrades: Kliptown Square	17,000	16,992.35	100%	7.65
36	Upgrades: Kliptown Golf Course	16,800,000	16,800,000.00	100%	-
37	Upgrades: Jabulani	1,862,000	1,862,000.00	100%	-
38	Upgrades: Orlando	1,487,000	1,026,712.02	69%	460,287.98
39	Upgrades: inner City AA House	1,308,000	1,289,069.76	100%	-
40	Upgrades: City Deep	6,500,000	6,467,698.64	100%	32,301.36
41	Upgrades: Citrine Court	2,111,000	2,009,684.27	95%	101,315.73
42	Upgrades: Bellavista	1,584,000	1,515,434.17	96%	68,565.83
<b>TOTAL</b>		<b>652,800,000.00</b>	<b>541,431,529.54</b>	<b>83%</b>	<b>111,368,470.46</b>

#### **SECTION 4: CASH FLOW STATEMENT**

Cash and cash equivalents balance at the end of 30 June 2017 was R94.1M. These funds relate mainly to tenant's deposits which are held in trust and project funds received from the SHRA during the financial year. The sweeping account held by the City of Johannesburg also had a positive balance of R89.8 million.

#### **SECTION 5: STATEMENT OF CHANGES IN NET ASSETS**

The entity's net assets increased by R4.7M (27%) as a result of the net surplus from operations. The biggest contributor to our net surplus was the interest received from positive bank balance during the financial year.

#### **SECTION 6: REPORT IN IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND LEGAL PROCESS**

The entity did not incur any irregular, fruitless and wasteful expenditure during the financial year.

## CHAPTER SIX: AUDITOR GENERAL FINDINGS

Note: The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA section 45 states that the results of performance measurement must be audited annually by the Auditor-General.

Refer to the Annual Financial Statements set out in Chapter 5 and the timescale for the audit of these accounts and the audit of performance and the production of reports on these matters by the Auditor General as set out in this Chapter.

Include a comparison of the previous audit opinions and share a narrative that analyses the reasons for the outcome of the opinion. This should be at a high level to assist the reader in understanding the reasons for the audit outcomes. *(This chapter will be completed once the Auditor-General has concluded its audit)*

Audit Opinion	2013/14	2014/15	2015/16	2016/17
	Clean audit	Clean audit	Clean audit	Clean audit

### SECTION 1: HISTORICAL AUDIT FINDINGS AND REMEDIAL ACTION

#### ANALYSIS OF 2016/17 AUDIT FINDINGS

New in 2016/17		Repeat finding	Actions to Resolve
Matters affecting Audit opinion		None	List actions taken to resolve the matters
New in 2015/16		Repeat finding	Actions to resolve
Important Matters	None	None	Not applicable
Administrative Matters	None	None	Not applicable

Annexure B: Performance Balance Scorecard with Key Performance Areas and Indicators

### SECTION 2: COMMITMENT BY THE BOARD OF DIRECTORS

The Board of Directors confirms that it has satisfied itself that the remedial actions taken or to be taken on matters raised by the Auditor-General are adequate. This can only be confirmed once the Auditor-General has completed its audit for the year ended 30 June 2017

### SECTION 3: MITIGATION STRATEGIES ON THE ASSESSMENT OF THE INTEGRATED REPORTING AND MFMA CIRCULAR 63

JOSHCO's integrated annual report is compliant with the MFMA circular 63.

#### **SECTION 4: AUDITOR GENERAL'S REPORT**

The report of the Auditor-General forms part of the audited annual financial statements.





**JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd**  
(Registration number 2003/008063/07)  
Financial statements  
for the year ended 30 June 2017



**JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd**

(Registration number 2003/008063/07)

Financial statements  
for the year ended 30 June 2017

# **JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd**

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## **General Information**

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<b>COUNTRY OF INCORPORATION AND DOMICILE</b>	South Africa
<b>NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES</b>	JOSHCO is appointed as the preferred implementing agent for social and institutional housing developments in the City of Johannesburg and to: a) Manage Council owned rental stock; b) Manage and refurbish staff and public hostels; c) Develop new rental stock and to implement other mutually agreed housing developments; and d) Provide housing management services and turnaround strategies
<b>DIRECTORS</b>	Prof. Bhekisipho Twala - Chairperson Mr. Anthony Ngcezula - Chief Executive Officer (Appointed 1 March 2017) Mr. Success Marota Dr. Lesenyego Matlhape Rev. Molefi Olifant Mr. Thabo Motloung (Appointed 16 March 2017) Mr. Sphiwe Mhlongo (Appointed 16 March 2017) Ms. Nontobeko Nyembe (Appointed 16 March 2017) Mr. Moses Molefi (Appointed 16 March 2017) Mr. Tumelo Mlangeni (Appointed 16 March 2017)
<b>REGISTERED OFFICE</b>	137 Sivewright Avenue New Doornfontein 2094
<b>BUSINESS ADDRESS</b>	1st and 3 <sup>rd</sup> Floors 137 Sivewright Avenue 2094
<b>POSTAL ADDRESS</b>	PO Box 16021 New Doornfontein 2028
<b>BANKERS</b>	Standard Bank of South Africa (011) 636 9111
<b>AUDITORS</b>	Auditor-General of South Africa (AGSA)
<b>ACTING COMPANY SECRETARY</b>	Ms. Tshidi Molefe
<b>COMPANY REGISTRATION NUMBER</b>	2003/008063/07
<b>PREPARER OF FINANCIAL STATEMENTS</b>	These financial statements were internally prepared by the Management Accountant and reviewed by the CFO.
<b>AUDIT OF FINANCIAL STATEMENTS</b>	These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008 and the MFMA Act 56 of 2003

# **JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd**

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## **General Information**

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The reports and statements set out below comprise the annual financial statements presented to the City Council of the Johannesburg Metropolitan Municipality:

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# **JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd**

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## **Director's Responsibilities and Approval**

The directors are required by the Municipal Finance Management Act, (Act 56 of 2003) (MFMA) and the Companies Act (Act 71 of 2008) to maintain adequate accounting records and are responsible for the content and integrity of the consolidated financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the consolidated financial statements fairly present the state of affairs of the company 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 consolidated financial statements and is given unrestricted access to all financial records and related data.

The consolidated 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 directors 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company 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 consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The directors have reviewed the company's cash flow forecast for the year ending 30 June 2017 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operation for the foreseeable future.

The entity is dependent on the City of Johannesburg Metropolitan Municipality for continued funding of operations. The consolidated annual financial statements are prepared on the basis that the company is a going concern and that the City of 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 company, they are also supported by the company's internal auditors and by management.

The consolidated financial statements set out on pages 4 to 50, which have been prepared on the going concern basis, were approved by the directors on 30 August 2017 and were signed on their behalf by:

  
**Prof. Bhekisipho Twala**  
Chairperson  
**Mr. Anthony Ngcezula**  
Chief Executive Officer

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## Directors' Report

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The directors submit their report for the year ended 30 June 2017.

### 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

#### Main 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 staff and public hostels;
- develop new rental stock and to implement other mutually agreed housing developments; and
- provide housing management services and turnaround strategies.

We draw attention to the fact that the substance of the Service Delivery Agreement between JOSHCO and the City of Johannesburg Metropolitan Municipality is that of an operating lease. The agreement is currently being amended to include the leasing agreement of the rental stock.

The company operates in South Africa. During the year ended 30 June 2017 there were no major changes in the activities of the business. The financial position of the company shows a net asset position of R22 104 808 (2016: R17 445 340). Net surplus of the entity was R4 659 468 (2016: surplus R4 097 861), after taxation of R679 724 (2016: R935 830).

### 3. GOING-CONCERN

The existence of the company is partially dependent on the continued support of its parent, The City of Johannesburg Metropolitan Municipality, by way of management fees/subsidies paid each year in terms of a service delivery agreement entered into between the company and the City of Johannesburg Metropolitan Municipality.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going-concern. The 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 the business.

We draw attention to the fact that at 30 June 2017, the company had an accumulated surplus of R22 104 688 (2016: R17 445 220), and that the company's current assets exceed its current liabilities by R132 429 590 (2016: R19 309 810).

### 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 consolidated financial statements, which significantly affect the financial position of the company or the results of its operations that would require adjustments to or disclosure in the consolidated financial statements.

### 5. DIRECTORS' PERSONAL FINANCIAL INTEREST

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

### 6. ACCOUNTING POLICIES

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

### 7. SHARE CAPITAL

There were no changes in the authorised or issued share capital of the company 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.

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## Directors' Report

### 9. CHANGES TO ASSETS AND LIABILITIES

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

### 10. DIRECTORS

As per resolution at the AGM on the 16<sup>th</sup> March 2017, the sole shareholder, the City of Johannesburg Metropolitan Municipality, resolved that the directors would be represented as follows:

Names of Board Members	Membership	Effective Date
Prof. Bhekisipho Twala (Chairperson)	Non-Executive	Appointed 16 March 2017
Mr. Anthony Ngcozula	Executive	Appointed 01 March 2017
Mr. Success Marota	Executive	No Change
Dr. Lesenyego Matlhape	Non-Executive	Reappointed
Rev. Molefi Oifant	Non-Executive	Reappointed
Mr. Moses Molefi	Non-Executive	Appointed 16 March 2017
Mr. Tumelo Mlangeni	Non-Executive	Appointed 16 March 2017
Ms. Nontobeko Nyembe	Non-Executive	Appointed 16 March 2017
Mr. Thabo Motloung	Non-Executive	Appointed 16 March 2017
Mr. Sphiwe Mhlongo	Non-Executive	Appointed 16 March 2017

The following directors were retired or rotated in terms of the abovementioned resolution on the 16<sup>th</sup> March 2017:

Names of Board Members	Membership	Effective Date
Ms. Zeona Jacobs	Non-Executive	Retired 16 March 2017
Ms. Dereleen James	Non-Executive	Retired 16 March 2017
Mr. Joel Chauke	Non-Executive	Retired 16 March 2017
Ms. Buyiswa Majola	Non-Executive	Retired 16 March 2017
Ms. Nosicelo Twala	Non-Executive	Retired 16 March 2017
Mr. Edgar Neluvhalani	Non-Executive	Rotated 16 March 2017 within the City

### 11. SECRETARY

The acting company secretary is Ms. Tshidi Molefe.

### 12. 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 Company 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 compliance with the code on a quarterly basis.

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## Directors' Report

### 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:
  - 8 non-executive directors, all of whom are independent directors as defined in the Code; and
  - 2 executive directors, who are the Chief Executive Officer and Chief Financial Officer.

### Chairperson and chief executive

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

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

### Remuneration

The upper limits of the remuneration of the Chief Executive Officer and all executive managers of the company are determined by the parent municipality. The Board determines the remuneration within the above-mentioned limits.

### Board and Board Sub-Committee meetings

The board of directors has met on 14 separate occasions during the financial year. Of these meetings, 4 meetings were ordinary and 10 being special meetings to discuss urgent business matters. The directors are scheduled to attend 4 ordinary meetings per annum, being one meeting per quarter.

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

Attendance at board and sub-committee meetings were as follows:

Director / Member	Board			Corporate Support			Development			Social and Ethics			Audit			Risk		
	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies
<b>Number of Meetings</b>	<b>14</b>			<b>5</b>			<b>6</b>			<b>5</b>			<b>6</b>			<b>4</b>		
1. Prof. Bhekisipho Twala	10	0	0	-	-	-	3	0	0	-	-	-	-	-	-	-	-	-
2. Mr. Moses Molefi *	4	0	0	-	-	-	3	0	0	-	-	-	-	-	-	-	-	-
3. Mr. Tumelo Mlangeni *	1	0	0	0	-	0	-	-	-	-	-	-	-	-	-	0	0	1
4. Ms. Nontobeko Nyembe *	2	0	0	-	-	-	-	-	-	1	0	0	-	-	-	-	-	-
5. Mr. Thabo Motloung *	4	0	0	-	-	-	3	0	0	-	-	-	3	0	0	-	-	-
6. Mr. Sphiwe Mhlomo *	2	0	0	-	-	-	-	-	-	1	0	0	-	-	-	-	-	-
7. Mr. Anthony Ngcezu *	6	0	0	1	0	0	3	-	-	1	0	0	0	0	1	1	0	0
8. Rev. Molefi Olifant	13	0	0	5	-	0	0	-	-	5	0	0	-	-	-	-	-	-
9. Dr. Lesenyego Mathape	12	0	0	5	-	-	3	0	0	-	-	-	-	-	-	-	-	-
10. Mr. Success Marota	7	0	0	5	-	-	5	0	1	4	0	0	6	0	0	3	0	1
11. Ms. Zeona Jacobs **	4	0	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12. Ms. Buyiswa Majola **	5	0	0	-	-	-	-	-	-	4	0	0	-	-	-	-	-	-
13. Mr. Joel Chauke **	5	0	0	-	-	-	3	0	0	-	-	-	-	-	-	-	-	-



# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## Directors' Report

Director / Member	Board			Corporate Support			Development			Social and Ethics			Audit			Risk		
	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies
14. Ms. Dereleen James **	4	0	1	4	0	0	-	-	-	-	-	-	-	-	-	-	-	-
15. Ms. Nosiselo Twala **	3	0	1	-	-	-	3	-	-	-	-	-	-	-	-	-	-	-
16. Mr. Edgar Neluvhalani ***	4	-	-	-	-	-	-	-	-	4	0	0	3	0	0	-	-	-
17. Mr. Haroun Moolla	8	0	0	-	-	-	-	-	-	-	-	-	6	0	0	-	-	-
18. Mr. Robert Hill	5	0	0	-	-	-	-	-	-	-	-	-	6	0	0	4	0	0
19. Ms. Lulama Zabala	-	-	-	-	-	-	-	-	-	-	-	-	6	0	0	1	0	0

\* Director appointed in March 2017.

\*\* Director retired in March 2017.

\*\*\* Director rotated in March 2017.

Following the resolution at the Annual General Meeting (AGM) on the 16<sup>th</sup> March 2017, a Board meeting was held on 20<sup>th</sup> April 2017 where the committees were reconstituted.

### Audit Committee

In terms of Section 166 of the Municipal Finance Management Act, the 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 2017 the committee met 6 times and was constituted as follows:

Director / Member	Role
1. Mr. Haroun Moolla	Independent member and Chairperson
2. Mr. Robert Hill	Independent member
3. Ms. Lulama Zabala	Independent member
4. Mr. Thabo Motloung	Non-executive director and Member

### Risk Committee

The Risk Committee was elevated to a sub-committee of the Board and met 4 times. The committee consists of the following members:

Director / Member	Role
1. Mr. Robert Hill	Independent member and Chairperson
2. Ms. Lulama Zabala	Independent member
3. Mr. Tumeio Mlangeni	Non-executive director and Member

### Corporate Support Committee

For the year ended 30 June 2017 the committee met 5 times and was constituted as follows:

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## Directors' Report

Director	Role
1. Dr. Lesenyego Matlhape	Non-executive director and Chairperson
2. Rev. Molefi Olifant	Non-executive director and Member
3. Mr. Tumelo Mlangeni	Non-executive director and Member

### Development Committee

For the year ended 30 June 2017 the committee met 6 times and was constituted as follows:

Director	Role
1. Mr. Moses Molefi	Non-executive director and Chairperson
2. Mr. Thabo Motloun	Non-executive director and Member
3. Dr. Lesenyego Matlhape	Non-executive director and Member

### Social and Ethics Committee

For the year ended 30 June 2017 the committee met 5 times and was constituted as follows:

Director	Role
1. Rev. Molefi Olifant	Non-executive director and Chairperson
2. Mr. Tumelo Mlangeni	Non-executive director and Member
3. Ms. Nontobeko Nyembe	Non-executive director and Member
4. Mr. Sphiwe Mhlongo	Non-executive director and Member

### Internal audit

The company has outsourced its internal audit function to OMA Chartered Accountants Incorporated. The role of internal audit is in accordance with Section 165 of the Municipal Finance Management Act, (Act 56 of 2003).

### 13. ECONOMIC ENTITY

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

### 14. INTEREST IN JOINTLY CONTROLLED ENTITIES

*Name of Jointly controlled entity*  
JOSHCO Madulammoho Joint Venture (JMJV)

*Net Surplus*  
R495 922

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 the consolidated financial statements amounting to R495 922 (2016: -R58 379).

### 15. SPECIAL RESOLUTIONS

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

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2017

### Audit committee members and attendance

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

Names of members	Audit Committee		
	Attendance	Absent	Apologies
Number of Meetings	6		
1. Mr. Haroun Moolia	6	0	0
2. Mr. Robert Hill	6	0	0
3. Ms. Lulama Zabala	6	0	0
4. M. Thabo Motloung #	3	0	0
5. Mr. Edgar Neluvhalani *	3	0	0

# Member appointed in March 2017.

\* Member rotated in March 2017.

### 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

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent in line with the MFMA and the King III Report on Corporate Governance. 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 suggested 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 no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

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

We are satisfied with the content and quality of quarterly internal audit reports prepared and issued by the Internal Auditors of the entity during the year under review.

### 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;
- 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.

### Internal audit

We are satisfied that the outsourced internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

# **JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd**

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## **Audit Committee Report**

### **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.



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**Mr. Haroun Moolia**  
Chairperson



# **JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd**

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## **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. Tshidi Molefe**

**Acting Company Secretary**

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	748 047	223 528
Loans to parent municipality	3	89 845 965	150 894 333
Current tax receivable	32	-	335 273
Receivables from exchange transactions	5	195 039 350	242 496 392
VAT receivable	16	3 470 746	2 803 778
Cash and cash equivalents	6	94 106 782	12 472 029
		<b>383 210 890</b>	<b>409 225 333</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	7	4 150 846	4 633 918
Intangible assets	8	590 567	551 694
Investment in joint venture	9	24 138 411	24 192 489
Deferred tax	11	11 518 745	7 954 307
		<b>40 398 569</b>	<b>37 332 408</b>
<b>Total Assets</b>		<b>423 609 459</b>	<b>446 557 741</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Borrowings – DBSA	12	805 544	741 662
Current tax payable	32	2 549 441	-
Finance lease obligation	13	254 391	387 514
Operating lease liability	4	54 436	73 985
Payables from exchange transactions	14	244 472 152	385 921 358
Deferred income from non-exchange transactions	17	913 993	913 993
Provisions	15	1 731 343	1 877 011
		<b>250 781 300</b>	<b>389 915 523</b>
<b>Non-Current Liabilities</b>			
Borrowings - DBSA	12	15 105 447	15 910 991
Finance lease obligation	13	-	214 907
Deferred income from non-exchange transactions	17	135 617 904	23 070 987
		<b>150 723 351</b>	<b>39 196 885</b>
<b>Total Liabilities</b>		<b>401 504 651</b>	<b>429 112 408</b>
<b>Net Assets</b>		<b>22 104 808</b>	<b>17 445 340</b>
<b>Net Assets</b>			
Share capital	19	120	120
Accumulated surplus		22 104 688	17 445 220
<b>Total Net Assets</b>		<b>22 104 808</b>	<b>17 445 340</b>

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated
<b>Revenue</b>			
Rendering of services (Exchange transaction)	20	9 272 579	8 620 252
Rental facilities (Exchange transaction)	20	110 777 554	102 355 268
Utility Recoveries (Exchange transaction)	20	186 387	681 704
Other income (Exchange transaction)	20	751 381	1 719 577
Bad debts recovered (Exchange transaction)	20	-	12 390
Interest received (Exchange transaction)	26	11 853 226	5 800 274
Dividends received (Exchange transaction)	26	550 000	550 000
Government grants & subsidies	20	13 100 000	19 952 000
Capital grants realised	20	913 993	913 993
<b>Total revenue</b>		<b>147 405 120</b>	<b>140 605 458</b>
<b>Expenditure</b>			
Governance & employee costs	22	(37 706 207)	(36 709 974)
Other housing management costs	25	(13 767 310)	(14 552 087)
Depreciation and amortization	27	(1 249 067)	(1 062 316)
Finance costs	28	(1 364 448)	(1 448 662)
Contracted services	30	(1 335 429)	(1 375 867)
General Expenses	21	(87 878 237)	(79 814 483)
<b>Total expenditure</b>		<b>(143 320 698)</b>	<b>(134 963 388)</b>
<b>Operating surplus</b>		<b>4 084 422</b>	<b>5 642 070</b>
Fair value adjustments - JMJV		(550 000)	(550 000)
Profit/(Loss) from investment - JMJV		495 922	(58 379)
Loss on disposal of assets		(50 600)	-
		<b>(104 678)</b>	<b>(608 379)</b>
<b>Surplus before taxation</b>		<b>3 979 844</b>	<b>5 033 691</b>
Taxation	29	679 724	(935 830)
<b>Surplus for the year</b>		<b>4 659 468</b>	<b>4 097 861</b>

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share capital	Accumulated surplus	Total Net Assets
<b>Restated balance at 01 July 2014</b>		<b>120 11 758 967</b>	<b>11 759 087</b>	
Surplus for the year		- 1 588 392	1 588 392	
<b>Balance at 01 July 2015</b>		<b>120 13 347 359</b>	<b>13 347 479</b>	
Prior period error	41	-	-	
Surplus for the year		- 4 097 861	4 097 861	
<b>Balance at 01 July 2016</b>		<b>120 17 445 220</b>	<b>17 445 340</b>	
Changes in net assets				
Surplus for the year		- 4 659 468	4 659 468	
<b>Balance at 30 June 2017</b>		<b>120 22 104 688</b>	<b>22 104 808</b>	



# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated <sup>1</sup>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		121 056 914	106 739 689
Grants		13 100 000	19 952 000
Interest income		11 853 226	5 800 274
Dividends received		550 000	550 000
Other income		19 814 956	10 339 829
		166 375 096	143 381 792
<b>Payments</b>			
Employee costs		(38 143 329)	(36 638 395)
Suppliers		(104 315 781)	(57 687 193)
Finance costs		(1 384 448)	(1 448 662)
Taxes paid	32	-	(1 940 689)
		(143 843 558)	(97 714 939)
<b>Net cash flows from operating activities</b>	31	<b>22 531 538</b>	<b>45 666 852</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(669 779)	(1 992 678)
Purchase of other intangible assets	8	(190 885)	(338 146)
<b>Net cash flows from investing activities</b>		<b>(860 664)</b>	<b>(2 330 824)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings - DBSA		(741 662)	(678 781)
Proceeds from shareholders loan		61 048 368	(79 909 121)
Finance lease payments		(483 535)	(427 083)
Deferred income		140 708	(1 744 740)
<b>Net cash flows from financing activities</b>		<b>59 963 879</b>	<b>(82 759 725)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>81 634 753</b>	<b>(39 423 697)</b>
Cash and cash equivalents at the beginning of the year		12 472 029	51 895 726
<b>Cash and cash equivalents at the end of the year</b>	6	<b>94 106 782</b>	<b>12 472 029</b>

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Performance

#### Revenue

#### Revenue from exchange transactions 50

Rendering of services	12 070 000	-	12 070 000	9 272 579	(2 797 421)
Rental facilities and equipment	110 696 000	-	110 696 000	110 777 554	81 554
Recoveries	560 000	-	560 000	186 387	(373 613)
Other income	-	717 000	717 000	751 381	34 381
Interest received - investment	2 711 000	4 084 000	6 795 000	11 853 226	5 058 226
Dividends received	550 000	-	550 000	550 000	-
<b>Total revenue from exchange transactions</b>	<b>126 587 000</b>	<b>4 801 000</b>	<b>131 388 000</b>	<b>133 391 127</b>	<b>2 003 127</b>

#### Revenue from non-exchange transactions

#### Transfer revenue

Government grants & subsidies	12 888 000	212 000	13 100 000	13 100 000	-
Capital grants realised	-	-	-	913 993	913 993

<b>Total revenue from non-exchange transactions</b>	<b>12 888 000</b>	<b>212 000</b>	<b>13 100 000</b>	<b>14 013 993</b>	<b>913 993</b>
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<b>Total revenue</b>	<b>139 475 000</b>	<b>5 013 000</b>	<b>144 488 000</b>	<b>147 405 120</b>	<b>2 917 120</b>	<b>Note 40</b>
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#### Expenditure

Governance and staff costs	(37 337 000)	(1 082 000)	(38 419 000)	(37 706 207)	712 793
Other project costs	(10 897 884)	(2 489 000)	(13 386 884)	(13 767 310)	(380 426)
Depreciation and amortisation	(1 116 000)	-	(1 116 000)	(1 249 067)	(133 067)
Finance costs	(1 472 000)	-	(1 472 000)	(1 384 448)	87 552
Contracted Services	(1 643 000)	-	(1 643 000)	(1 335 429)	307 571
General Expenses	(85 509 116)	(1 442 000)	(86 951 116)	(87 878 237)	(927 121)

<b>Total expenditure</b>	<b>(137 975 000)</b>	<b>(5 013 000)</b>	<b>(142 988 000)</b>	<b>(143 320 698)</b>	<b>(332 698)</b>
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<b>Operating surplus</b>	<b>1 500 000</b>	<b>-</b>	<b>1 500 000</b>	<b>4 084 422</b>	<b>2 584 422</b>
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Loss on disposal of assets	-	-	-	(50 600)	(50 600)
Fair value adjustments - JMJV	-	-	-	(550 000)	(550 000)
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method	-	-	-	495 922	495 922

				<b>(104 678)</b>	<b>(104 678)</b>
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<b>Surplus before taxation</b>	<b>1 500 000</b>	<b>-</b>	<b>1 500 000</b>	<b>3 979 744</b>	<b>2 479 744</b>
Taxation	<b>1 500 000</b>	<b>-</b>	<b>1 500 000</b>	<b>679 724</b>	<b>2 179 724</b>

<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 659 468</b>	<b>4 659 468</b>
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# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1. Presentation of Consolidated Financial Statements

The annual consolidated 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 consolidated 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.

#### 1.1 Going concern assumption

These consolidated 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%
- Madulammoho (Pty) Ltd	45%
Total	<u>100%</u>

Madulammoho (Pty) Ltd have a 35-year lease over the property BG Alexandra from Gauteng Provincial Department of Human Settlements, 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 losses. surpluses and 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 judgements and key sources of estimation

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 recognized in the period in which the estimates are 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:

##### 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.

#### 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 and 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.

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## Accounting Policies

### 1.4 Property, plant and equipment (continued)

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 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 monetary assets, 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, its 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 are determined by reference to their carrying amount and are taken into account in determining operating profit.

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

### 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;
- arises from the contractual rights or other legal rights, regardless whether those rights are transferable or separate from JOSHCO or from other rights and obligations.

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.5 Intangible assets (continued)

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 amortization 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 attaching to them; and
- the grants will be received.

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 relates 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 grant 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 Financial instruments

Financial assets and financial liabilities are recognised on JOSHCO's statement of financial position when the entity 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, and cash and cash equivalents.

At each end of the 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.



# **JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd**

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## **Accounting Policies**

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### **1.1 Financial instruments (continued)**

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 parent municipality, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

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

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

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

#### **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 reorganization, 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.

#### **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 & 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.

#### **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.

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### 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 amortized cost, using the effective interest rate method.

#### 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 recognized 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 organization realizes the contractual rights to the benefits specified in the contract, the rights expire, 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 unamortized 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 realize 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.

### 1.8 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 South African Revenue Services (SARS), 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 liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting surplus nor taxable surplus / (tax deficit).

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.8 Tax (continued)

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venture is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting surplus nor taxable surplus / (tax deficit)

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable surplus will be available against which the temporary difference can be utilized.

A deferred tax asset is recognised for the carry forward of unused tax deficit to the extent that it is probable that future taxable surplus will be available against which the unused tax deficit 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 realized 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.

#### 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.

### 1.9 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 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 plus any initial direct costs incurred. 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 so as to produce a constant periodic rate of 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 income is recognised as an income on a month to month basis.

# **JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd**

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## **Accounting Policies**

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### **1.9 Leases (continued)**

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 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.

### **1.10 Inventories**

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, and then their costs are their value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realizable 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 realizable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value or current replacement cost, are recognised as a reduction in the number of inventories recognised as an expense in the period in which the reversal occurs.

### **1.11 Investments**

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, 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).

### **1.13 Share capital**

An equity instrument is any contract that evidences a residual interest in the assets of a company 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.



# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

(Registration number 2003/008063/07)

Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.14 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits is recognised in the period in which the service is rendered and are 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 company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

### 1.15 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits 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.

### 1.16 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.



# **JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd**

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## **Accounting Policies**

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### **1.16 Revenue from exchange transactions (continued)**

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.

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

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.

### **1.17 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 or not they pay taxes.

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 is 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.

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.

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

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Financial Statements for the year ended 30 June 2017

## Accounting Policies

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### 1.17 Revenue from non-exchange transactions (continued)

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.

### 1.18 Cash flow statement

The cash flow statement is prepared based on the direct method.

### 1.19 Investment income

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

### 1.20 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.

### 1.21 Comparative figures

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

### 1.22 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.

### 1.23 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.

### 1.24 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 year and which was condoned before year end and/or before finalization of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also 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 programmer/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

# **JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd**

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Financial Statements for the year ended 30 June 2017

## **Accounting Policies**

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### **1.25 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 1 July 2014 to 30 June 2017.

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.

### **1.26 Related parties**

Transactions that are disclosed has related party transactions where JOSHCO has in the normal course of its operation, entered into transactions with entities related to COJ.

### **1.27 Presentation of currency**

These annual consolidated financial statements are presented in South African Rand.

### **1.28 Offsetting**

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

### **1.29 Value Added Tax (VAT)**

JOSHCO accounts for VAT on a payment basis in accordance with Section 15(2) of the VAT Act (Act 89 of 1991).

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

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Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand

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### 2. INVENTORIES

Consumable stores

748 047

223 528

There was no inventory written down in both the current and prior years.

### 3. LOANS TO / (FROM) PARENT MUNICIPALITY

Sweeping account - Interest bearing

83 887 796

144 936 164

Interest on 'Non-Sweeping' Bank Accounts

5 958 169

5 958 169

Terms and conditions

89 845 965

150 894 333

The company did not default on any of the loans.

None of the terms attached to the intercompany creditors were re-negotiated.

City of Johannesburg Metropolitan Municipality - Non-interest bearing

#### CAPEX loans

Capex amount still outstanding from The City of Johannesburg Metropolitan Municipality.

#### Sweeping account

Loans at beginning of the year

144 936 164

65 027 043

Receipts

(61 048 368)

-

Advances

-

79 909 121

83 887 796

144 936 164

The City of Johannesburg has an arrangement with all its municipal owned entities (MOE's), that the bank accounts will be swept over night to the primary bank account of the City of Johannesburg, and 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 ASSET / (ACCRUAL)

Operating lease liability represent 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 the period of the lease. The operating lease agreement was renegotiated for another 2 years commencing 01 November 2015 to 31 October 2017, with unit size increasing from 1 682sqm to 2 300sqm consequently increasing the base rent. There was no contingent rent on the operating lease. There are no restrictions imposed by the lease arrangement.

Current Liabilities

54 436

73 985

### 5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade debtors

15 842 133

7 459 979

Security deposits

118 091

118 091

Sundry debtors

6 928 348

31 109 712

Project debtors

15 968 756

34 377 724

Related party debtors

156 182 022

169 430 886

195 039 350

242 496 392

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

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Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

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### 5. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

#### Trade Debtors

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

#### Security deposits

These deposits are held by the lessor of the operating leases for the rental JOSHCO Head Office

#### Sundry Debtors

Sundry debtors consist of operating grants and VAT receivable in prior accounting periods.

#### Project debtors

Project debtors consist of the monies owed by provincial government.

#### Petty Cash Advanced

Petty cash advanced consist of amounts that have been advanced to staff from petty cash and the receipts where not yet submitted.

#### Related party debtors

Related party debtors also consist of tenant rentals/levies receivable and for which lease agreements are in place. These debts are however receivable from other Municipal Owned Entities in which the lessee is employed.

#### Trade and other receivables past due but not impaired

Trade and other receivables which are less than 2 months past due are not considered to be impaired. At 30 June 2017, R7 025 244 (2016: R7 459 979) were past due but not impaired.

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

1 month past due	3 779 044	4 219 429
2 months past due	3 246 200	2 905 867

#### Trade and other receivables impaired

As of 30 June 2017, trade and other receivables of R38 881 395 (2016: R31 496 831) were impaired.

#### Reconciliation of provision for impairment of trade and other receivables

Opening balance	31 496 831	24 748 300
Provision for impairment - Current year	12 854 531	12 031 237
Write offs of trade debtors amounts previously provided for	(5 469 967)	(5 282 706)
	<b>38 881 395</b>	<b>31 496 831</b>

### 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	1 792	2 190
Bank balances	94 104 990	12 469 839
	<b>94 106 782</b>	<b>12 472 029</b>

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.



# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

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Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand

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### 6. CASH AND CASH EQUIVALENTS (continued)

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

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
STANDARD BANK - Cheque - 197734-COJ CAPEX	1 000	-	36 267 973	1 000	-	36 267 973
STANDARD BANK - 197742-COJ JOSHCO	-	-	1 886 336	-	-	1 886 336
STANDARD BANK - 197750-COJ DEP ACCOUNT	12 609 233	12 473 379	12 473 499	12 609 233	12 473 379	12 473 499
STANDARD BANK - 197769-COJ JOSHCO FLEURHOF	81 499 789	-	1 269 338	81 499 789	-	1 269 338
STANDARD BANK - 197718-COJ JOSHCO CHARGES	(5 032)	(3 540)	(3 696)	(5 032)	(3 540)	(3 696)
STANDARD BANK - 197726-COJ JOSHCO Main	-	-	-	-	-	-
<b>Total</b>	<b>94 104 990</b>	<b>12 469 839</b>	<b>51 893 450</b>	<b>94 104 990</b>	<b>12 469 839</b>	<b>51 893 450</b>

### 7. PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment losses	Carrying value
Land	177 799	-	177 799	177 799	-	177 799
Leasehold property	1 590 730	(1 329 902)	260 828	1 648 639	(1 016 330)	632 309
Furniture and fixtures	2 076 209	(1 185 713)	890 496	1 874 444	(1 100 700)	773 744
Motor vehicles	350 643	(175 775)	174 868	350 643	(153 823)	196 820
Office equipment	1 271 662	(834 703)	436 959	1 123 771	(745 589)	378 182
IT equipment	3 328 560	(1 642 305)	1 686 255	3 302 681	(1 468 760)	1 833 921
Leasehold improvements	3 470 094	(2 946 453)	523 641	3 175 850	(2 534 707)	641 143
<b>Total</b>	<b>12 265 697</b>	<b>(8 114 851)</b>	<b>4 150 846</b>	<b>11 653 827</b>	<b>(7 019 909)</b>	<b>4 633 918</b>

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

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Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
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### 8. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Land	177 799	-	-	-	177 799
Leasehold property	632 309	-	(57 909)	(313 572)	260 828
Furniture and fixtures	773 744	201 765	-	(85 013)	892 496
Motor vehicles	196 820	-	-	(21 952)	174 868
Office equipment	378 182	147 892	-	(89 115)	436 959
IT equipment	1 833 921	25 878	-	(173 544)	1 686 255
Leasehold improvements	641 143	294 244	-	(411 746)	523 641
	<b>4 633 918</b>	<b>669 779</b>	<b>(57 909)</b>	<b>(1 094 942)</b>	<b>4 150 846</b>

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Depreciation	Total
Land	177 799	-	-	177 799
Leasehold property	1 055 809	-	(423 500)	632 309
Furniture and fixtures	617 040	297 021	(140 317)	773 744
Motor vehicles	96 858	158 362	(58 400)	196 820
Office equipment	377 066	107 856	(106 740)	378 182
IT equipment	1 197 162	803 117	(166 358)	1 833 921
Leasehold improvements	132 314	626 322	(117 493)	641 143
	<b>3 654 048</b>	<b>1 992 678</b>	<b>(1 012 808)</b>	<b>4 633 918</b>

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

	2017			2016		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Leasehold Improvement	3 470 094	(2 946 453)	523 641	3 175 850	(2 534 707)	641 143
Leasehold property	1 590 730	(1 329 902)	260 828	1 648 639	(1 016 330)	632 309
<b>Total</b>	<b>5 060 824</b>	<b>(4 276 355)</b>	<b>784 469</b>	<b>4 824 489</b>	<b>(3 551 037)</b>	<b>1 273 452</b>

#### Details of property

##### Development Land (ERF 2083 Roodepoort Township)

Terms and conditions: Land purchased for development

- Purchase price: 23 July 2009

177 799 177 799

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

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## Notes to the Financial Statements

Figures in Rand

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### 8. INTANGIBLE ASSETS

	2017			2016		
	Cost / Valuation	Accumulated amortization and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortization and accumulated impairment	Carrying value
Computer software	1 518 197	(927 630)	590 567	1 325 203	(773 509)	551 694

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	551 694	190 885	(152 012)	590 567

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	263 053	338 146	(49 505)	551 694

### 9. INVESTMENT IN JOINT VENTURE

Name of company	Listed / Unlisted	% holding		Carrying amount 2017	Carrying amount 2016
		2017	2016		
JOSHCO JV		55%	55%	24 138 411	24 192 489

The carrying amount of the joint venture has shown net surplus of R495 922 (2016: R-58 379)

#### Principal activities and reporting dates of joint venture

Name of entity	Principal activity	Reporting date	Period of Results included
JOSHCO Madulamoho Joint Venture (JMJV)	55%	30/06/2017	1 July 2016 to 30 June 2017

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 as at 30 June 2017	24 138 411	24 192 489
Net asset value as at 1 July 2016	(24 192 489)	(24 800 869)
Surplus from investment in JV	(54 078)	(608 380)
Fair value adjustment	(495 922)	58 379
	(550 000)	(550 000)

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

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Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>10. FINANCIAL ASSETS BY CATEGORY</b>		
The accounting policies for financial instruments have been applied to the line items below. The amount reflected in the table below is net of any impairment:		
<b>2017</b>	<b>Loans and receivables</b>	<b>Total</b>
Loans to parent municipality	89 845 965	89 845 965
Receivable from exchange transaction	195 039 650	195 039 650
Cash and cash equivalents	94 106 782	94 106 782
	<b>378 992 397</b>	<b>378 992 397</b>
<b>2016</b>	<b>Loans and receivables</b>	<b>Total</b>
Loans to parent municipality	64 075 671	64 075 671
Receivable from exchange transaction	37 078 725	37 078 725
Cash and cash equivalents	12 469 958	12 469 958
	<b>113 624 354</b>	<b>113 624 354</b>
<b>11. DEFERRED TAX</b>		
<b>Deferred tax liability</b>		
Other deferred tax liability - Leases		(177 047)
<b>Deferred tax asset</b>		
Property, plant and equipment - Leased	305 964	168 678
Trade and other payables and provisions	11 212 779	7 962 676
	<b>11 518 743</b>	<b>8 131 353</b>
		(177 047)
Deferred tax liability	11 518 743	8 131 353
Deferred tax assets		
<b>Total net deferred tax asset</b>	<b>11 518 743</b>	<b>7 954 307</b>
<b>Reconciliation of deferred tax asset \ (liability)</b>		
At beginning of year	7 954 307	6 548 995
Movement in temporary differences	1 121 129	(665 601)
Income received in advance	2 443 245	2 070 913
	<b>11 518 743</b>	<b>7 954 307</b>
<b>12. BORROWINGS - DBSA</b>		
<b>At amortized cost</b>		
Development Bank of Southern Africa	15 910 991	16 852 653
<b>Non-current liabilities</b>		
Development Bank of Southern Africa	15 105 447	15 910 991
<b>Current liabilities</b>		
Development Bank of Southern Africa	805 544	741 662
JOSHCO has two loans from Development Bank of South Africa (DBSA) for the City Deep Housing Project for R7 821 487 and Roodepoort Social Housing Project for R11 732 231. 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 with the last redemption date in March 2029.		

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

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Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand

### 13. FINANCE LEASE OBLIGATION

#### Minimum lease payments due

- within 1 year	262 227	427 083
- in 2 to 5 year (inclusive of finance charges)	-	221 172

#### Less: Finance charges

262 227	648 255
(7 835)	(45 834)

#### Present value of minimum lease payments

254 391	602 421
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#### Present value of minimum lease payments due

- within 1 year	254 391	387 515
- in 2 to 5 year	-	214 908
	254 391	602 421

#### Non-current liabilities

#### Current liabilities

-	214 907
254 391	387 514
254 391	602 421

The finance leases relate to the lease of office equipment. The average lease term ranges between 3 years and 5 years. The company did not default on any of the interest or capital repayments of the finance leases. Interest rates are linked to prime. All leases have fixed repayments and no arrangements have been entered into for contingent rent on the leased asset. The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

### 14. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	194 467 465	312 161 851
Rental received in advance	9 073 526	7 396 117
Accrued leave pay	1 641 136	1 903 091
Accrued finance costs	337 182	352 899
Payroll Liabilities	1 257 779	1 287 278
Consumer deposit received	12 243 419	11 659 832
Provision	-	30 008 480
Related party creditors	25 451 645	21 151 830
	244 472 152	385 921 358

### 15. PROVISIONS

#### Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised/Paid during the year	Total
Performance Bonus	1 877 012	1 750 753	(1 896 422)	1 731 343

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised/Paid during the year	Total
Performance Bonus	1 507 977	1 750 754	(1 381 719)	1 877 012

### 16. VAT RECEIVABLE

#### VAT receivable

3 470 746	2 803 778
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# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

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Financial Statements for the year ended 30 June 2017

## Notes to the Financial Statements

Figures in Rand	2017	2016
<b>17. DEFERRED INCOME FROM NON-EXCHANGE TRANSACTIONS</b>		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts	113 461 682	-
Capital Grant: City of Johannesburg Metropolitan Municipality	22 892 415	23 807 180
Gauteng Provincial Grant - JMJV	177 800	177 800
Local Government Grant - Roodepoort	<b>136 531 897</b>	<b>23 984 980</b>
Movement during the year		
Balance at the beginning of the year	23 984 980	74 857 480
Additions / (Repayments) during the year	79 085 108	(49 958 507)
Income recognition and other adjustments during the year	33 461 809	(913 993)
	<b>136 531 897</b>	<b>23 984 980</b>
Non-current liabilities	135 617 904	23 070 987
Current liabilities	913 993	913 993
	<b>136 531 897</b>	<b>23 984 980</b>

### Gauteng Provincial Grant - JMJV

The grant relates to funds received to finance the acquisition of the JMJV. Conditions are met as the operating lease is utilized and the revenue is recognized over the duration of the lease term.

### 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.

## 18. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

### 2017

	Financial liabilities at amortized cost	Total
DBSA loan	15 105 447	15 105 447
Payables from exchange transaction	244 472 152	244 472 152
Finance lease obligation	254 391	254 391
Current tax payable	2 549 441	2 549 441
Operating lease liability	54 436	54 436
	<b>262 435 867</b>	<b>262 435 867</b>

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	2017	2016
<b>18. FINANCIAL LIABILITIES BY CATEGORY (continued)</b>		
<b>2016</b>		
	<b>Financial liabilities at amortized cost</b>	<b>Total</b>
DBSA loan	15 910 991	15 910 991
Trade and other payables	385 921 358	385 921 358
Finance lease obligation	387 514	387 514
Operating lease liability	73 985	73 985
	<b>402 293 848</b>	<b>402 293 848</b>
<b>19. SHARE CAPITAL</b>		
<b>Authorised</b>		
1000 Ordinary shares of R1 each or par value of 1000	1 000	1 000
<b>Issued</b>		
120 Ordinary shares of R1 each	120	120
<b>20. REVENUE</b>		
Rendering of services	9 272 579	8 620 252
Rental facilities and equipment	110 777 554	102 355 268
Utility recoveries	186 387	681 704
Other Income	751 381	1 719 577
Bad debts recovered	-	12 390
Interest received - investment	11 853 226	5 800 274
Dividends received	550 000	550 000
Government grants & subsidies	13 100 000	19 952 000
Capital grants realised	913 993	913 993
	<b>147 405 120</b>	<b>140 605 455</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Rendering of services	9 272 579	8 620 252
Rental facilities and equipment	110 777 554	102 355 268
Utility recoveries	186 387	681 704
Other Income	751 381	1 719 577
Bad debts recovered	-	12 390
Interest received - investment	11 853 226	5 800 274
Dividends received	550 000	550 000
	<b>133 391 127</b>	<b>119 739 465</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
Taxation revenue		
Transfer revenue		
Subsidy received from shareholder	13 100 000	19 952 000
Capital grants realised	913 993	913 993
	<b>14 013 993</b>	<b>20 865 993</b>

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<b>21. GENERAL EXPENSES</b>		
Advertising	2 489 172	2 775 748
Auditors remuneration	1 458 988	1 772 210
Bank charges	119 421	100 678
Cleaning and gardening	15 189 709	11 103 698
Computer expenses	45 217	367 573
Project planning fees and consulting	6 104 885	6 118 017
Consumables	275 029	189 238
Entertainment	212 288	247 076
Equipment hire	196 068	(66 502)
Insurance	708 516	736 253
Conferences and seminars	556 990	767 179
Lease rentals on operating lease	2 276 648	1 935 833
Fuel and oil	17 444	24 842
Placement fees	1 555 566	838 695
Postage and courier	1 040 939	767 326
Printing and stationery	685 534	530 256
Protective clothing	10 623	16 548
Project maintenance costs	24 658 306	25 695 383
Royalties and license fees	1 542 993	369 884
Security (Guarding of municipal property)	11 617 117	12 875 851
Subscriptions and membership fees	386 830	313 750
Telephone and fax	2 057 275	2 059 774
Training	1 399 920	1 136 186
Electricity	4 548 216	4 105 917
Gas	30 726	179 027
Sewerage and waste disposal	17 249	15 298
Water and related services	8 104 457	4 312 446
Refuse	572 111	432 941
Levy	-	81 560
	<b>87 878 237</b>	<b>79 814 483</b>

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### 22. GOVERNANCE AND EMPLOYEE COSTS

	2017	2016
Employee related costs: Salaries and wages	26 538 980	24 911 621
Employee related costs: Temporary staff	1 121 796	3 026 302
Bargaining council	5 476	12 031
Housing benefits and allowances	31 780	161 339
Overtime payments	128 713	176 925
Bonuses	2 453 193	2 459 339
Travel, motor car, accommodation, subsistence and other allowances	961 961	1 147 233
Directors remuneration	2 544 342	1 548 920
UIF	180 179	166 929
SDL	345 927	329 202
Leave pay provision charge	189 877	(294 921)
Pension fund contributions	2 834 076	2 263 524
Leave pay	121 910	626 734
Acting allowances	247 997	174 796
	<b>37 706 207</b>	<b>36 709 974</b>

### 23. DIRECTORS REMUNERATION

#### Non-Executive Directors

Ms. Z Jacobs	207 391	158 412
Prof. B Twala	213 715	17 466
Mr. D James	65 684	54 265
Mr. J Chauke	87 046	71 605
Mr. E Neluvhalani	91 674	23 318
Ms. N Twala	42 640	23 272
Ms. B Majola	87 046	113 747
Ms. T Sethaelo	16 289	131 001
Ms. N Tshabalala		10 019
Mr. T Motloung	124 644	-
Dr. L Matlhabe	283 054	147 014
Ms. G Sengoara	16 289	98 739
Mr. S Mhlongo	80 709	-
Mr. M Oliphant	242 972	123 372
Mr. M Molefi	120 068	-
Mr. T Mlangeni	68 589	-
Dr. D W Thwala	16 289	92 408
Ms. N Nyembe	80 709	-
	<b>1 844 808</b>	<b>1 064 638</b>

#### Audit Committee Members

Mr. H Moola	381 804	275 369
Mr. R Hill	226 260	137 289
Ms. Mosweu	-	65 749
Ms. L Zabala	91 467	5 875
	<b>699 531</b>	<b>484 282</b>

Directors remuneration includes an accrued retainer fee.

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

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### 24. EXECUTIVE AND SENIOR MANAGERS SALARIES

**Executive Director - Mr. A Ngcezula #**  
Annual Remuneration

583 722

**Executive Director - Mr. R Gallocher**  
Annual Remuneration  
Performance Bonus

958 804

173 381

**1 132 185**

**Executive Director - Mr. S Marota**  
Annual Remuneration  
Performance Bonus  
Travel Allowance

1 220 330

1 057 958

156 274

100 223

82 924

**1 476 827**

**1 140 882**

#### **Executive Managers**

Ms. C Holmes

1 279 514

1 120 333

Ms. P Ngwasheng

1 084 903

925 550

Mr. G Randal

530 385

Ms. C Nkosi

674 203

Ms. M Nkopane (was acting as CEO for 8 months during the financial year)

1 434 020

1 163 492

Ms. B Laka #

423 455

-

Mr. P Maseko

917 767

77 222

**5 139 659**

**4 491 185**

# Appointed

### 25. OTHER HOUSING MANAGEMENT COSTS

The following amounts relate to project costs incurred at various projects:

Bad Debts

7 384 565

7 095 333

Bad Debts Written off

5 469 967

5 282 706

Collection Fees

672 969

749 760

Community Development

239 809

1 424 288

**13 767 310**

**14 552 087**

### 26. INVESTMENT REVENUE

**Dividend received**  
JMV

550 000

550 000

**Interest received**

Bank interest

6 018 527

3 588 572

Interest earned - Outstanding debtors

5 834 699

2 211 702

**11 853 226**

**5 800 274**

**12 403 226**

**6 350 274**



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	2017	2016
<b>27. DEPRECIATION AND AMORTISATION</b>		
Property, plant and equipment	1 094 947	1 012 810
Intangible assets	154 120	49 505
	<b>1 249 067</b>	<b>1 062 315</b>
<b>28. FINANCE COSTS</b>		
Interest paid - DBSA Loan	1 384 448	1 448 662
<b>29. TAXATION</b>		
Major components of the tax expense		
Current		
Local income tax - current period	2 884 714	2 341 142
Deferred		
Originating and reversing temporary differences	(3 564 438)	(1 405 312)
	<b>(679 724)</b>	<b>935 830</b>
Reconciliation of the tax expense		
Net surplus / (deficit) for the year	4 029 924	4 790 923
Taxation		
- Normal	2 884 714	2 341 142
- Deferred	(3 564 438)	(1 405 312)
	<b>(679 724)</b>	<b>935 830</b>
Effective tax rate (%)	<b>28.00%</b>	<b>28.00%</b>
<b>30. CONTRACTED SERVICES</b>		
Contracted services	1 335 429	1 375 867
Amounts included in contracted services relate to IT services, recruitment agencies and investigation services		

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

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Figures in Rand	2017	2016
<b>31. CASH/ (USED IN) GENERATED FROM OPERATIONS</b>		
Surplus/ (deficit)	4 659 468	4 097 861
Adjustments for:		
Depreciation and amortization	1 249 067	1 062 315
Loss on disposal of assets	50 600	-
Surplus / Loss from equity accounted investments	(495 922)	58 379
Fair value adjustments	550 000	550 000
Movements in operating lease assets and accruals	(19 549)	52 831
Movements in provisions	(145 669)	369 034
Movement in tax receivable and payable	(679 724)	2 341 142
Annual charge for deferred tax		(1 405 312)
Changes in working capital:		
Inventories	(524 519)	(50 416)
Receivables from exchange transactions	47 457 042	4 699 312
Payables from exchange transactions	(141 449 206)	86 289 611
VAT	(666 968)	(1 525 405)
Deferred income from non-exchange transactions	112 547 007	(50 872 500)
	<b>22 531 627</b>	<b>45 666 852</b>

### 32. TAX RECEIVABLE (PAYABLE)

Balance due (to) / from at beginning of the year	335 273	735 726
Current tax for the year recognized in surplus / deficit	679 724	(2 341 142)
Deferred tax adjustments	(3 564 438)	1 940 689
Balance due (to) / from at end of the year	<b>(2 549 441)</b>	<b>335 273</b>

### 33. COMMITMENTS

#### Commitments in respect of Capital expenditure:

Authorised and contracted for		
• Investment properties	873 001 770	94 335 864

#### Operating leases - as lessee

#### (Buildings): Minimum lease payments

due		
- within one year	744 403	2 166 535
- within 2 to 5 years	-	744 403

Operating lease payments represent rentals payable by the company for its Head office premises. The current lease is expiring in October 2017. Management is negotiations to extend the lease.

### 34. CONTINGENCIES

JOSHCO is currently involved in various legal disputes against it. The company in consultation with its legal counsel has assessed the likelihood that these cases are not likely to be in the company's favour. Following this assessment, the company's management has determined that no provision is required in respect of these legal disputes as at 30 June 2017.

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### 35. RELATED PARTIES

Relationships:  
Shareholder

City of Johannesburg Metropolitan Municipality

Other members of the group

City Power Johannesburg SOC Ltd  
Johannesburg Water SOC Ltd  
Pikitup Johannesburg SOC Ltd  
Johannesburg Roads Agency SOC Ltd  
Johannesburg Metropolitan Bus Services SOC Ltd  
Johannesburg City Parks and Zoo NPC  
Johannesburg Development Agency SOC Ltd  
Johannesburg Property Company SOC Ltd  
The Johannesburg Fresh Produce Market SOC Ltd  
Johannesburg City Theatres SOC Ltd  
Metropolitan Trading Company SOC Ltd  
Joshco JM/JV

#### Related party balances:

##### Trade and other receivables

City of Johannesburg Metropolitan Municipality

245 931 801 169 364 408

Pikitup Johannesburg SOC Ltd

16 247

Johannesburg Fresh Produce Market SOC Ltd

7 202

City Power Johannesburg SOC Ltd

53 536

Johannesburg City Theatres SOC Ltd

3 992

Johannesburg Metropolitan Bus Services SOC Ltd

38 708

43 029

**246 028 037 169 430 886**

##### Trade and other payables

City of Johannesburg Metropolitan Municipality

24 508 867 21 134 190

Johannesburg Civic Theatres SOC Ltd

-

17 640

**24 508 867 21 151 830**

#### Related party transactions:

##### Revenue

City of Johannesburg Metropolitan Municipality

28 391 106 32 160 823

##### Expenditure

City of Johannesburg Metropolitan Municipality

(1 543 212) (1 263 690)

Johannesburg City Theatres SOC Ltd

(23 598) (15 473)

Pikitup Johannesburg SOC Ltd

(560 031) (287 757)

City Power Johannesburg SOC Ltd

(3 358 063) (2 750 446)

Johannesburg Water SOC Ltd

(11 707 056) -

Johannesburg Property Company SOC Ltd

- (7 403 326)

**(17 191 960) (11 720 692)**

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

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### 36. 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.

#### Financial risk management

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 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 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, 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.

#### 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 2017 and 2016, the entity's borrowings of R15,910,991 from the Development Bank of Southern Africa, at fixed rate of 8.5% and the loan is denominated in the South African Rand.

#### 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 counterparty.

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 the following: 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.

# JOHANNESBURG SOCIAL HOUSING COMPANY SOC Ltd

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### 36. RISK MANAGEMENT (continued)

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

Financial instrument	2017	2016
Trade and other receivables	35 257 666	35 361 526
Loans to parent municipality	284 885 615	244 651 198

### 37. EVENTS AFTER THE REPORTING DATE

There were no reportable events after the reporting date that were not addressed in this report.

### 38. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Management was not aware of any incidents of unauthorized, irregular and fruitless and wasteful expenditure during the financial year.

### 39. ASSETS SUBJECT TO RESTRICTIONS

There are no assets recognized in JOSHCO that are subject to restrictions.

### 40. BUDGET DIFFERENCES

#### Material differences between budget and actual amounts

In terms of entity policy, variances in excess of R1.5 million (i.e. 1% of total revenue) must be reported and supported with explanations. The following reasons apply to material variances:

- Total revenue was ahead of budget by 2% (R147.4 million vs R144.5 million) mainly due interest received from a positive bank balance throughout the financial year.
- General expenses were over expended mainly due bad debts written-off amounting to R5.5 million as the debts were uneconomical to pursue them legally, some were untraceable former tenants and deceased tenants. The collection levels during the financial year were 1% lower than targeted and contributed to an increase in the provision for bad debts.

#### Changes from the approved budget to the final budget

The changes between the approved and final budget are as a result of additional interest income from a positive bank balance. As a consequence of additional revenue, budgeted expenditure was also increased accordingly.

### 41. PRIOR PERIOD ERROR

JOSHCO's classification of expenditure on the statement of financial performance is based on the nature of these expenses. Repairs and maintenance has been reclassified into general expenses as it is a function of expenditure instead of the nature thereof.

#### Statement of financial performance

JOSHCO - General Expenses	50 056 522
JOSHCO - Repairs and maintenance	(50 056 522)

Adjustment to opening balances of property, plant, equipment and intangible assets were done as a result of assets discovered in the current year that were previously not included on the asset register.

#### Statement of financial position

JOSHCO - Property, plant and equipment	192 090
JOSHCO - Intangible assets	172 957
JOSHCO - Accumulated surplus	(365 047)

#### Statement of financial performance

JOSHCO - Accumulated Surplus	365 047
JOSHCO - General Expenses	(365 047)



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### 42. DEVIATIONS 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.

#### Emergency

The following deviation was due to an emergency as per regulation 36 (1)(i) of the municipal supply chain management regulations.

Name of service provider	Description of minor breach	
Joe Malherbe Attorneys	Contractual dispute with a contractor at 80 Plein Street. JOSHCO's panel of attorneys did not have a construction expert.	873 159 -
		<b>873 159 -</b>

#### Ratification of minor breaches of procurement and other breaches

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

Name of service provider	Description of minor breach	
Lumacon Air Conditioning	Repair of heat-pumps in Fleurhof Housing Estate	56 948
Mthimkhulu Stone Works CC	Extension of Contract Period: Driver-Courier Services	101 837
Jolobe Trading	Extension of CSA contracts for Jozi@Work	406 080
Gochi Trading	Extension of CSA contracts for Jozi@Work	413 280
VZ Contractor	Extension of CSA contracts for Jozi@Work	533 040
Exclusive People	Extension of the Leasing Manager's contract	45 996
The Leadership magazine	Publication about JOSHCO.	44 460
OTIS Elevators	Maintenance of lifts at the Chelsea project	129 175
Delta-Link (Mfiles)	Migrating files/data between servers	16 436
Futshane Consulting	Year-end tax consultancy to complete SARS audit	21 450
Face of the Earth foundation	City Deep - Community vocational work program	40 969
Eller Security Services	Extension of security contract to finalise the procurement	339 732
Ingwempisi Security Services	Extension of security contract to finalise the procurement	459 246
Kye Guards Security Services	Extension of security contract to finalise the procurement	212 792
Dataco! T/a SSG Systems	Extension of the IT support contract to finalise procurement	39 900
PC Plug	SAGE standard reports	12 777
Accotech Interim Outsourcing	Extension of contracted services for temporary employee	16 192
		<b>1 143 058 1 747 252</b>

# Balanced Scorecard as at 30 June 2017 with Key Performance Areas and Indicators 2016/17

Objective	Risk	Key Priority	Key Performance Indicator	Baseline 2015/2016	Total target for the year 2016/17	Q1 Target	Actual	Q2 Target	Q2 Actual	Q3 Target	Actual	Q4 Target	Actual Q4	Evidence	Interventions
To maintain discipline of expenditure management	Inability to spend CAPEX within a financial year.	Enhance our financial sustainability	% Capital expenditure to increase the delivery of social housing	99% Capital Expenditure to increase the delivery of social housing	95% Capital Expenditure	10% Capital Expenditure	7%	30% Capital Expenditure	21%	60% Capital Expenditure	53%	95% Capital Expenditure	83%	Capex Expenditure report	Monitoring at monthly Dev Excess Action Plan
To maintain discipline of expenditure management	Inability to collect revenue from tenants	Enhance our financial sustainability	Achievement of selected profitability and liquidity ratios.	New	Current Ratio: 1.5:1	Current Ratio: 1.5:1	1:1	Current Ratio: 1.5:1	1.4:1	Current Ratio: 1.5:1	1.38	Current Ratio: 1.5:1	1:52	Monthly management accounts	Regular review of financial ratios and management actions
				New	Solvency Ratio: 1:1	Solvency Ratio: 1:1	1:1	Solvency Ratio: 1:1	1:1	Solvency Ratio: 1:1	1.05	Solvency Ratio: 1:1	1:05	Monthly management accounts	Regular review of financial ratios and management actions
				New	Remuneration to Opex expenditure up to 30%	Remuneration to Opex expenditure up to 30%	29%	Remuneration to Opex expenditure up to 30%	31%	Remuneration to Opex expenditure up to 30%	27%	Remuneration to Opex expenditure up to 30%	27%	Monthly management accounts	Regular review of financial ratios and management actions
To maintain discipline of expenditure management	Non compliance to Treasury guidelines	Enhance our financial sustainability	% Collection of debtors in respect of rentals for financial sustainability	New	Maintenance to Opex expenditure: Up to 40%	Maintenance to Opex expenditure: Up to 40%	18%	Maintenance to Opex expenditure: Up to 40%	32%	Maintenance to Opex expenditure: Up to 40%	43%	Maintenance to Opex expenditure: Up to 40%	35%	Monthly management accounts	Enforcement of treasury guidelines through monthly monitoring in the management accounts
				92% Collection of debtors in respect of rental	91% Collection of debtors in respect of rental	91% Collection of debtors in respect of rental	90%	91% Collection of debtors in respect of rental	89%	91% Collection of debtors in respect of rental	90%	91% Collection of debtors in respect of rental	91%	Revenue Report	Regular review of financial ratios and management actions

# Balance Scorecard as at June 2017

Objective	Risk	Key Priority	Key Performance Indicator	Baseline 2015/2016	Total target for the year 2016/17	Q1 Target	Actual	Q2 Target	Q2 Actual	Q3 Target	Actual	Q4 Target	Actual Q4	Evidence	Interventions
		Enhance our financial sustainability	% of successful litigation matters against defaulting tenants	61% of successful litigation matters	65% of successful litigation matters	20% of successful litigation matters	25%	30% of successful litigation matters	30%	50% of successful litigation matters	40%	65% of successful litigation matters	48%	Legal Report	Instituting legal proceedings against defaulting tenants
Adhering to good corporate governance principles, through compliance to financial risk and performance management guidelines.	Poor control environment	Enhance our financial sustainability	Unqualified audit	Clean Audit								Clean Audit		AG Report	Effective controls in place to be implemented and monitored monthly.
		Responsible Governance: Citizen, Customer, Business Friendly	% implementation of mitigating action plan to reduce risk exposure against JOSHCO business (strategic risks).	62.5% implementation of mitigating risks in Strategic Risk Register	100% implementation of mitigating action plan to reduce risk exposure against JOSHCO business (strategic risks).	100% implementation of mitigating action plan to reduce risk exposure against JOSHCO business (strategic risks).	12%	100% implementation of mitigating action plan to reduce risk exposure against JOSHCO business (strategic risks).	70%	100% implementation of mitigating action plan to reduce risk exposure against JOSHCO business (strategic risks).	65%	100% implementation of mitigating action plan to reduce risk exposure against JOSHCO business (strategic risks).	61%	Risk control self assessment report submitted to the Risk Committee.	Monitored monthly by Exco and quarterly by the Audit and Risk Committee
		Responsible Governance: Citizen, Customer, Business Friendly	% Compliance with laws and regulations to manage a risk of non-compliance.	96.14% Compliance with laws and regulations	98% Compliance with laws and regulations	96.5% Compliance with laws and regulations	90%	97% Compliance with laws and regulations	93%	97.5% Compliance with laws and regulations	94.4%	98% Compliance with laws and regulations	93%	Exclaim compliance toolkit report	Monitored monthly by Exco. and quarterly by the Audit and Risk Committee
		Responsible Governance: Citizen, Customer, Business Friendly	% Implementation of internal audit findings	90% Implementation of internal audit findings	100% Implementation of internal audit findings	100% Implementation of internal audit findings	Audit Still in progress	100% Implementation of management actions for audit findings.	Audit Still in progress	100% Implementation of management actions for audit findings.	50%	100% Implementation of management actions for audit findings.	85%	Monthly tracking report Follow-up audit report	Monthly monitoring by Exco and quarterly by the Audit Committee

# Balance Scorecard as at June 2017

Objective	Risk	Key Priority	Key Performance Indicator	Baseline 2015/2016	Total target for the year 2016/17	Q1 Target	Actual	Q2 Target	Q2 Actual	Q3 Target	Actual	Q4 Target	Actual Q4	Evidence	Interventions
Achieve optimal use of human capital	Inadequate employee performance	Responsive Governance: Citizen, Customer, Business Friendly	% of staff obtaining a performance rating of 3	New	100% of staff obtaining a performance rating of 3	-	The performance rating will only be measured in the 2nd and 4th quarter.	85% of staff obtaining a performance rating of 3	71% of submitted staff performance reviews obtained a performance rating of 3.	85% of staff obtaining a performance rating of 3	78%	100%	98%	Performance evaluation reports	Monthly monitoring of performance
Development and management of Social Housing units	Inadequate funding to deliver the targeted social housing units	Pro-Poor Development and providing meaningful social housing redress.	Number of Social Housing Units developed to eradicate housing backlog in the City.	800 Number of social housing units developed	1164 Number of social housing units developed	-	The KPI will be measured in the 4th quarter.	-	-	-	The KPI will be measured in the 4th qtr.	1164 Number of social housing units developed	1172	Completion Certificates Handover manuals	Agreement on management systems for property and a reduction of 30%
Contributing towards Enterprise Development and the City wide job creation programme	Not creating labour intensive projects	Promote Economic Development and Investment GVA to achieve 5%	Number of Jobs created for the unemployed to participate in the economy	1433 jobs created	800 jobs created	-	The KPI will only be measured in the 2nd quarter.	400 jobs created	156 jobs created (the outstaring employment target will be achieved in qtr 3 through the projects currently out on evaluation. Another project will recommence in qtr 3 after stopping	270 Jobs created	166 jobs created.	530 Jobs created	348	Jobs@work reports	Creation of work opportunities using the EPWP Incentive Grant 4 Inner City projects are starting and 2 green fields projects are starting in the 4th quarter in Roodepoort phase 2 and Dobsonville



# Balance Scorecard as at June 2017

Objective	Risk	Key Priority	Key Performance Indicator	Baseline 2015/2016	Total target for the year 2016/17	Q1 Target	Actual	Q2 Target	Q2 Actual	Q3 Target	Actual	Q4 Target	Actual	Evidence	Interventions
					Jul 16 to Jun 17										
To ensure that service level standards are maintained															
	Tamishing of JOSHCO's reputation with stakeholders	Improve service delivery (performance and culture)	% Customer satisfaction rating as a measure of the quality of service delivery	72% Customer satisfaction rating	75% of positive Customer satisfaction rating achieved	-	The KPI is measured on an annual basis. Scorecard targets per quarter are to be adjusted and only included in quarter 4.	-	The KPI is measured on an annual basis. Scorecard targets per quarter are to be adjusted and only included in quarter 4.	-	The KPI is measured on an annual basis. Scorecard targets per quarter are to be adjusted and only included in quarter 4.	75% of positive Customer satisfaction rating achieved	84.22%	Customer Satisfaction Survey report	Implement a Customer Satisfaction Survey report
	Non-compliance to the Shareholder compact and service delivery agreement	Improve service delivery (performance and culture)	% achievement of service level standards for service delivery efficiency	95.2% achievement of service level standards	96% achievement of service level standards	96% achievement of service level standards	95.87%	96% achievement of service level standards	95.43%	96% achievement of service level standards	96.03%	96% achievement of service level standards	99%	MDA maintenance	Monitoring of service delivery standards compliance
Enhanced Active Engaged Citizenry	Tamishing of JOSHCO's reputation with stakeholders	Responsible Governance: Citizen, Customer, Business Friendly	% Implementation of a stakeholder engagement plan to enhance stakeholder engagements	100% Implementation of a Stakeholder Engagement Plan	100% Implementation of a Stakeholder Engagement Plan	25% Implementation of a Stakeholder Engagement Plan	31.6%	50% Implementation of a Stakeholder Engagement Plan	82%	75% Implementation of a Stakeholder Engagement Plan	100%	100% Implementation of a Stakeholder Engagement Plan	100%	Register and minutes of public and committee meetings.	Monitoring of reputation for the brand and stakeholder engagement
	Tamishing of JOSHCO's reputation with stakeholders	Responsible Governance	Implementation of the Communication Plan	100% Implementation of the Communication Plan	100% Implementation of the Communication Plan	25% Implementation of the Communication Plan	50%	50% Implementation of the Communication Plan	50% Implementation of the Communication Plan	75% Implementation of the Communication Plan	90%	100% Implementation of the Communication Plan	110%	Quarterly communication report to the Board	Monitoring of reputation for the brand and stakeholder engagement



# Balance Scorecard as at June 2017

Objective	Risk	Key Priority	Key Performance Indicator	Baseline 2015/2016	Total target for the year 2016/17	Q1 Target	Actual	Q2 Target	Q2 Actual	Q3 Target	Actual	Q4 Target	Actual Q4	Evidence	Interventions
Citizenry	reputation with stakeholders	ce: Citizen, Customer, Business Friendly	ion plan to enhance stakeholder engagements	Communication plan	the communication plan	the communication plan		communication plan.	n of the communication plan.	communication plan.		plan.		the Board.	
Adhering to good corporate governance principles, through compliance with financial risk and performance management guideline	Tamishing of JOSHCO's reputation with stakeholders	Good Clean Governance with a focus on eliminating corruption	% delivery on reported cases of corruption, to enhance the control environment	New	100% delivery on reported cases of corruption	100% delivery on reported cases of corruption	2 cases of fraud and corruption were reported in the first quarter and are still being investigated	100% delivery on reported cases of corruption	2 cases of fraud and corruption were reported in the first quarter and will be finalised at the end of February 2017. 2 new cases were reported in the quarter under review and are still under investigation.	100% delivery on reported cases of corruption	The 2 new cases have been handed over to SAPS for further investigation and apprehension of the suspects. There is one new case which was reported for investigation. The case has also been handed over to SAPS. One case has been finalised in the quarter and two people were found guilty of which one was sent to direct imprisonment and another house arrest was imposed.	100% delivery on reported cases of corruption	There are 6 cases in the 2016/17 financial year. 2 cases were handed over to the police. 1 of the 2 cases was postponed. The suspect was arrested and the case will be heard in July 2017. The investigation for the other case is still ongoing. There is also a third case which is still under investigation. 2 of the 6 cases	Fraud and corruption reports submitted to the Board.	Monitoring of fraud and reported cases. Investigation of fraud reported cases

# Balance Scorecard as at June 2017

Objective	Risk	Key Priority	Key Performance Indicator	Baseline 2015 / 2016	Total target for the year 2016/17	Q1 Target	Actual	Q2 Target	Q2 Actual	Q3 Target	Actual	Q4 Target	Actual Q4	Evidence	Interventions
					Jul 16 to Jun 17										
To maintain discipline and expenditure management	Ability to spend Capex within a financial year	Promote Economic Development and Investment t GVA to achieve 5%	30% of CAPEX expenditure where projects are undertaken	New	30% CAPEX expenditure on SMME's		The KPI is measured in the 4 <sup>th</sup> quarter.		The KPI is measured in the 4 <sup>th</sup> quarter.		The KPI is measured in the 4 <sup>th</sup> quarter.	30%	24%	Capex Expenditure report	Monthly monitoring of the programme and expenditure
Contributing towards Enterprise Development and the City-wide job creation programme	Unrealistic SME predictions in the Jobless Quarter activities	Promote Economic Development and Investment t GVA to achieve 5%	Number of Jobs to be created by supporting Co-Ops and SMME's	New	160		No new work packages (no new jobs) 42 Co-ops created 171 jobs, these were appointed in 2015/16 and the contracts for cleaning and Dec 2016 and gardening in Feb 2017.		No new work packages (No new jobs) 42 Co-ops created 171 jobs, these were appointed 2015/16 and the contracts for cleaning have been extended to Feb 2017 and gardening will also			160	Zenzele Project 198 jobs	Joz@work report.	Monthly monitoring of the programme and expenditure

Balance Scorecard as at June 2017

Objective	Risk	Key Priority	Key Performance Indicator	Baseline 2015/2016	Total target for the year 2016/17	Q1 Target	Actual	Q2 Target	Q2 Actual	Q3 Target	Actual	Q4 Target	Actual Q4	Evidence	Interventions
									end in Feb 2017.			Jul 16 to Jun 17			

Status Indicator Legend:

	Target achieved or substantially achieved
	Target not fully achieved , but there is progress
	Target not achieved and there is significant risk of non-achievement
	KPI measured at the end of the financial year

