

Joburg
a world class African city

Johannesburg Social Housing Company
Date: 8/04/2013
Signature: [Handwritten Signature]
Office of the CFO
JSHCO

ANNUAL REPORT
FOR THE YEAR ENDED JUNE 2012

ADDRESS DETAILS

**JOHANNESBURG SOCIAL HOUSING COMPANY
(SOC) LIMITED**

COMPANY INFORMATION:

Registration number: 2003/008063/07

Registered Address: 1st Floor,
137 Sivewright Avenue
New Doornfontein
2094

Postal Address: P O Box 16021
New Doornfontein
2028

Telephone number: (011) 406-7300

Fax number: (011) 404 2504

E-mail: info@joshco.co.za

Website: www.joshco.co.za

Bankers: ABSA Bank of SA Limited

Auditors: Auditor-General

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SCOPE OF REPORT

This annual report covers JOSHCO's governance, financial, social responsibility, environmental, economic and overall sustainability performance for the year.

It provides an account of JOSHCO's progress up to the end of June 2012 and offers a forward – looking perspective in terms of future plans and value generating developments.

CHAPTER ONE: INTRODUCTION AND CORPORATE PROFILE

SECTION 1: CORPORATE PROFILE

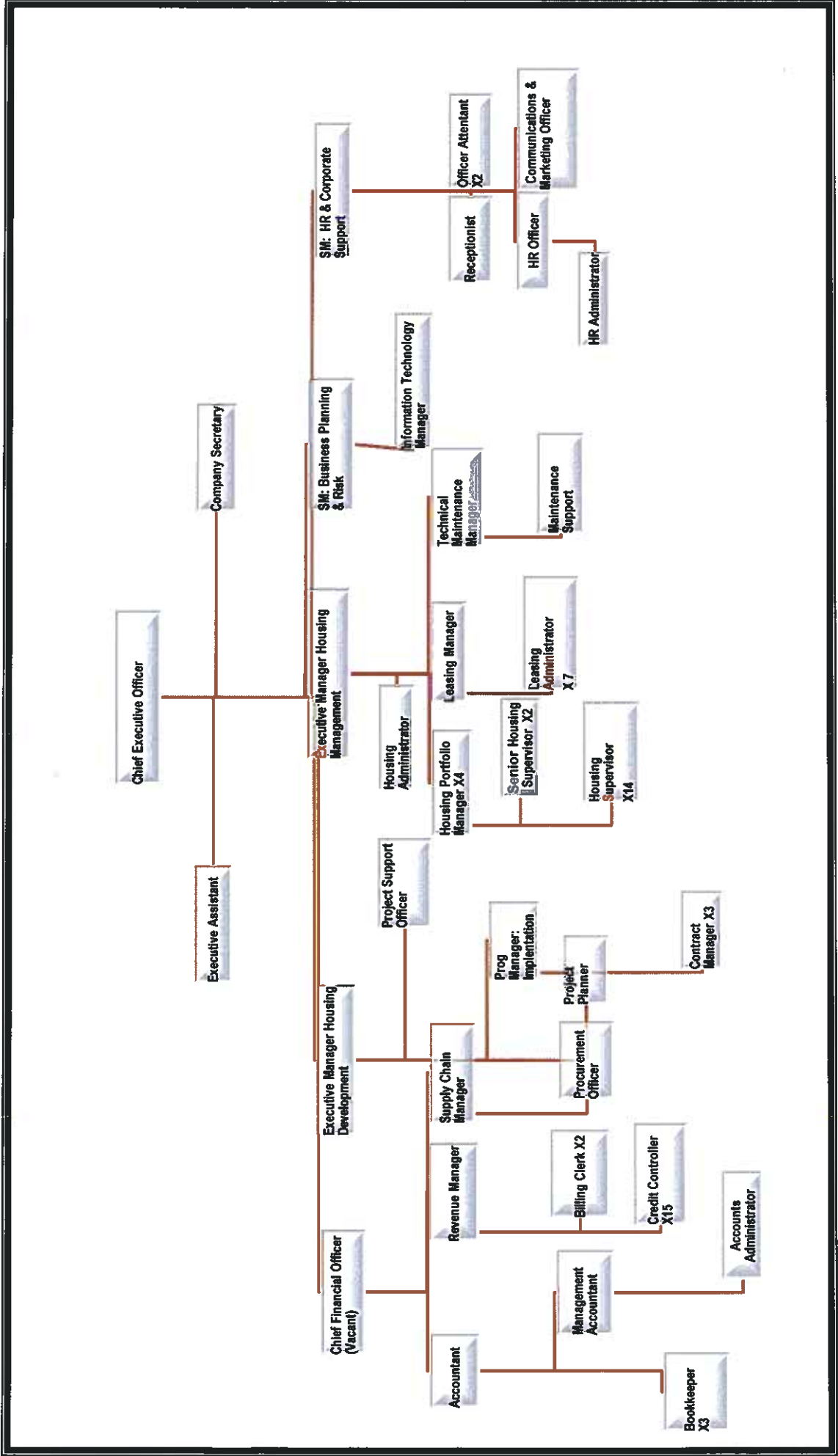
The Johannesburg Social Housing Company SOC Limited (“JOSHCO”) was established in November 2003 by the City of Johannesburg (City). JOSHCO’s mandate is to provide and manage affordable rental housing for the lower income market as an integral part of efforts to eradicate the housing backlog of the City. JOSHCO is a registered social housing institution and is accredited by the Social Housing Regulatory Authority (SHRA). JOSHCO predominantly serves families whose total household income is between R1500 and R7500 per month.

The core business of JOSHCO may therefore be said to include: the development of social rental housing; the refurbishment, upgrading and management of Council owned rental housing stock; housing management; the refurbishment, upgrading and management of hostels 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 at the end of the financial year of 2011/2012, JOSHCO’s staff complement consisted of seventy six (76) full time (contract and permanent) employees. The organizational chart below provides an outline of the capacities in which JOSHCO utilizes its human resource.

ORGANISATIONAL CHART



SECTION 2: VISION, MISSION, VALUES AND STRATEGIC OBJECTIVES

JOSHCO'S MISSION

To provide a quality, affordable and sustainable social housing product, JOSHCO will:

- Manage existing rental housing stock.
- Convert and manage hostels.
- Refurbish and manage Inner City 'bad' buildings.
- Develop and manage new social housing products. Delivery is facilitated by a skilled and motivated team to ensure best practise and customer satisfaction.

JOSHCO'S VISION

A World-Class Social Housing Provider of Choice.

FOUNDING PRINCIPLES OF JOSHCO

The following are JOSHCO's founding principles:

- "to strive to become a world class social housing institution"
- "to provide sustainable housing solutions by developing and managing quality habitable neighborhoods"
- "to efficiently provide affordable social housing premised on defined and managed relationships with all stakeholders"
- "to foster teamwork and embrace new ways of thinking to attain outstanding performance"
- "to be a people-centered organization built on the principles of effective communication, human capital and enabling systems".

In defining its service to the people of Johannesburg, JOSHCO is guided by five core organizational values: –

- **Integrity** : Honesty; Principled; Transparency; Accountability
- **Customer Focus** : Listen; Build Relationships; Evaluation and Reflection
- **Excellence** : Productivity; Professionalism
- **Innovation** : Imagination; Enthusiasm; Boldness; Tenacity
- **Team Work** : Goal Orientation; Respect; Communication; Dependability and Trustworthiness; Flexibility; Diversity

The board and management team of JOSHCO strive to operate in an innovative, enterprising, results-orientated and accountable manner through:

- High standards of accountability, consultation and ethics;
- Efficiency and cost effectiveness in the delivery of social housing;
- Social and fiscal responsibility; and
- Open, participative and transparent management.

JOSHCO'S STRATEGIC OBJECTIVES

In order to realize the company's Vision and Mission within the parameters of a Balanced Scorecard approach, JOSHCO's "Strategic Objectives" are founded on:

1. Developing integrated systems (Internal Business perspective);

2. Enhancing levels of customer satisfaction (Customer/Learning and Growth Perspectives);
3. Ensuring effective housing management services (Customer/Internal Process Perspective);
4. Enhancing revenue collection (Financial Perspective/Internal Business perspective);
5. Developing a diverse portfolio of housing stock (Customer/Internal Process Perspectives);
6. Managing and monitoring internal/external control systems and risks (Internal Process Perspective);
7. Ensuring financial viability/sustainability (Financial Perspective); and
8. Developing skilled, competent and content staff (Learning and Growth Perspective).

Mirrored against this, and informed by the strategic agenda priorities of the City, JOSHCO seeks to achieve three strategic outcomes, which are:

- Reducing the housing deficit in Johannesburg by developing housing;
- Improving the quality of residential neighborhoods through managing housing; and
- Promoting the physical and institutional sustainability of Johannesburg by collecting housing revenue.

The above three outcomes are reduced to quantifiable, time-defined and measurable strategic objectives. These strategic objectives are the basis of both the organizational functions, as well as the organizations scorecard. They are:–

- The development of housing through the programmers of Green Fields (i.e. projects commencing with new construction of buildings) / Brown Fields (projects that entail refurbishment of buildings); Special Projects; Hostels Redevelopment and Refurbishment; Inner City upgrades; and Public Stock refurbishment.
- The management of housing by carrying out procurement; allocations; maintenance; contract administration; and client relationship management;
- The collection of housing revenue through effective contract administration; billing; credit control; defaulter evictions and client relationship management;
- The effective management of finance, systems and equipment;
- The achievement of sound corporate governance standards;
- The sound management of human resources;
- The sound management of client relations through the provision of client services; and
- The facilitation of community development initiatives.

JOSHCO's mandate and core business is three fold:

- a. Institute a programme that will deliver quality and affordable housing;
- b. Ensure sustainability of low cost housing through a customer friendly and efficient housing management programme; and
- c. Implement a rigorous revenue programme that will ensure sustainability of the company mindful of socio-economic constraints.

Strategic Agenda Priorities for JOSHCO are depicted against the six Mayoral priorities below, which make it clear that JOSHCO's contribution towards the achievement of the City's key strategic priorities is focused chiefly on achieving settlement restructuring (Priority 4). The breakdown below further outlines how JOSHCO's mandate adds value to achieving all six Mayoral Strategic Priorities of the COJ.

1. PRO-ACTIVE ABSORPTION OF THE POOR

- By providing housing to lower income people, JOSHCO contributes to the eradication of poverty and the affirmation of poor people as formal residents of the City.
- In its housing developments, JOSHCO facilitated the employment of small and emerging contractors. JOSHCO's Procurement Policy is geared towards empowering Previously Disadvantaged Groups when procuring goods and services.

2. BALANCED AND SHARED GROWTH

- Project interventions by JOSHCO achieved balanced development that is denied by ordinary market forces. This allows all the City's citizens to share in economic growth. (JOSHCO creates affordable housing where market forces lock it out. JOSHCO invests in areas where market forces are a barrier to entry.)
- JOSHCO projects promote the National Sustainable Development Agenda.
- JOSHCO's interventions always aim at Urban Restructuring through their strategic focus on location, social integration, and economic profile.

3. FACILITATED SOCIAL MOBILITY

- Adequate shelter and services provide poor families with the certainty and security to be able to compete in Johannesburg's economy.
- The housing ladder allows residents to be mobile as their economic status improves.

4. SETTLEMENT RESTRUCTURING

- Development of housing through five programmes i.e. Green fields and Brown fields; Hostel Redevelopment and Refurbishments, Special projects, Inner City upgrades and Public stock Refurbishment.
- JOSHCO contributes practically toward developing the inner Cities of Johannesburg, Roodepoort, Randburg etc.
- JOSHCO restores order and livability in “council estates”.
- JOSHCO replaces hostels with healthy community neighborhoods.
- JOSHCO develops where market forces do not assist.

5. SUSTAINABILITY AND ENVIRONMENTAL JUSTICE

- Effective financial sustainability of the City is promoted by JOSHCO turning around the performance of the City’s rental housing stock portfolio and recovery of costs.
- Environmental justice is ensured through the supply and maintenance of safe and healthy living environments.

6. INNOVATIVE GOVERNANCE SOLUTIONS

- Housing management and revenue collection is ensured through systems and protocol solutions. These are efficiently and accurately implemented due to careful training.



CHAPTER TWO: LEADERSHIP OVERVIEW

SECTION 1: FOREWORD BY MEMBER OF THE MAYORAL COMMITTEE

It was a great pleasure to welcome the new Chairperson of the Board of Directors of JOSHCO, Ms. Zeona Jacobs, as well as the four new non-executive board members who were appointed in April 2012; and I hope to work closely with her in supporting her in the efforts of the board and management to maximize revenue collection while at the same time ensuring that the projects delivered by JOSHCO are “tuned in” to the needs of the members of the community of Johannesburg. While improved housing services are very important, the recovery of costs from the community that consumes these services is equally important if we wish to ensure the sustainability of this important initiative.

As shareholder representative, I must also declare my great satisfaction at the report from the Auditor-General which once again provides a clean audit opinion thus giving ourselves the comfort that the public resources invested in JOSHCO are thoroughly accounted for, and that the affairs of the organization are properly administered. This consistency on JOSHCO’s part in obtaining another positive opinion from the Auditor-General of South Africa is an encouraging indication of the standard which we seek to achieve and maintain throughout municipal government.

As I stated in last year’s report, the deficit in housing supply in comparison to the demand for housing in the City of Johannesburg is already well known by everyone. The existence of numerous informal settlements as well as the overcrowding in some areas where people share accommodation in unsuitable conditions is a symptom of this deficit. Within this context, the City has placed a very strong emphasis on the production and management of decent and good quality housing at an affordable price that is within the reach of many of the families who survive on a very moderate income.

It is the stated expectation of the City of Johannesburg that its affordable rental housing agency, JOSHCO, will contribute toward making available the kind of good quality but affordable product which I have referred to. There are, of course, numerous

implementing agents that can lend support to the City in its drive for more affordable housing. Amongst these, JOSHCO has and will continue to focus on the affordable rental market rather than housing for sale to beneficiaries.

My forward would be most incomplete without thanking the former Chairperson of the Board, Mr. Ishmael Mkhabela, as well as the four board members who were rotated or retired with him in April 2012. Mr. Mkhabela's leadership and vision was relied on heavily and has brought JOSHCO to this point and provided for the new Board Chairperson a strong and stable organization upon which to build. I therefore thank the Board of JOSHCO and their management team for all of their hard work and dedication over the past twelve months of the financial year and I wish them well for the year ahead.

*Clr. Dan Bovu, MMC:
Housing*

SECTION 2: CHAIRPERSON'S FOREWORD

Firstly I would like to express my enthusiasm at being appointed as the Chairperson of the JOSHCO Board of Directors at the Annual General Meeting held on 24 April 2012. Although this appointment came towards the end of the financial year, it was very clear from the onset that JOSHCO was fully committed to delivering in accordance with the mandate entrusted to the organization by the City of Johannesburg.



It was also my privilege to have had the opportunity of taking over from a very dedicated leader in the form of the outgoing Chairperson, Mr. Ishmael Mkhabela, on whom I have been able to rely for guidance and advice. I wish him all the best and hope that he will continue doing good work in his new position.

With the rotation of certain Board members at the Annual General Meeting in April, and the retirement of one member of the Board, I would also like to acknowledge the contributions made by Mr. Paul Jackson who was a non-executive member of the Board, and Chairperson of the Development Sub Committee until 24 April 2012; Ms. Lethabo Mashamaite who was a non-executive member of the Board, and Chairperson of the Corporate Support Sub Committee until 24 April 2012; Ms. Fikile Segole who was a non-executive member of the Board, and a member of the Development Sub Committee unit 24 April 2012; Mr. Vuyo Booyesen who was a non-executive member of the Board and a former Chairperson of the Corporate Support Committee prior to his resignation from the Board; and Mr. Brian Moholo who was a non-executive member of the Board and a former member of the Development Sub Committee prior to his resignation from the Board.

I would also like to welcome the new Board members that were appointed at the AGM during this financial year and look forward to working with them together as a team in continuing to guide JOSHCO in making it a world class social housing institution. Four new non-executive board members have joined the Board since the Annual General Meeting on 24 April 2012. They are: – Mr. L. Mathape, Ms. T. Sethaelo, Mr. I. Makopo; and Mr. E. Maphatsoe.

It is worth mentioning that it was an honour to be associated with an organization such as JOSHCO after having obtained yet another clean audit at the end of this financial year. This has indeed been a proud moment for all Board members. We commend Management for all their hard work and encourage them to continue working very hard to achieve the same goal at the end of the next financial year.

In addition to this, I also draw attention to the important contribution that JOSHCO has made towards supplying and managing more much needed accommodation in the Johannesburg Inner City through the completion of Casamia, MBV, AA House and Lynatex.

Furthermore, I look forward to working with JOSHCO's management team and ensuring that, as the Board of Directors we support them in all their endeavors to provide adequate and affordable rental housing to the low income earning group and also ensuring that the rental properties are well maintained to continue achieving our customer service standards. I trust that the next financial year will be as fruitful as the past years and that both management and the Board will work hand in hand to achieve this objective.

*Zeona Jacobs –
Chairperson of the Board of Directors*

SECTION 3: CHIEF EXECUTIVE OFFICERS REVIEW



The purpose of JOSHCO’s existence ultimately is to develop affordable rental accommodation, manage that accommodation to the satisfaction of the tenants, and collect all rental payments levied. An assessment of JOSHCO’s performance in these three areas can be summarized as follows: – (Note: Collections is covered in the CFO’s review.)

HOUSING DEVELOPMENT

Viewed from the overall target for the 2011 /2012 financial year, the overall development target comprising 245 units and 246 beds was exceeded through the construction of 258 units, but under achieved through the completion of 207 beds, thus resulting in a shortfall of 39 beds compared with an over performance in the construction of 13 additional units.

The table below shows the number of units delivered annually over the past five years:-

	BASELINE	2007/08	2008/09	2009/2010	2010/2011	2011/2012	TOTAL
COMPLETION CERTIFICATE	1508	1938	3027	566	161	258 (Incl. 207 beds)	7665 (Incl. 207 beds)

As can be seen from the above table, JOSHCO has completed a total of 7,665 units over the five year term. While this does represent an important contribution to affordable rental housing in Johannesburg, budget pressures within the city group have certainly had a recognizable impact on slowing outputs.

HOUSING MANAGEMENT

The following represent some of the key highlights achieved by JOSHCO in the growth and management of the JOSHCO housing management portfolio.

- In the 5 years ending on June 2012, JOSHCO's housing portfolio under management has grown from 2127 to 8280 units. The annual target of 7914 was exceeded by 366 units, made up of units in Casa Mia, MBV and AA House.
- 99.7 % of customer complaints were resolved by the year end against an annual target of 90%.
- 93.7% of illegal occupants identified in JOSHCO units were regularized.

The table below depicts the breakdown of the housing portfolio under JOSHCO management per portfolio type as it was at the end of the financial year covered by this report: -

Project	Qtr 1	Qtr 2	Qtr 3	Qtr 4	No. of Accounts for Billing
Communal Housing	1301	1301	1482	1485	1485
New Built Family Apartments	1153	1153	1153	1153	1153
Refurbished Family Apartments	479	479	658	873	873
Units in Hostel Conversions	593	720	720	776	983
Hostel beds	786	786	693	647	674
COJ & CHC Stock	2832	2832	2832	2826	2826
Installment Sale Units (Golf Course)	467	467	467	520	520
Cumulative Target				8280	8487

As the above table shows, JOSHCO has a total of 8280 billable units and hostel beds and is actively billing 8487 occupants (the variance of 207 is accounted for on the basis that, in some of the hostel projects which have been converted to family units, former hostel residents have elected to share converted two bedroom units).

JOSHCO's performance on the whole for the financial year ended 30 June 2012 was much in line with expectations.

The following indicators can be highlighted:–

- An area where some improvement is called for is in that of risk management. Although JOSHCO management has actively managed all identified risks during the term of the financial year, a change in the board of directors during the fourth quarter has necessitated a more comprehensive review of the organizations risk register in order to draw it in line with the organizations objectives.
- Performance in the area of human resources management has been in accordance with the objectives of the organization. Although certain matters were still un–resolved within the Local Labour Forum at the close of the financial year (job grading and revised pay scales), other areas such as the compliance with the approved Employment Equity Plan were performing well. It should be noted that although JOSHCO did under spend on its salaries budget, this under expenditure was not the result of inefficiencies in the organizations recruitment process, but rather the result of management's decision not to recruit into certain vacancies in an effort to reduce expenditure and manage the risk of incurring a deficit in the face of unpredictable utilities expenses. This approach to managing the operating budget did prove to work because the under expenditure in the salaries budget was adequate to cater for the over expenditure on the utilities budget.
- Through both the JOSHCO's project development work throughout the year, as well as JOSHCO's housing management services, the organization promoted the creation of some 2003 jobs. It is relevant to note that JOSHCO

was the recipient of Extended Public Works Programme (EPWP) funding approved by the Department of Economic Development (DED) which obviously contributed toward this achievement.

- A total of 81% (R153, 289 million) of JOSHCO's overall R189, 246 million expenditure during 2011/2012 was allocated in favor of businesses, the ownership profile of which promoted black economic empowerment, or the businesses were small to medium enterprises.

Looking ahead to 2012/2013 and the next five years, the organization has plans to achieve the following:--

- To develop a further 321 units next year and in the medium five year period add atleast an additional 2500 units to raise JOSHCO's contribution to affordable Social Housing to 10 000 units.
- While initially shrinking JOSHCO's managed portfolio by 1030 units in 2012/13, to ultimately grow the units under management to between 10 000 and 12 000 in the medium term.
- To improve revenue collection to 97% over the medium term.

Rory Gallocher
Chief Executive Office

SECTION 4: CHIEF FINANCIAL OFFICER’S REVIEW

Revenue Collection Report

The cumulative tenant billings for the financial year amounted to R60.64m and the tenant collections were R52.64m thus representing a collection rate of 87%. It is 3% more than the collection rate of 84% reported over the same period last year. Measured against the target of 85% for the current year, the achievement to date is 2% more than the agreed target.

The table below shows the yearly collection rates together with the percentage movement experienced between the years.

YEAR	COLLECTIONS	CHANGE
2007/2008	94%	+ 14.6%
2008/2009	84%	- 10.6%
2009/2010	85%	+1%
2010/2011	84%	-1%
2011/2012	87%	+3%

The innovative new initiatives engaged in the third quarter, have increased revenue collections. Some of these initiatives were the recruitment of additional credit controllers / debt collectors, improved screening techniques for the take-on and training of new tenants, target setting and performance management tools, etc.

As noted above the actual revenue billed was 2% less than the budget (R83.1m vs. R84.5m). The shortfall was due to unforeseen problems, outside JOSHCO’s control, in supplying electricity to new projects (MBV and Casa Mia) and consequently the leasing of the premises had to be delayed. Currently there is engagement with officials from City Power and the City of Johannesburg on arriving at a solution to the problem.



Financial Performance Report

The variance on actual revenue billed reflects a shortfall of 2% compared to the budget and in terms of expenditure the variance is an 8% saving compared to budget.

Expenditure

Operating expenditure before tax and finance costs was under budget by 8% (R6.9m). In considering such savings, it must be related to JOSHCO's 'flagship projects' and 'administrative enablers':

- *Flagship 1 (Repairs and maintenance)* – delivery has occurred in terms of the approved business plan and budget;
- *Flagship 2 (Utility services)* – expenditure was over-expended due to unforeseen increases in electricity and water tariffs. A further R2.2m was incurred from the budget on supplying utility services to the various projects;
- *Flagship 3 (Tenant services)* – savings of R3.2m were incurred on tenant services due to efficiencies incurred in debt collection methods.
- *Enabler 1 (Salary and staff costs)* – the savings of R3m was as a result of staff turnover / new positions which are currently being filled and will be complete in the 1st quarter of 12/13 financial year; and
- *Enabler 2 (General expenditure)* – the savings of R2.9m on general expenditure resulted from the reversal of provisions made in prior financial years. The administrative costs were in accordance with the approved business plan and budget.

Cash–Flow

The cash flow position remains positive at R8.3m. This represents a 6% increase from the previous financial year–end. The ‘sweeping account’ held by the City of Johannesburg also has a positive balance of R39m and which is reflected as a current asset on the balance sheet.

Statement of Financial Position

Non–current assets and liabilities

There has been no significant change to assets and liabilities, since the previous quarter.

Current assets and liabilities

The current ratio is 1.25:1 at the end of June 2012 and which reflects JOSHCO’s ability to meet short–term commitments that become due. Current liabilities comprised of liabilities payable within 12 months less all inter–government liability.

The Capital Expenditure Report

JOSHCO’s capital expenditure performance reflects 99, 81% spent (R111, 371m of R111.5m) at the end of June 2012. This shown per project is as follows:

FUNDING SOURCES	#	PROJECT NAME	BUDGET	Quarter 1	Quarter 2	Quarter 3	Quarter 4	TOTAL SPENT TO DATE	AVAILABLE MONEY	PERFORMANCE AGAINST BUDGET %	PROJECT EXPENDITURE BY 30 JUNE 2012
JOSHCO		<u>Anthea</u>	20 000 000	2 288 275	10 289 935	6 049 662	1 372 128	20 000 000	0	100.00%	100.00%
		<u>AA House</u>	35 500 000	18 456 052	11 055 860	887 351	5 100 726	35 499 989	11	100.00%	100.00%
		<u>SUB TOTAL</u>	55 500 000	20 744 327	21 345 795	6 937 013	6 472 854	55 499 989	11	100.00%	100.00%
CONDITIONAL GRANTS		<u>Klispruit</u>	10 300 000	0	1 419 217	10 147	8 777 406	10 206 770	93 230	99.09%	100.00%
		<u>Randburg Silkirk</u>	7 200 000	0	1 329 680	495 806	5 361 862	7 187 348	12 652	99.82%	100.00%
		<u>CITY DEEP C.D.E</u>	21 000 000	0	1 677 201	6 658 192	12 590 159	20 925 552	74 448	99.65%	100.00%
		<u>Orlando Ekhaya</u>	1 150 000	0	752 593	22 578	374 829	1 150 000	0	100.00%	100.00%
		<u>Selby Village</u>	8 772 000	1 068 450	3 416 926	1 409 043	2 877 580	8 771 999	1	100.00%	100.00%
	<u>Lynatex</u>	7 630 000	3 470 849	2 631 725	309 992	1 217 434	7 630 000	0	100.00%	100.00%	
		<u>SUB TOTAL</u>	56 052 000	4 539 299	11 227 342	8 905 757	31 199 270	55 871 669	180 331	99.68%	100.00%
		Total	111 552 000	25 283 626	32 573 137	15 842 770	37 672 124	111 371 657	180 342	99.81%	100.00%

JOSHCO is currently dependent on a subsidy from the City of Johannesburg and 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 practicing supply chain management.

Vernon Naidoo
 Chief Financial Officer

SECTION 5: EXECUTIVE MANAGEMENT

Job Title	Age	Race	Gender	Qualifications
Chief Executive Officer	46	W	M	<ul style="list-style-type: none"> • Master of Town and Regional Planning (MTRP) • Bachelor of Social Sciences (BSSc)
Business Planning and Audit Risk	58	C	M	<ul style="list-style-type: none"> • B. Com in Accounting • B. Compt • MDP • MBL
Executive Manager: Housing Development	41	A	M	<ul style="list-style-type: none"> • Diploma in Public Relations • Diploma in Journalism • Diploma in Personal Computing • National Certificate in Production/Operations Management • Certificate in Housing Policy Development Management • Certificate in Social Housing Development Management • Masters of Management Degree • Certificate of competence in Financial Management for Public Managers
Executive Manager: Housing Management	54	C	F	<ul style="list-style-type: none"> • Diplomas in • Finance Management • Human Resources Management • Project Management
Senior Manager: Corporate Support	36	A	F	<ul style="list-style-type: none"> • Bachelor of Arts • Honours in Arts • Diploma in Human Resources • Currently doing MBA
Company Secretary	31	A	F	<ul style="list-style-type: none"> • Diploma in Paralegal Studies • LLB Degree
#Chief Financial Officer	-	-	-	Vacant

Vernon Naidoo was employed temporarily to perform the functions of the CFO during the reported period. The position was subsequently filled in July 2012.

CHAPTER THREE: PERFORMANCE HIGHLIGHTS

SECTION 1: HIGHLIGHTS AND ACHIEVEMENTS

The year ending 30 June 2012 was notable due to the following achievements:-

- Of the 7914 units planned for procurement and placement under JOSHCO management, some 8280 were in fact taken into JOSHCO management. This exceeded the target projected for the year by 366 units.
- Some 100% of the planned maintenance programme for the year was implemented, thus meeting the target for the year.
- 93, 7% of the illegal occupants identified within JOSHCO managed units had been regularized and had signed formal lease agreements by the end of the reporting period. This achievement exceeded the planned target of 30% by 63, 7%.
- JOSHCO collected 87% of revenue billed throughout its portfolio. This was 2% more than the planned target of 85%.
- Some 81% of the JOSHCO budget was spent in favour of black economic empowerment (BEE) and small and medium enterprises (SME). This achievement exceeds the planned target of 75% by 6%.
- The skills development plan for the organization was fully implemented for the year with more than 1% of the salary bill being expended within the year under review.
- JOSHCO lent the full weight of its efforts toward supporting the Extended Public Works Programme (EPWP) with the creation of some 2003 jobs in the year.
- The customer satisfaction rating for the quality of JOSHCO's service delivery increased by 3% to 69% when compared to the previous years.
- JOSHCO completed the development of an additional 187 good quality and well located units at AA House in the Johannesburg Inner City.
- JOSHCO was awarded a certificate of excellence by the Auditor General of South Africa for achieving a clean audit for the 2011/2012 financial year.

SECTION 2: ASSESSMENT OF ARREARS ON SERVICES CHARGES

Name of Director/Senior Managers	Designation	Name of Municipality	Municipal Account Name & Number	Account Status as at June 2012
Zeona Jacobs	Non-Executive Director	City of Johannesburg	Awaiting information	
Isaac Makopo	Non-Executive Director	City of Johannesburg	Not Applicable	Not applicable
Lesenyego Matlhape	Non-Executive Director	City of Johannesburg	Awaiting information	
Yaswant Gordhan	Non-Executive Director	City of Johannesburg	Bruma Close Body Corporate BBUR-21/2 YN Gordhan 20721414	Current
Thembi Sethaelo	Non-Executive Director	Ekurhuleni Municipality	MA & FTP Sethaelo 1700373377	Current
Emmanuel Maphatsoe	Non-Executive Director	City of Johannesburg	Awaiting information	
Nompumelelo Tshabalala	Non-Executive Director	City of Johannesburg	N Tshabalala 80018915	Current
Glenda Sengoara	Non-Executive Director	City of Johannesburg	Injectrade 154 (Pty) Ltd	Current
Moope Mphahlele	Non-Executive Director	City of Tshwane	M Mphahlele Pretoria Acc 935	Current
Executive Committee Members				
Rory Gallocher	Chief Executive Officer	City of Johannesburg	R Gallocher 400775820	Current
Celiwe Nkosi	Company Secretary	City of Johannesburg	C C Nkosi 240036597	Current
Skhumbuzo Ndumndum	EM: Development	City of Johannesburg	S Ndumndum 402971690	Current
Cheryl Holmes	EM: Housing Management	City of Johannesburg	C Holmes 501615381	Current
Gary Randall	SM: Business Planning and Risk Management	Ekurhuleni Municipality	G Randall 2603746073	Current
Gugu Mkhize	SM: Corporate Support	Ethekwini Municipality	Preston Pace Body Corporate Alberton	Current

SECTION 3: PERFORMANCE AGAINST IDP AND CITY SCORECARD

The following data shows that in many instances JOSHCO has met or bettered its targets. This can be attributed to solid corporate governance, sound management and management systems, clearly focused objectives, and effective staff performance. The report analyses the performance of JOSHCO in terms of the balanced scorecard, measuring performance in terms of both JOSHCO's impact and its financial and resource management.

1. **Key performance area: DEVELOPMENT OF HOUSING**

Number of new units built

No new units were built this financial year. The target was set at 0.

Number of new units built (Special Projects – Project Linked)

A total of 246 beds were planned for the year, however JOSHCO achieved the delivery of 207 beds.

Number of Inner City units upgraded

A total of 187 units were completed resulting in an underachievement of the target by 2 units which were delivered in the previous year when last years' target was exceeded.

Number of public rental stock refurbishments completed

There were no public rental stock refurbishments planned for the financial year.

2. **Key performance area: MANAGEMENT OF HOUSING**

Number of units procured and under management

8280 units were procured and brought under JOSHCO management as at the end of the June 2012. This is 366 units more than the target of 7914.

Number of allocations administered (leases signed)

1065 lease contracts were signed for billing as at the end of the June 2012 which exceeded the annual target of 450 by 615 leases.

% of planned maintenance programme implemented

Some 100% of the planned maintenance programme for the year was implemented, thus meeting the target for the year.

% of customer complaint case files closed

Some 99, 7% of the customer complaints received by JOSHCO had been resolved at 30 June 2012 thereby exceeding the planned target by 9, 7%.

Number of illegal occupants regularized as a % of total illegal RSA unit residents

93, 7% of the illegal occupants identified within JOSHCO managed units had been regularized and had signed formal lease agreements by the end of the reporting period. This achievement exceeded the planned target of 30% by 63, 7%.

3. Key performance area: COLLECTION OF HOUSING REVENUE

Housing revenue collected as % of amount billed

The collection performance rate achieved for the year was 87% which was 2% more than the annual target of 85%.

Number of units billed as % of total number units under management

The target for the KPI was under achieved by 0.6% as a result of some of the hostel projects being converted to family units.

Number of attachment orders obtained

51 attachment orders were obtained during this financial year, thereby exceeding the target by 31 attachment orders.

Number of garnishee orders obtained

No garnishee orders were obtained during this financial year, as the tenants who signed consent to judgment did not default on their payments.

% recovered on default accounts handed over

The percentage achieved for default accounts recovery for the year was 26, 46%, thereby exceeding the annual target of 25% by 1, 46%.

% rent defaulters evicted

18 evictions were carried out during the course of the financial year against the annual target of 2.

4. Key performance area: EFFECTIVE FINANCIAL MANAGEMENT

% Variance against ME's operating budget

The actual expenditure was within budget with a negative variance of 6%.

% of ME's capital budget spent

The target for this key performance indicator was met as 99, 81% of the budget was spent.

Fully GRAP compliant register of assets.

The company, after the final audit results has achieved the target of 100% compliance.

Reconciliation of Inter-company balances with the Coj.

This key performance indicator has been achieved as the balances have been agreed between the company and the Coj.

Reconciliation of Intra-company balances with other ME's.

The year-end confirmations between JOSHCO and the affected ME's were signed and the financial statements were finalized in terms of those confirmations.

Compliance with income tax and vat requirements

The target for this key performance indicator was fully achieved as all returns were submitted.

% Attainment of clean audit report

For the sixth time in a row, the company has once again obtained a clean audit report.

Procurement spent on BEE and SME's as a percentage of total procurement.

As indicated above the percentage of 81% exceeded the expected percentage of 75%.

5. Key performance area: ACHIEVEMENT OF CORPORATE GOVERNANCE STANDARDS

Risk management reviews performed

A total of one risk review was performed during the year under review. This assisted the organization in identifying and managing all strategic and operational risks.

% Compliance with Corporate Governance Protocols

The target set for the year for compliance with corporate governance protocols required that 100% compliance with the protocols be achieved during the year under review. No non-compliance to these protocols was reported during the reporting year and therefore the target was fully met.

6. Key performance area: MANAGEMENT OF HUMAN RESOURCES

% Compliance with Skills Development Plan

The skills development plan for the organization was fully implemented for the year with more than 1% of the salary bill being expended within the year under review and an active bursary programme was implemented.

% Compliance with EE Plan

The target for the year of 78% was exceeded by 13% with the achievement of 90,9%.

% Compliance with HIV/Aids programme

The planned programme for HIV and Aids awareness at JOSHCO was fully implemented thus representing a 100% achievement.
Number of Jobs Created

JOSHCO lent the full weight of its efforts toward supporting the Extended Public Works Programme (EPWP) with the creation of some 2003 jobs in the year. This achievement is also a factor of the positive expenditure performance on the capital budget, and the resultant increase in the numbers of houses produced.

7. **Key performance area: MANAGEMENT OF CLIENT SERVICES**

Number of communication products distributed

14 communications products were produced during the year thus exceeding the target by 91%.

Number of communications events concluded

6 communication events were held during the year under review against a target of 4.

8. **Key performance area: COMMUNITY DEVELOPMENT**

Number of units accessible to people living with disabilities

6 units were built to be accessible to people living with disabilities during this financial year thereby exceeding the annual target of 5 by 1 unit.

Number of recreational and common spaces

3 recreational and common spaces were created against the target of 2.

%Compliance with stakeholder programme

The target for this key performance area was achieved at 96, 6% against the annual target of 80%, thereby exceeding the target by 16, 6%.

**PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2012
BALANCE SCORECARD WITH KEY PERFORMANCE AREAS AND INDICATORS**

Five-Year Strategic Objective	Five-Year IDP Programmes and Key Programme achievement	2011/12 Delivery Agenda	Key Performance Area	Key Performance Indicator	Baseline	Total Target 2011/12	Quarterly Targets and Actual 2011/2012								
							Q1 Target	Q1 Actual	Q2 Target	Q2 Actual	Q3 Target	Q3 Actual	Q4 Target	Q4 Actual	
							Promote good management and maintenance of City housing stock and associated infrastructure	Sustainable human settlements programmes (Housing component)	Details in Business Plan	Development of Housing	Number of new units built (green/brown/instn)	18	0	0	0
Promote good management and maintenance of City housing stock and associated infrastructure	Sustainable human settlements programmes (Housing component)	Details in Business Plan	Development of Housing	Number of new units built (Special Projects - Project Linked)	0	246	0	0	0	0	0	61	246	146	beds

Through a hostel upgrading programme that is sensitive to issues of affordability and quality living environments upgrade 5000 units.	Hostels conversion programme	Details in Business Plan		Number of hostel unit re-developments completed	112	56	0	15	0	0	0	56	56	0
Structure partnerships with stakeholders to promote an inner city and older centers residential accommodation programme.	Inner-city and older centers residential Upgrade Programme	Details in Business Plan	Management of Housing	Number of inner city unit refurbishments completed	31	189	0	0	0	187	0	0	189	0
Promote good management and maintenance of City housing stock and associated infrastructure	Sustainable human settlements programmes (Housing component)	Details in Business Plan		Public housing stock Refurbishment	-	0	0	0	0	0	0	0	0	0
Promote good management and maintenance of City housing stock and associated infrastructure.	City housing upgrade transfer programme	Introduce the Sustainable Human Settlements approach to all new		Number of units procured under management X	8754	7914	7714	7653	7714	7738	7814	8058	7914	8280

Five-Year Strategic Objective	Five-Year IDP Programmes and Key Programme achievement	2011/12 Delivery Agenda	Key Performance Area	Key Performance Indicator	Baseline	Total Target 2011/12	Quarterly Targets and actual 2011/2012							
							Qtr 1 Target	Qtr 1 Actual	Qtr 2 Target	Qtr 2 Actual	Qtr 3 Target	Qtr 3 Actual	Qtr 4 Target	Qtr 4 Actual
Promote good management and maintenance of City housing stock and associated infrastructure.	Effective financial sustainability of the city is promoted by JOSHCO turning around the performance of the city's rental housing stock portfolio	Details in Business Plan	Collection of Housing Revenue	Housing revenue collected as % of amount billed	84	85	80	84	82	83	84	83	85	87
Promote good management and maintenance of City housing stock and associated infrastructure.	Effective financial sustainability of the city is promoted by JOSHCO turning around the performance of the city's rental housing stock portfolio	Details in Business Plan		No. of units billed as % of total number of units under management	New	100	100	95	100	96	100	90.17	100	96.4
Settlement restructuring	Restore order and liveability in council estates	Details in Business Plan		No of attachments orders obtained	New	20	5	42	5	0	5	0	5	9

Five-Year Strategic Objective	Five-Year Programmes and Key Programme achievement	IDP and Programme	2011/12 Delivery Agenda	Key Performance Area	Key Performance Indicator	Baseline	Total Target 2011/12	Quarterly Targets and actual 2011/2012							
								Qtr 1 Target	Qtr 1 Actual	Qtr 2 Target	Qtr 2 Actual	Qtr 3 Target	Qtr 3 Actual	Qtr 4 Target	Qtr 4 Actual
Promote good management and maintenance of City housing stock and associated infrastructure.	City housing upgrade and transfer programme	public stock and	Details in Business Plan	Effective Financial Management	% Variance against ME's operating budget	1,44	0-5	23	0-20	1	0-10	13	0-5	6	
Promote good management and maintenance of City housing stock and associated infrastructure.	City housing upgrade and transfer programme	public stock and	Details in Business Plan		% of ME's capital budget spent	99.8	100	25	30	51	70	66	100	99.81	
Promote good management and maintenance of City housing stock and associated infrastructure.	City housing upgrade and transfer programme	public stock and	Details in Business Plan		Fully SA GAAP compliant register of assets	100	100	100	100	100	100	100	100	100	
Promote good management and maintenance of City housing stock and associated infrastructure.	City housing upgrade and transfer programme	public stock and	Details in Business Plan		Reconciliation of Intercompany balances with the Coj	100	100	100	100	100	100	100	100	100	

Promote good management and maintenance of City housing stock and associated infrastructure.	City housing upgrade and transfer programme	public stock and programme	Details in Business Plan		Reconciliation of Intra company balances with other ME's	100	100	100	100	100	100	100	100	100	100
Promote good management and maintenance of City housing stock and associated infrastructure.	City housing upgrade and transfer programme	public stock and programme	Details in Business Plan		*Compliance with income tax and vat requirements	NEW	100	0	100	100	100	100	100	100	100
Promote good management and maintenance of City housing stock and associated infrastructure.	City housing upgrade and transfer programme	public stock and programme	Details in Business Plan		% Attainment of clean audit report in previous year	100	100	-	100	100	100	100	100	100	100
Promote good management and maintenance of City housing stock and associated infrastructure.	City housing upgrade and transfer programme	public stock and programme	Details in Business Plan		Procurement spent on BEE and SME as a percentage of total procurement	79	75	85	75	85	75	75	75	75	81
Promote good management and maintenance of City housing stock and associated infrastructure.	City housing upgrade and transfer programme	public stock and programme	Details in Business Plan	Achievement of Corporate Governance Standards	Risk management reviews performed	2	2	-	1	0	0	0	1	1	1

Promote good management and maintenance of City housing stock and associated infrastructure.	City housing upgrade transfer programme	public stock and	Details in Business Plan	% compliance with corporate governance protocols	100	100	100	100	100	100	100	100	100	100
					100	100	96.73	100	100	100	100	100	100	100

Objective	Programmes and Key Programme achievement	Delivery Agenda	Area	Performance Indicator	Baseline	Target 2011/12	Quarterly Targets and actual 2011/2012							
							Qtr 1 Target	Qtr 1 Actual	Qtr 2 Target	Qtr 2 Actual	Qtr 3 Target	Qtr 3 Actual	Qtr 4 Target	Qtr 4 Actual
Promote management and maintenance of City housing stock and associated infrastructure	City public housing upgrade and transfer programme	Details in Business Plan	Management of Human Resources	% compliance with Skills Development Plan	100	100	-	28.35	50	51	80	90	100	100
Promote management and maintenance of City housing stock and associated infrastructure	City public housing upgrade and transfer programme	Details in Business Plan		% compliance with EE Plan	82	78	67	73	67	81.82	70	81.82	78	90.9
Promote management and maintenance of City housing stock and associated infrastructure	City public housing upgrade and transfer programme	Details in Business Plan		% compliance with HIV/AIDS programme	100	100	20	60	60	40	80	100	100	100
Promote management and maintenance of City housing stock and associated infrastructure	City public housing upgrade and transfer programme	Details in Business Plan		% satisfactory rating by customers for JOSHCO services	66	60	-	-	-	-	-	-	60	69

Promote good and maintenance of City housing stock and associated infrastructure	City public housing stock upgrade and transfer programme	Details in Business Plan	Management of Client Services	Number of communications distributed	21	6	2	3	0	3	2	2	2	6
Promote good management of City housing stock and associated infrastructure	City public housing stock upgrade and transfer programme	Details in Business Plan		Number of communications concluded	7	4	1	1	1	1	1	2	1	2
Structure partnerships with stakeholders to promote an inner city and older centers residential accommodation programme	Restore order and liveability in Council Estates		Community Development	Number of units accessible to people living with disabilities	5	5	0	0	0	0	0	0	5	6
				Number of recreational and common spaces	0	2	0	0	0	0	0	1	0	1
				% Compliance with stakeholder programme	5	80	0	-	0	0	50	68	80	96.6
				Number of jobs created	1479	1050	150	666	200	509	300	475	400	353

*All returns for this financial year were submitted.

SECTION 4: STATEMENT OF AMOUNTS OWED BY GOVERNMENT DEPARTMENTS AND ENTITIES

Name of Department	Amounts owed	Account Status
Gauteng Department of Public works	R 4 876 223	Overdue
USDG	R 23 280 302	Overdue
COJ Housing	R 4 080 332	Overdue
Department of Economic Development (EPWP)	R 12 393 465	Overdue
Provincial Grants	R 28 439 029	Overdue
Total	R73 069 951	

SECTION 5: RECOMMENDATION AND PLANS FOR NEXT FINANCIAL YEAR

The overall management approach for next year is to focus on maximizing revenue and on containing costs. JOSHCO management has, especially over the past two years, put systems and controls in place which position the organization very well to be able to manage its expenditure and control any variances in line with fluctuations in revenue. The only area which remains a concern to management is the fact that utilities billings remain unpredictable and difficult to project accurately. JOSHCO management will ensure that this risk is managed in co-operation with the Revenue Department.

Measures to address revenue shortfall

JOSHCO is putting pressure on contractor performance, so as to deliver on Housing Development and allow for the planned take on of rental units by Housing Management. The company resolved to relook at the penalty clauses in the contracts so that penalties are charged as a percentage of potential revenue lost due to poor performance by contractors. The risk however is that contractors may factor in the high penalties in their contract pricing when bidding for tenders. Putting pressure on contractor performance will help in completion of projects within agreed deadlines and billing for project implementation fees can also be realized.

The allocation of tenants to new units will be speeded up particularly in projects where JOSHCO handles the tenant allocation process, so as to push up the revenue billing.

Measures to address overspending on budget

JOSHCO has utilized a zero based budgeting approach in allocating the operating expenditure budget to business units. Each business unit manager has to justify the budget allocation with well supported planned operational activities. Business unit managers are held accountable for their budgets and are required to monitor their budgets at requisition stage. Actual performance against budget is monitored on a monthly basis. Expenditure will also be monitored against actual revenue realized.

JOSHCO has also started monitoring utilities costs and where the billings do not look reasonable investigations have been conducted. A service provider was engaged to assist JOSHCO with meter reading at the former Council Estates and in identifying areas which do not have meters. The service provider also investigates the bridging of meters in the estates that have meters.

JOSHCO is also tightening up on credit control and debt collection processes by adding more capacity in the revenue department through the employment of additional credit controllers, so as to reduce the amount of bad debts provision. The defaulting tenants are reviewed on a project by project basis and the Paralegal services are more rigorous in applying the legal processes that are necessary.

In former council estates, such as Bellavista, Claremont and Eldorado Park, issues concerning ownership and tenant's resistance to pay continue to be a challenge. In hostels, JOSHCO continues to engage with other municipal entities with the intention of getting them to deduct rental in arrears from the employees' salaries. In all other projects, JOSHCO's strategy is to target the high value projects such as Kliptown Square, Roodepoort and AA House, as these have a major impact on overall revenue collection performance, at the same time monitoring performance on smaller projects so that performance does not deteriorate.

CHAPTER FOUR: CORPORATE GOVERNANCE

SECTION 1: INTRODUCTION

The Board of Directors and Executives of JOSHCO endorse the values and principles of good corporate governance, integrity, openness and accountability and recognise the need to conduct the enterprise with accepted corporate practices advocated by the King III Code on Corporate Governance. The requirement of openness and accountability is recognised as an inclusive process that gives due recognition to the importance of all stakeholders in respect to ensuring continued viability and sustainability of the Company's operations.

Through this process, the Shareholder 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.

The Board of Directors has incorporated the principles of the City of Johannesburg's Corporate Governance Protocol in its Board Charter, which *inter alia*, regulates its relationship with the City of Johannesburg as its sole shareholder and parent municipality in the interest of good corporate governance and good ethics. Corporate governance is concerned with the structures and processes for decision making, the exercising of responsibility and accountability starting at the Management level of the organisation cascading to the lower levels.

The current members of the Board of Directors as well as the Board Sub-Committees membership are noted in section 7 below.

SECTION 2: STATEMENT OF COMPLIANCE

The Municipality of Johannesburg has created JOSHCO for service delivery in the field of rental housing. The legislative framework within which the organization works, being the Municipal Finance Management Act 2003, the Companies Act and the Municipal Systems Act 2000 (as amended) will aid in a clearer understanding of the necessary governance and management framework that will enable the organization to achieve the objective for which it has been created.

No non-compliance has been identified and no non-compliance has been brought to management's attention throughout the year.

SECTION 3: CODE OF ETHICS

The company has developed a Code of Conduct ("the Code") which has been fully endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behavior and professionalism.

SECTION 4: BREACH OF GOVERNANCE PROCEDURES

There were no breaches of governance procedures reported in this financial year.

SECTION 5: CONFLICTS OF INTEREST

Directors and Officers of the Entity declare any material interests they hold in any contracts that the Entity might enter into. To this end Directors are supplied with a form on which to declare their interests and declared interests are then entered in the Company Register. Should such conflicts exist, the director concerned is recused from the proceedings. As at date of this report there has not been any material interests declared.

SECTION 6: GOVERNANCE STRUCTURE BOARD OF DIRECTORS

The Board of Directors is presided over by a non-executive Chairperson. The non-executive Directors take responsibility for ensuring the Chairperson encourages proper deliberation of all matters requiring the Board's attention. The Board, under the Chairpersonship of Ms. Zeona Jacobs, meets at least quarterly, retains full and effective control over the Company and monitors executive management through the structured approach to reporting and accountability. The Board of Directors comprises of nine non-executives and one executive Director. The Directors have a range of skills and experience that they bring to the benefit of JOSHCO.

A Board Charter exists for the board of Directors which regulates how business is to be conducted by the Directors in accordance with the principles of good corporate governance. It constitutes a vital element of the Corporate Governance framework Protocol compiled for the benefit of the Board of Directors of JOSHCO and the COJ, and sets out all appropriate and applicable guidelines and regulations governing the conduct of JOSHCO. The main objective of the charter is to ensure that all Board members acting on behalf of the municipal entity are aware of their duties and responsibilities as Directors and the legislation affecting their conduct.

BOARD INDUCTION AND INFORMATION

The Board induction was held on 7 and 8 October 2011. The Board members were taken on a site visit to some of JOSHCO's projects and had the opportunity of engaging with JOSHCO's tenants. The second day of the induction was aimed at developing the Board's knowledge on various pieces of legislation, i.e. Companies Act 71 of 2008; Housing Act 107 of 1997; Social Housing Act 16 of 2008 and the CPA 68 of 2008.

BOARD COMPOSITION

The Directors at the end of the financial year 2011 /2012 as at 30 June 2012 were as follows:

Member	Capacity: Executive /Non- Executive	Race	Gender	Skills
1. *Zeona Jacobs	Chairperson	C	F	Human Resources, Corporate Governance
2. Yaswant Ghordan	NED	I	M	Finance and Auditing
3. *Lesenyego Matlhape	NED	A	M	Human resources and labour relations.
4. *Isaac Makopo	NED	A	M	Community activist, labour and dispute resolution.
5. Moope Mphahlele	NED	A	M	Audit and Corporate Governance
6. *Thembi Sethaelo	NED	A	F	People management, interpersonal communication and conflict resolution.
7. Nompumelelo Tshabalala	NED	A	F	Business administration.
8. Glenda Sengoara	NED	A	F	Project management.
9. *Emmanuel Maphatsoe	NED	A	M	Leadership and project management.

*The above Board members were appointed on 24 April 2012.

BOARD EVALUATION

Evaluation of the Board of Directors as well as the Independent Audit Committee Members is done by external assessment firms in conjunction with the COJ: Shareholder Unit. The assessment is undertaken in order to evaluate individual Board Member effectiveness and to establish if the Board is meeting its objectives, and establish where performance can be improved.

REMUNERATION OF DIRECTORS

The remuneration of directors is in accordance with the Council approved rates. A schedule of the total fees paid to Non-Executive Directors is presented below:

Name	Designation	Retainers 2011/2012	for	Payment for meeting attendances	Remuneration Year to date(R)
*I. Mkhabela	Chairperson of the Board	R 39 675.00		R 74 400.00	R 114 075.00
*F. Segole	Non-Executive Director	R 19 840.00		R 36 810.00	R 56 650.00
N. Tshabalala	Non-Executive Director	R 19 840.00		R50 740.00	R 70 580.00
*P. Jackson	Non-Executive Director	R 19 840.00		R 53 442.00	R 73 192.00
Y. Gordhan	Non-Executive Director	R 19 840.00		R87 398.00	R 107 238.00
*L. Mashamaite	Non-Executive Director	R 19 840.00		R72 598.00	R 92 438.00
G. Sengoara	Non-Executive Director	R 19 840.00		R68 660.00	R 85 500.00
M. Mphahlele	Non-Executive Director	R 19 840.00		R90 460.00	R 110 300.00
#Z. Jacobs	Chairperson of the Board	-		R9 920.00	R9 920.00
#I. Makopo	Non-Executive Director	-		R9 920.00	R9 920.00

#L Mathhape	Non-Executive Director	-	R4 960.00	R4 960.00
#T. Sethaelo	Non-Executive Director	-	R4 960.00	R4 960.00
• Vuyo Booysen	Non-Executive Director	-	R14 902.00	R14 902.00
TOTAL		R 178 555.00	R576 080.00	R 754 635.00

* The above Board members were retired on 24 April 2012.

- Resigned in the first quarter.

The above Board members were appointed on 24 April 2012.

Meeting attendances for the year 2011/2012
 The table below represents Board and sub-committee meeting attendances throughout the financial year.

NAME	BOARD			CORPORATE SUPPORT		AUDIT			DEVELOPMENT			RISK			
	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies	Attendance	Absent	Apologies
Total Number of Meetings	6			4		6			4			4			
1. I Mkhabela	6	-	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2. Y Gordhan	4	2	-	n/a	n/a	6	-	-	n/a	n/a	n/a	4	-	-	-
3. N Tshabalala	4	2	-	4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4. F Segole	4	2	-	n/a	n/a	n/a	n/a	n/a	n/a	3	1	-	n/a	n/a	n/a
5. P Jackson	5	1	-	n/a	n/a	n/a	n/a	n/a	n/a	4	-	-	n/a	n/a	n/a
6. L Mashamaite	6	-	-	4	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
7. G Sengoara	6	-	-	4	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
8. M Mphahlele	6	-	-	n/a	n/a	6	-	-	-	4	-	-	n/a	n/a	n/a
9. R Gallocher	6	-	-	4	-	6	-	-	-	4	-	-	4	-	-

SECTION 7: BOARD SUB-COMMITTEES

Attendance of meetings held during the year by the different board committees was as follows:

AUDIT COMMITTEE

The Audit Committee has met six times during the financial year. Four ordinary meetings were held, one each quarter and two special meetings throughout the financial year in order to receive reports on Audit matters concluded and to consider the 2011/2012 annual financial statements and audit report. The composition of the Committee is compliant with the Municipal Finance Management Act. The terms of reference of the Audit Committee were adopted by the Audit Committee.

The Chairperson of the Audit Committee (or his nominee) as well as the CFO represent the Company at the City's Group Audit Committee Meetings.

Membership of the Audit Committee was amended during the financial year in question as follows:–

Member	Capacity: Executive/Non-Executive	Race	Gender	Age	Qualifications
1. K Govender*	Independent Audit Committee Member	I	M	36	B Com; B Com (Honours); CA (SA)
2. E Tait	Independent Audit Committee Member	W	M	72	ACIS
3. A Kanana	Independent Audit	A	M	30	B Com; B Com (Honours); CA (SA)

	Committee Member					
4. K. Mdtshane#	Independent Audit Committee Member	A	F	39		B Com; B Com (Honours); CA (SA)
5. M Mphahlele	NED	A	M	39		B Com Accounting; Post Graduate Diploma in Computer Auditing; MDP: GIBS
6. Y Gordhan	NED	I	M	61		B Com; B Com (Honours); CA (SA); Master of Science (Business Administration)

*Retired as at 24 April 2012

#Appointed as at 24 April 2012

Audit Committee Meeting Attendance						
		Attendance	Absent	Apology		
	Number of Meetings	6				
1.	Krishna Govender	6	0	0		
2.	Ayanda Kanana	6	0	0		
3.	Errol Tait	6	0	0		
4.	#Khanyisa Mdtshane	0	0	0		

#Appointed as at 24 April 2012

Mandate

The mandate of the Audit Committee as delegated by the Board of Director in the Audit Charter includes:–

- i. Financial Reporting and Reliability of Financial Information;
- ii. Business Planning and Budget Implementation;
- iii. In liaison 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;
- iv. Ensure that the Accounting Officer of the company has put in place appropriate internal control systems;
- v. Monitor and review the effectiveness of the internal Audit function;
- vi. Oversee the relationship of the company with the Auditor-General;
- vii. 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;
- viii. 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;
- ix. 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.

CORPORATE SUPPORT COMMITTEE

There have been a total of four meetings of the Corporate Support Committee during the financial year.

Members of the Corporate Support Committee are as follows:–

- V Booysen (Chairperson) Non-Executive Director^e
- N Tshabalala Non-Executive Director
- L Mashamaite(Chairperson) Non-Executive Director*

G Sengoara	Non-Executive Director*
L Matlhape (Chairperson)	Non-Executive Director#
E Maphatsoe	Non-Executive Director
R Gallocher (CEO)	Executive Director

*Retired as at 24 April 2012

& Resigned as at

#Appointed as at 24 April 2012

Mandate

The Corporate Support Committee Charter bestows the following responsibilities on the Committee: -

- i. Overseeing of the setting and administering of remuneration at all levels in the company;
- ii. Overseeing the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance;
- iii. Reviewing the outcomes of the implementation of the remuneration policy for whether the set objectives are being achieved;
- iv. Ensuring that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
- v. 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;
- vi. Select an appropriate comparative source when comparing remuneration levels;
- vii. Advise on the remuneration of non-executive directors;
- viii. Management development and succession plans for executive levels; and
- ix. Make recommendations to the Board where necessary or take approved action within its delegated authority.

DEVELOPMENT COMMITTEE

There have been a total of four Committee meetings during the financial year. The Committee currently consisted of the following members:-

P Jackson (Chairperson)	Non-Executive Director*
F Segole	Non-Executive Director*
M Mphahlele	Non-Executive Director#
R Gallocher (CEO)	Executive Director
Glenda Sengoara (Chairperson)	Non-Executive Director#
Thembi Sethaelo	Non-Executive Director#

*Retired in April 2012

#Appointed in April 2012

Mandate

The Development Committee is responsible for, amongst other things:-

- i. 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;
- ii. To recommend to the Board approval of new engagements in developments where appropriate;
- iii. To evaluate proposed financing mechanisms where external financing is required;
- iv. To set benchmarks to be used to evaluate risk/return relationship on significant projects to be undertaken by the Company.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee has had 4 meetings during the financial year. Mr Y Gordhan, a Non-Executive Board Member is the Chairperson of the subcommittee which is made up of all Senior Managers.

Mandate

The Committee acts in terms of the delegated authority of the Audit Committee as recorded in the Committees Charter as follows:-

- i. Oversee the development and annual review of a policy and plan for risk management to recommend for approval to the Audit Committee and Board;
- ii. Monitor implementation of the policy and plan for risk management taking place by means of risk management systems and processes;
- iii. Oversee that the risk management plan is widely disseminated throughout the company and integrated in the day-to-day activities of the Company;
- iv. Ensure that risk management assessments are performed on a continuous basis;
- v. Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- vi. Express the Committee's formal opinion to the Audit Committee on the effectiveness of the system and process of risk management;
- vii. Review reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive and relevant.

SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee was formed after the end of the financial year currently reported on. The Committee currently consists of the following members:-

M Tshabalala (Chairperson)	Non-Executive Director
Z Jacobs	Non-Executive Director

Mandate

The Social and Ethics Committee is responsible for monitoring the organization's activities on matters relating to:-

- i. Social and economical 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.
- ii. Good corporate citizenship including promotion of equality, contribution to development of communities.
- iii. The environment, health and public safety.
- iv. Consumer relationships.
- v. Labour and Employment.
- vi. To draw matters to the attention of the Board as occasion requires.
- vii. To report to the Shareholders at the AGM on matters within its mandate.

CHAPTER 5: SUSTAINABILITY REPORT

Sustainability Vision

To ensure sustainability of operations, JOSHCO pledges to reduce the negative impact of its business operations on the environment.

Sustainability policies and strategies

As part of ensuring the sustainability of its operations, JOSHCO will implement policies and strategies addressing sustainability issues. JOSHCO's strategic objectives provide guidelines on how JOSHCO's resources are mobilized to achieve maximum alignment with the shareholder compact and optimize community benefit from community development programmes.

Sustainability commitments

JOSHCO is committed to acquiring its independence in the future and be in a position to sustain itself as a business and not depend on subsidies. JOSHCOs portfolio is growing on a year to year basis and adequate resources are put in place in ensuring that the projects are being run effectively to ensure that revenue is collected to the maximum.

Risk management and governance processes

Over the years JOSHCO has put in place a risk management structure which is aligned to that of the City. JOSHCO performs about two (2) risk reviews where management and the Board identify strategic risks and come up with actions to improve and mitigate those risks.

JOSHCO also holds 4 ordinary Risk Management Committee meetings where management and the Board engage and discuss operational risk registers and reports.

In terms of governance processes, JOSHCO endeavors to comply with all legislative requirements governing governance issues and processes. The Board strives to comply with the principles of King III at all times, and also the new Companies Act of 2008.

Stakeholder engagement

JOSHCO engages with its Shareholder Unit through various platforms. Regular meetings are also being held with the Shareholder and the results of such engagements guide our overall organizational strategy.

JOSHCO also engages with its tenants who are an integral part of our business. Customer satisfaction surveys are conducted annually to ensure that we keep happy customers. JOSHCO has also produced a tenant handbook as a form of communication to our customers and ensuring that they understand their responsibilities as occupiers of our units. JOSHCO continues to be proactive in dealing with community concerns and interests.

Economic impacts

In view of the fact that JOSHCO commands a medium size budget of over R200 million rand in the reporting year, the impact of this expenditure for small business as well as employment creation is very positive as further described in the accounting officer's report.

Socio-economic development

While JOSHCO's core business is focused upon house construction and management, the performance indicators of the organization encompass broader issues such as community development, job creation, support to persons with disabilities etc.

JOSHCO's programmes are also aligned with the overall development objectives in the City's IDP and these programmes have broader positive socio-economic spin offs.

Transformation and empowering employees

JOSHCO has always maintained their 1% salary expenditure on providing its employees with additional skills by having an annual training plan, where staff is taken to various institutions to be trained on particular aspects relating to their job functions.

JOSHCO also provides a bursary scheme on an annual basis to those employees who want to acquire additional formal tertiary qualifications to enhance their knowledge and skill.

JOSHCO endeavors to obtain positive media coverage by maintaining a good working relationship with local and international media. This would be evident in the articles produced though the year.

Environmental responsibility

JOSHCO has embarked on a journey to go green and reduce energy consumption. In some of the projects JOSHCO has undertaken initiatives to educate our tenants on water conservation and recycling. In the next financial year JOSHCO will look at designing projects which will incorporate rain water harvesting and energy efficiencies and waste reduction initiatives.

Information technology (IT) governance

Information Technology has a significant impact on corporate governance and the business processes of an organization. King III entrusts the Board of Directors and Executive Management with the responsibility to maintain effective systems of internal control and to ensure that controls and processes in systems are evaluated and tested. The Board and Management are also responsible for the overall risk management process and ensuring that IT governance is based on sound principles. These matters are always deliberated on in JOSHCO's Board, Audit Committee, and Executive Committee meetings.

JOSHCO has developed an IT Strategy which incorporates all King III Corporate Governance requirements. The Strategy explains in detail what systems are currently in place and which systems are planned for future development. The Strategy will be used to guide future direction.

CHAPTER 6: ANNUAL FINANCIAL STATEMENTS