



a world class African city

City of Joburg Property Company (SOC) Ltd

ANNUAL REPORT 2011/12

COMPANY INFORMATION:

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2017

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Bankers: Absa Bank of SA Limited

Auditors: Auditor-General South Africa

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PROFILE

SCOPE

The City of Joburg Property Company (SOC) Ltd (JPC) utilised relevance and materiality principles in order to decide on the contents to include in this report.

The materiality of issues for inclusion was decided on the basis of the strategic priorities reflected as part of the strategic planning process. This is influenced to a large extent by the external stakeholders; particularly the issues identified by the City of Johannesburg (COJ) in terms of its Growth and Development Strategy 2040 (GDS) as well as the Integrated Development Plan (IDP). Certain issues that may influence JPC's future operations are also included in addition to the information in the business plan.

In presenting this information management and the Board has endeavoured to achieve faithful presentation by ensuring that the information is complete, neutral and free from error.

This annual report covers the governance, financial responsibility, and social responsibility, broader economic and overall performance of JPC for the financial year 2011/12. It provides an account of the progress to date and offers a forward-looking perspective of future plans and strategies.

FOREWORD BY MEMBER OF THE MAYORAL COMMITTEE: ECONOMIC DEVELOPMENT COUNCILLOR RUBY MATHANG



JPC is a critical economic development and transformation tool for COJ and the importance and impact of all decisions taken can't be emphasised enough. During my short tenure of critical importance have been the bureaucratic processes, which result in lengthy timelines for each transaction to be finalised. Property is a catalytic tool to enhance social cohesion, proactive absorption of the poor and is the main driver of transformation. Property is about unbundling land (whether in bundles or small portions) in a strategic manner to enable development of the economy. The current spatial development of Joburg benefits a small portion of the community, mainly the transporters. It is imperative that there is land availed timeously to individuals, entrepreneurs and indeed organised business to drive transformation and each step, however miniscule, has an impact on the lives of the under privileged. Property dealt with strategically will result in less time spent on costly transportation to and from both informal and formal employment and business; parents then spend less time and money on commuting and have more time to spend with the youth who greatly require guidance. Property properly managed will ensure youth and children are always safe and adequately entertained and taught new skills that are ploughed back into communities and can engender a sense of pride and belonging. It also ensures that the wealth is distributed throughout communities and not just a small portion of society benefitting. Shopping malls and all associated goods and services must be within easy reach of consumers and will lead to less pressure on inflation and a better quality of life for all.

JPC has embraced this challenge and started slow but steady steps to ensure an efficient super landlord of the City. This approach ensures a focused organisation that will deal holistically with all properties owned and managed by the City. The cluster system, introduced in the City recently ensures a cohesive approach and provides a multi-pronged and multi-faceted approach at all times.

This then translates into effective decision making on the part of Council that will ensure long-term sustainability and a meaningful impact on society.

There is a need for a robust strategy in respect of the current challenges the City and its MOEs are facing with regard to efficient and effective delivery of property related matters. Therefore, the improvement in turnaround times are paramount to increasing cash flow for the City and reducing cost, without compromising service delivery.

Whilst we are mindful of the complex challenges, it is our total commitment to service delivery and a spirit of determination that has resulted in the improved provision of service and the awarding of numerous awards for the Soweto Theatre.

In conclusion, I wish to recognise the efforts and commitment of JPC's Board and staff. Your efforts have brought us closer to the delivery of a good, reliable and quality service to the communities, ratepayers, residents and businesses in the City of Johannesburg.

CHAIRPERSON'S REVIEW ANDILE MABIZELA



JPC had changes in the board composition during the 2011/12 financial year which is detailed in the governance report. The new board, which comprised both existing and new members, grappled with the complex and unique nuances of developmental local government in the form of the municipal entity. Multiple legislative and shareholder directives challenged the board to think outside the box but the last quarter of the financial year, from a governance perspective, was focused on understanding the complex legislative requirements and established norms.

There is a discourse between the legislative and service delivery challenges which must be addressed through the correct channels which will culminate in representations to the requisite authorities. Anomalies have been identified specifically with regards to supply chain management, demand management and the role of the board in particular. Interventions are underway to clarify the role of the board to ensure effective and efficient delivery on the mandate. There is a need to negotiate dispensations with the shareholder as the consequential liabilities lay with the Board as the ultimate authority. The supply chain management policy for land is under review and will depend to a large degree on the outcome of negotiations with the shareholder. The need to develop decision support mechanisms and a proactive and efficient value chain is receiving attention and speedy resolution can never be undermined.

Risk management in particular is also receiving attention with robust and frank engagement with multiple stakeholders required to bridge the gap especially with regard to inter related and affected parties.

The 2011/12 JPC financial year results show continued efforts to meet the expectations of the shareholder as reflected in the service delivery objectives. The key performance objectives and key performance indicators were largely met with concerns around asset management which are being attended to within the current restrictions and limitations imposed through legislation and the continued lack of adequate funding. Internal controls remain a focal area for the audit and risk management committee especially with regard to deviations from supply chain management regulations and irregular, fruitless and wasteful expenditure

The strategic priorities of the shareholder, as always, drive our strategic plans and significant attention is given to ensure that these priorities are implemented in the form of measurable deliverables. Going forward more attention will be focused on outcomes based targets to achieve the strategy which must be strictly aligned to the COJ priorities and GDS2040.

We are focusing our attention on improving initiatives with regards to transformation, quality of service, land regularisation, job creation and procurement from BEE compliant suppliers. Also high on the priority list is the growth and development of staff to ensure an effective and cohesive organisation.

Capex of R12, 5 million that we (through the portfolio account managed on behalf of the shareholder) continue to address the challenges we face in land regularisation and site preparation. A further R2, 4 million was spent on the acquisition of computer software, leasehold improvements and development of the property information system. Our initiatives to leverage off other entities, COJ, province and business will also go a long way in addressing the backlog in auditing land belonging to

the COJ to enable us to meet the stakeholder's objectives.

The Auditor-General has given an unqualified audit opinion with emphasis of matter for the second year. The audit opinion is based on the Auditor-General's concerns regarding contract management, supply chain management and procurement. JPC's Board, with management, have undertaken to improve processes and procedures to reverse the findings of the Auditor-General on the issues identified above.

The Board and Management remain committed to continuous improvement in attaining strong financial and operational results, and contributing to the vision of a world-class super landlord. We gratefully acknowledge the continuing support of the COJ in assisting the company to achieve its deliverables. The strategic priorities of the COJ drive our tactical plans. Significant attention is paid to ensuring that these priorities are implemented in the form of measurable deliverables aligned to the strategy.

JPC is an organization in transition due to the institutional review, which sees the integration of MTC and the ring fencing of FMMU in November 2012 into the core function. JPC focused on the institutional review resolutions of Mayoral Committee in addition to the dual mandate of development and management of Council owned properties to maximise social and economic opportunities and generate significant financial returns. The impact on the future operations and budget is under scrutiny which should result in optimal management of the COJ property portfolio.

Historical financial pressures diverted focus from the social mandate which must be a priority in addressing the institutional review resolutions.

A corporate strategy review is underway based on the following objectives:

- Financial remodeling and revenue focus;
- Improving effectiveness and efficiencies of core business processes;
- Improving customer service orientation; and
- A high performance culture.

JPC has embraced the resolution of the COJ and will use this opportunity to review and improve all processes and to ensure optimal staff growth and development to meet the objectives.

Continued attention will remain on internal controls, policy review, elimination of backlogs, governance, financial discipline and prudence, compliance, transparency, ethics, service delivery excellence and transformation within the organization and also on matters within its span of control. All priorities will be addressed with continued consultation and engagement with stakeholders. Last but not least attention will be paid to adequate communication with all stakeholders.

I thank my fellow Board Members, both past and present, Management, and the staff of JPC for their co-operation, dedication, hard work and professionalism during the 2011/12 financial year and trust that they will continue in improving the lives of all South African through efficient and effective management of the land and physical assets.

Finally, I thank MMC Ruby Mathang and the Chairpersons of the sub-committees for their unending assistance in making this an effective Board. The Board and Management are committed to ensuring good corporate governance and transparent compliance to legislation while delivering an improving, sustainable and reliable service to improve the quality of living for the citizens of the City of Johannesburg.

BOARD OF DIRECTORS

The City, as shareholder, is empowered by the Companies Act, 2008 as well as the Local Government: Municipal Systems Act, 2000 to appoint individuals as Directors. JPC's annual general meeting took place on 25 April 2012 where changes were made to the Board of Directors.

The Board is responsible for effective governance, strategic direction, recruitment and performance management of the CEO and CFO (in accordance with the COJ policy and directives), reviewing and agreeing on the business plan and annual budget and ensuring the development of policies, appropriate compliance and legislative conformance at all levels and also for the monitoring of risks.

The table below indicates the board members as at 30 June 2012.

Helen Botes



Qualifications
Executive Development Programme University of Stellenbosch
Bachelor of Banking
Diploma in Treasury

Position
Managing Director

Expertise

- Leadership
- Operations
- Property
- Strategic development and implementation
- Performance management
- Mentoring
- Human capital
- Investments (money market , capital raising and derivatives)
- Treasury and banking

Andile Mabizela



Qualifications
Bachelor of Laws
BSc (Economics) Hons,
Attorney of Southern Gauteng Law Society

Position
Chairperson

Expertise

- Leadership
- Strategist
- Restructuring
- Business engineering
- Stakeholder engagement
- Service excellence

Dr Dorothy Sekhukhune



Qualifications

MSc (Psych Nurs) Wits
D.Cur (Psych Nurs) UJ

Position

Non-Executive Director
Chairperson of Remco

Expertise

- Organisational design
- Performance management
- Mentoring
- Business and life coaching
- Human capital development

Thomas Hickman



Qualifications

MBA Stellenbosch
CA (SA)

Position

Non-Executive Director

Expertise

- Financial
- Strategist
- Turnaround specialist
- Finance
- Audit

Harry Mashele



Qualifications
MBA
Bsc (Honors)

Position
Non-Executive Director
Chairperson of Audit & Risk Management Committee

- Expertise
- Change agent
 - Strategist
 - Business process optimisation
 - Financial management and accounting
 - Audit and risk management
 - Business Executive
 - Procurement

Leshego Leighton Itholeng



Qualifications
BJuris
LLB University of Natal

Position
Non-Executive Director
Chairperson of Social and Ethics Committee

- Expertise
- Contract management
 - Transactions
 - Social and ethics
 - Procurement

Matsotso Vusu



Qualifications
CA(SA)
BCompt Honours

Position
Non-Executive Director

- Expertise
- Business advisory services
 - Property
 - Engineering
 - Investments
 - Financial management, accounting and audit

Dr Lindiwe Msengana-Ndlela



Qualifications
MBL Unisa
PhD Warwick

Position
Non-Executive Director

- Expertise
- Governance
 - Leadership
 - Economic development
 - Research
 - Transformation
 - Service delivery

Jabu Mabaso



Qualifications
BProc
LLB Wits

Position
Non-Executive Director

Expertise

- Property structuring
- Project Finance
- Facilities Management
- Strategy
- Research and feasibility studies
- Change management

Shelley Childs



Qualifications
BA University of PE

Position
Non-Executive Director

Expertise

- Organisational performance
- Service delivery
- Change management
- Performance management
- Mentoring
- Human capital development

Professor Alfred Nevhutanda



Qualifications
MBA Mancosa
Dip Management

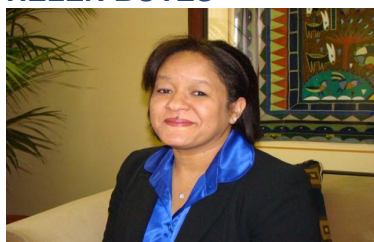
Position
Non-Executive Director
Chairperson of Transactions Committee

Expertise

- Strategic management
- Human resource development
- Economic development
- Social responsibility
- Leadership

Changes in the composition of the board are highlighted under governance structures.

MANAGING DIRECTOR'S REVIEW HELEN BOTES



2011/12 bore the fruits of the land regularisation programme themed “My Land, My Heritage” and marked another milestone towards equality for all. On 19th January 2012, the Executive Mayor, Councillor Parks Tau, handed over 305 title deeds to previously disadvantaged beneficiaries. These title deeds provided ownership of property to beneficiaries who have never owned property before.

2011/12 saw the completion and launch of the Soweto Theatre which was handed over to the CoJ on Africa Day, the 25th June 2012. The Soweto Theatre won the top award in the Social/Environmental Impact Development category at SAPOA. The project was judged on property solutions, quality of design and finishes, industry and community participation, community enhancement and adaptability amongst others.

A further award was won in the 2012/13 financial year wherein JPC scooped the African Leisure Award at a ceremony held in Dubai which was the culmination of an international land summit. In addition it was nominated for a further award at the African Regional Property Summit and Awards Gala in Dubai.

The Soweto Theatre will always be the pride of the COJ and JPC and has renewed the vigour of the organisation to make a difference. The support of COJ in this endeavour can't go without mention.

16,124 CoJ owned properties were physically verified despite funding challenges. JPC verified approximately 36,000 more properties through desk top mechanisms. Initiatives were undertaken to leverage off other COJ departments, municipal owned entities, and other organs of state as well as private funding which should bear fruit in the 2012/13 financial year.

The Jabulani precinct is JPC's biggest development site to date, which will ultimately deliver approximately 200 000m² of new developments with a value of R3 billion. The developments range from new retail, office, hotel and commercial uses to mixed income residential units and included a 3,5 hectare cultural precinct which included the Soweto Theatre. This development will regenerate the township and has resulted in the realisation of the Soweto transformation vision.

Despite financial and other challenges JPC achieved a surplus of R21, 458,523. Revenue targets were exceeded mainly as a result of commission earned for the completion of the Soweto Theatre (Jabulani precinct) development. Austerity measures, throughout the organisation, were introduced and the COJ reduced the operating expense allocation during the mid-year review.

With regard to human capital JPC embarked on an Investment in Excellence programme in which both management and staff were exposed to clarifying their contribution towards a higher purpose. The first module focused on the individual and how past experiences inform responses and reactions to situations and moves to the conditioning mode which imparts personal skills to self-improve and to be cognisant of the bigger picture and focus on the outcome and not obstacles to reaching fulfilment. Subsequent to the financial year-end senior management of MTC and FMMU were fast tracked on the programme in order to ensure a cohesive management team for the super landlord. The combined session ensured that there is consensus with regard to the guiding principles and builds a solid foundation for management to embark on the journey to an efficient, innovative and socially aware JPC. The outcome of the modules so far is a draft vision and mission which will be workshopped throughout the organisation so that the super landlord can be a

cohesive, energised and focussed service delivery vehicle.

The above are by no means the only highlights of the organisation, throughout this annual report pockets of excellence are mentioned. Suffice to say JPC cannot soar and continue to make a difference towards a resilient, sustainable city where there is social cohesion and poverty alleviation without the continued support and guidance of the Board of Directors.

The stringent legislative and funding challenges which will be escalated through the appropriate channels in order to render a fast, effective and efficient management of COJ properties, land and facilities.

The challenges were characterised by an influx of complaints due mainly to lengthy approval processes for the leasing or sale of properties. Regrettably contract management, procurement and supply chain management processes led to JPC receiving an emphasis of matter for the second year from the Auditor-General. A zero tolerance approach has been implemented in all aspects of management and operation of the organisation and a strong internal control environment is the ultimate goal.

The CoJ integration of FMMU and some functions of MTC will enable JPC to holistically manage all the properties and contribute to a smart world class City.

In closing it is important to highlight the JPC key challenges. Though these challenges are highlighted with generic actions provided it should be noted that interventions are underway to manage those matters that are within our span of control and to engage with the stakeholders to manage or mitigate those outside our span of control.

Ref No	Item	Description	JPC Actions
1	Land Audit	Insufficient funds to roll out physical verification of City owned properties	Alternative mechanisms of completing program are in place
2	Maintenance and facilities Management of properties	Due to budget constraints and resource challenges it is a difficult to effectively maintain Council property. No fully fledged facilities management department is responsible for the contractual management of tenants on site and the properties in the portfolio, which has contributed to properties not being properly maintained, vandalism and lack of lease contract enforcement and monitoring	Institutional review will address this to some degree though funding challenges will continue to hamper effective maintenance Revenue maximization is a key component of the corporate strategy under review
3	Inadequate financial resources	Lack of capex, affecting site developments Projects not completed as planned Lack of effective service delivery Facilities not properly maintained resulting in negative publicity, illegal occupation, increase in security costs and vandalism	Institutional review and strategy review will address medium to long term challenges and should result in JPC becoming self-sustaining in the next 3 to 5 years

RECOMMENDATIONS AND PLANS FOR THE NEXT FINANCIAL YEAR

The focal area for the 2012/13 financial year will be the integration of FMMU and a portion of MTC into JPC. The staff complement of 126 expanded to approximately 700 from the 1st of November 2012. JPC will be responsible for:

- Centralised leasing in line with the Super Landlord / Group Principle;
- Applying the principle of “user-pays” across the group and for all clients (internal or external);
- Alignment with facilities management in the corporatised model;
- Facilities Management as a “profit centre” and not as a cost centre; and
- Catalytic sites that provide incentives to no longer fill all buildings with council tenants.

A strategy review is underway to ensure an efficient, effective and reliable service is provided aligned to the GDS 2040 outcomes. JPC ultimately aims to:

- identify economic nodes throughout COJ properties;
- distinguish strategic land to harness economic value;
- synchronise lease agreements and all property and facilities management related matters;
- ensure a uniformed approach to property management;
- assess and where required expropriate abandoned buildings; and
- acquire properties in the transit oriented development nodes.

VISION, VALUES AND STRATEGIC DIRECTION

Vision

“To provide Property Management, Property Development and Property Asset Management services in order to maximise the social, economic and financial benefit to the CoJ as well as support the delivery objectives on a cost competitive basis.”

JPC intends to review this vision in the new financial year (2012/13) largely due to the institutional review that will ring fence FMMU, which is currently within CoJ, and the facilities management and maintenance facility of MTC into JPC. The objective is to create a “super landlord” to ensure optimal usage of the property portfolio.

Mission

JPC is the manager of the property assets of the City of Johannesburg, responsible for maximising the social, economic and financial value of the CoJ’s total property portfolio and enhancing the efficiency of its use. JPC provides asset management, property management and property development services, as well as interacts with the general public in respect of the property portfolio. JPC supports the achievement of the CoJ’s strategic priorities, including economic and social development and the service delivery of the CoJ.

The vision, mission and strategy will be reviewed to align with the institutional review. Management has begun to interrogate the mandate of vision and mission as well as value proposition.

The success is highly dependent on a carefully crafted strategy that will clearly articulate the new strategic direction of the super landlord largely based on the user pays model. The strategy will inform the most appropriate organisational structure and operating model.

Values

The following values were adopted:

***Professionalism
Accountability
Responsibility
Customer service
Trust***

JPC OVERVIEW & KEY FACTS

JPC was established in 2000 as a private company, wholly owned by the City of Johannesburg. Consequently JPC must comply with the legislative framework and reporting requirements applicable to any company in South Africa. This includes, but is not limited to, the Companies Act. As an independent municipal entity, JPC is also subject to the Municipal Finance Management Act, Act 56 of 2003 (MFMA).

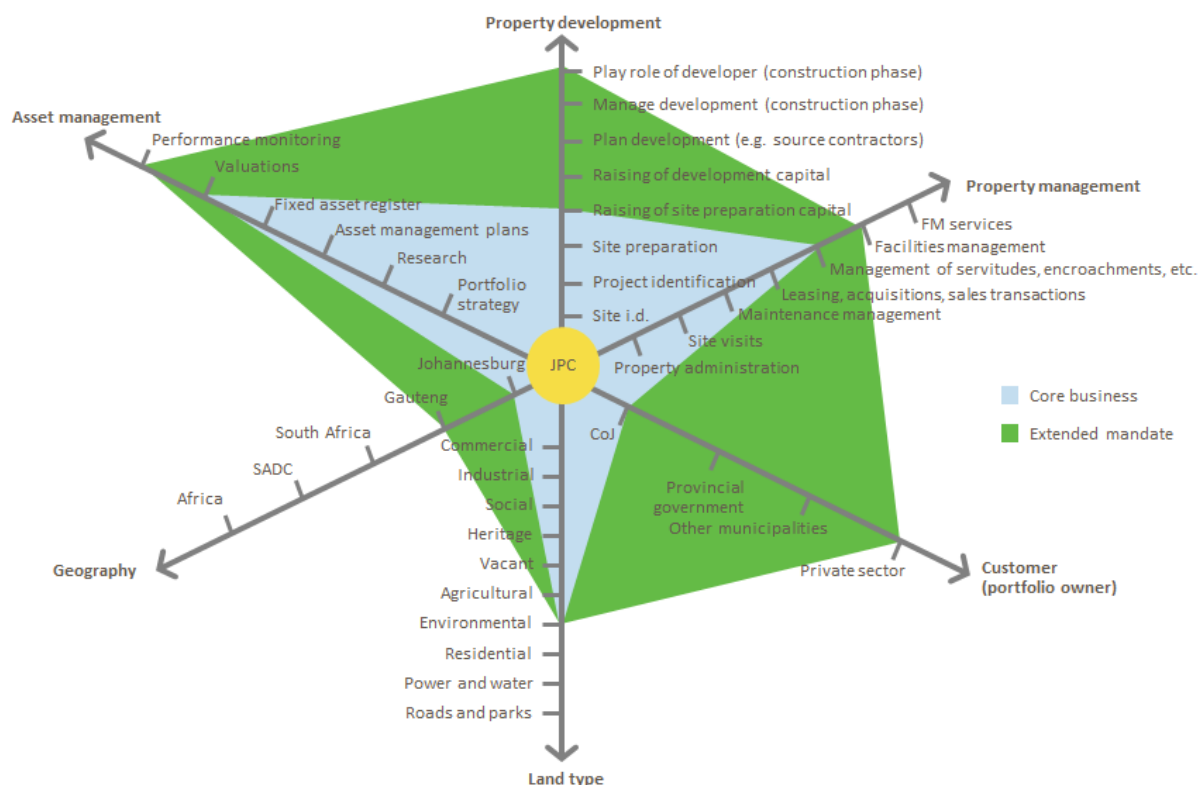
JPC subscribes to high ethical standards and principles of corporate governance and is in the process of ensuring full compliance with King III, published in 2010, and with the provisions of the new Companies Act, which came into effect during the last year. For more details, and an overview of the company governance structure, please see the corporate governance section 4 of this report.

JPC is mandated by its sole shareholder, the (CoJ), to carry out:

- Property Development;
- Property Management;

- Asset Management; and
- All ancillary services related to the above.

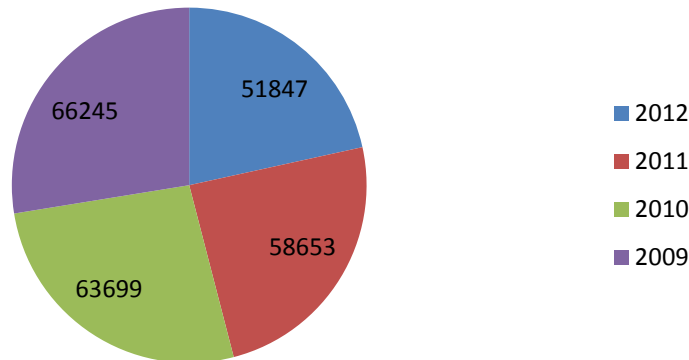
The following is a graphic representation of JPC priorities and core objectives:



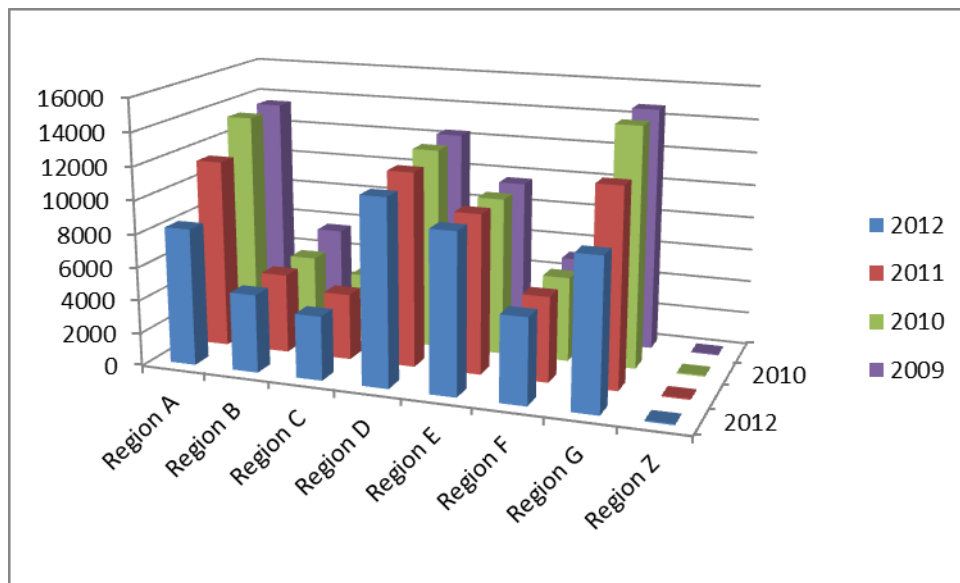
COJ Land Parcels

Region	2012	2011	2010	2009
Total Number of Properties	51 847	58 653	63 699	66 245
Region A	8 270	11 421	13 387	13 524
Region B	4 709	4 797	4 799	5 554
Region C	3 854	3 992	4 038	5 225
Region D	11 177	11 719	12 211	12 368
Region E	9 605	9 606	9 553	9 617
Region F	5 147	5 132	5 134	5 163
Region G	9 002	11 904	14 495	14 729
Region Z	83	82	82	65

Total Number of Properties



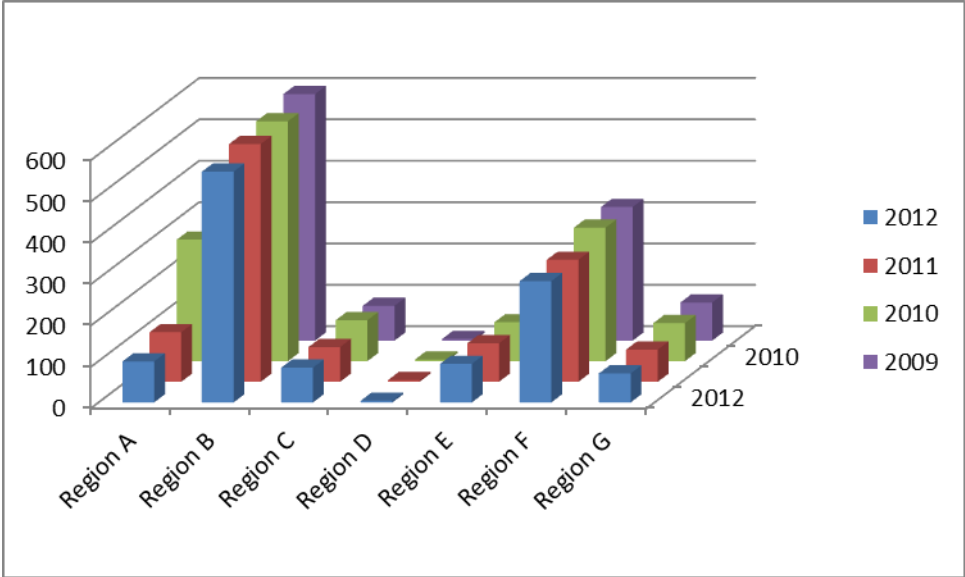
COJ Land Parcels per Region



COJ Number of Improved Properties

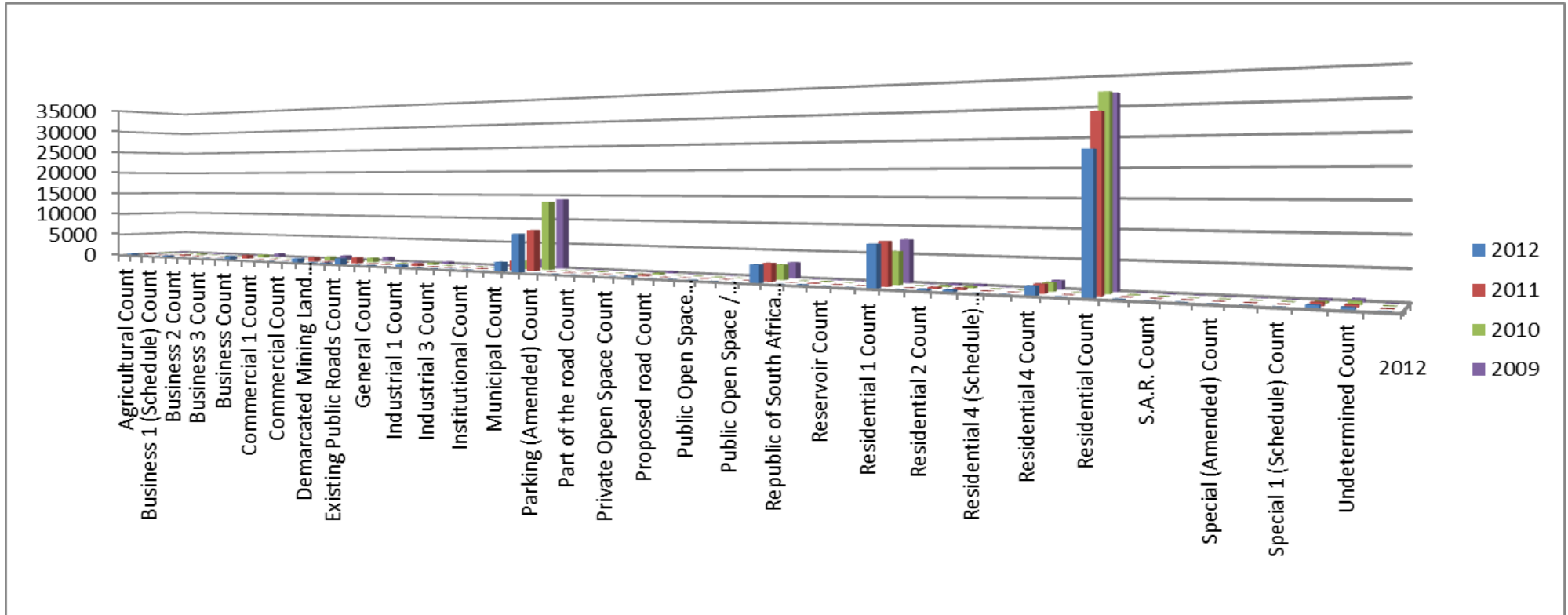
Region	2012	2011	2010	2009
Total Number of Properties	1 201	1 249	1 486	1 488
Region A	99	120	294	294
Region B	558	575	580	596
Region C	84	84	99	84
Region D	4	4	4	4
Region E	93	93	94	95
Region F	293	295	323	323
Region G	70	78	92	92

COJ Number of Improved Properties





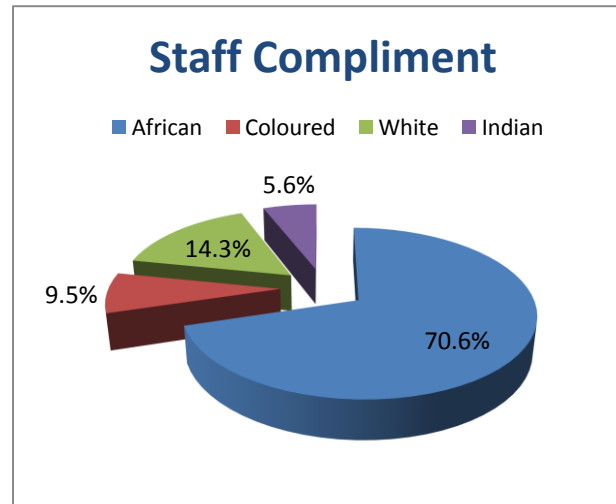
COJ Properties Per Zoned Type





JPC Employees

	Measuring Unit	2012	2011	2010	2009
Employee Numbers	No.	126	128	125	125
Employment Percentage Equity	African %	70.6%	71.9%	71.2%	70.4%
	Coloured %	9.5%	9.4%	8%	8%
	Indian %	5.6%	5.5%	7.2%	7.2%
	White %	14.3%	13.3%	13.6%	14.4%
Gender Equity Percentage	Female %	61%	61%	59%	59%
	Male %	39%	39%	41%	41%
Employees with Disabilities	No.	4	4	4	4

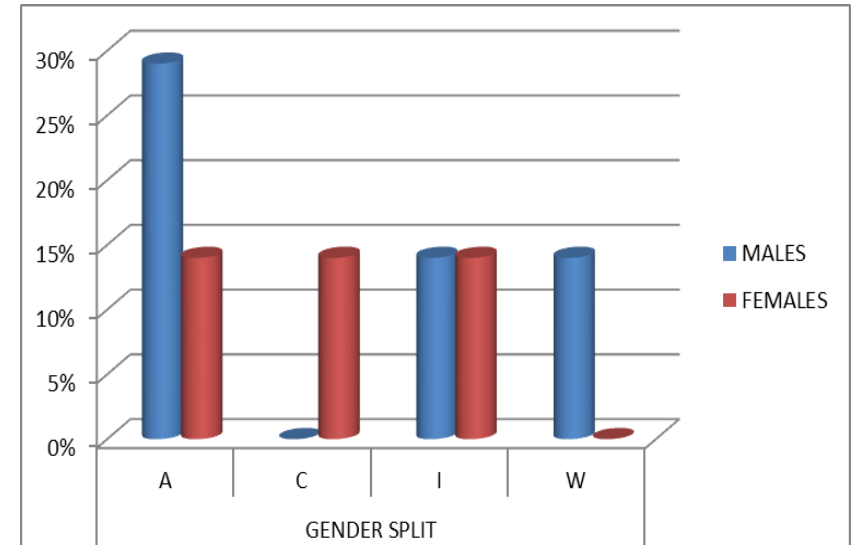
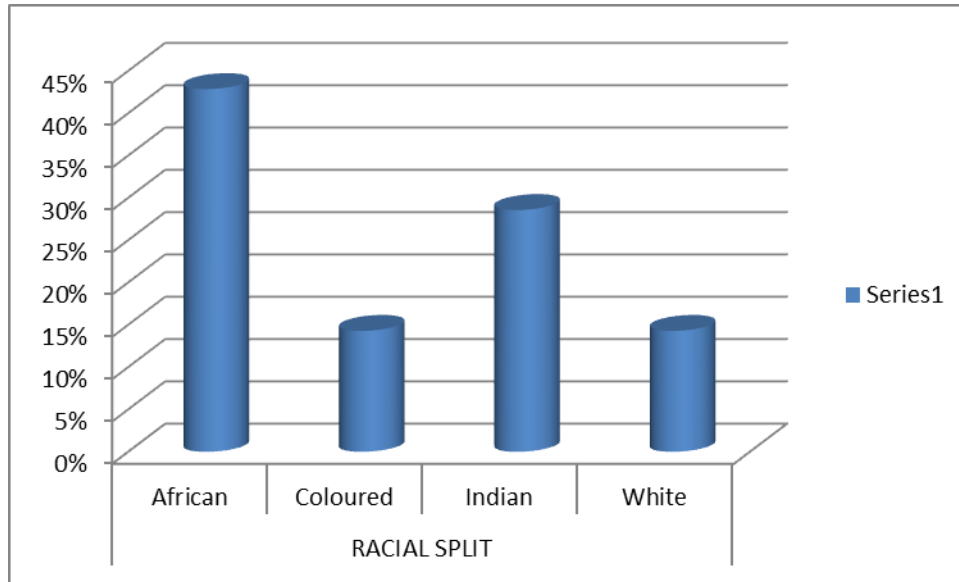


	Males			Females		
	Target %	Actual %	Gap %	Target %	Actual %	Gap %
African	39%	29%	10%	39%	42%	(3%)
Coloured	2%	0%	2%	2%	8%	(6%)
White	8%	7%	1%	8%	9%	(1%)
Indian	1%	3%	(2%)	1%	3%	(2%)
Total	50%	39%	11%	50%	61%	(12%)



EMPLOYMENT EQUITY DEMOGRAPHICS PER OCCUPATIONAL LEVEL

TOP MANAGEMENT

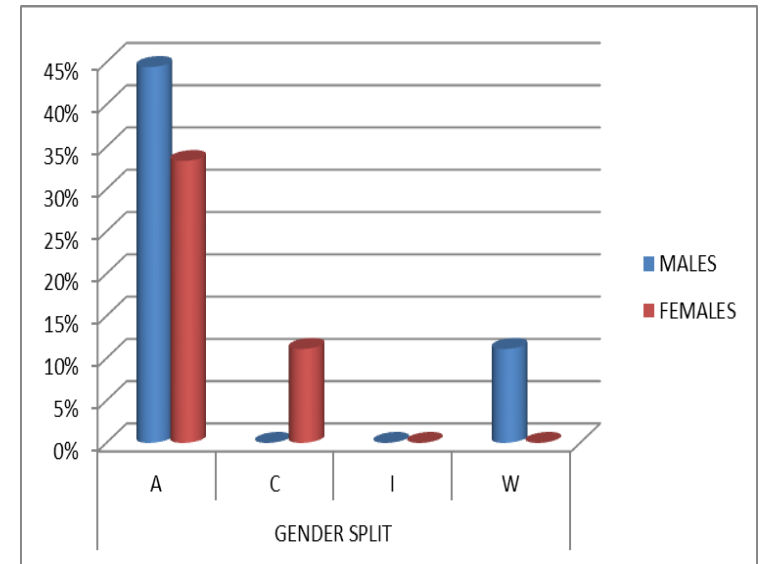
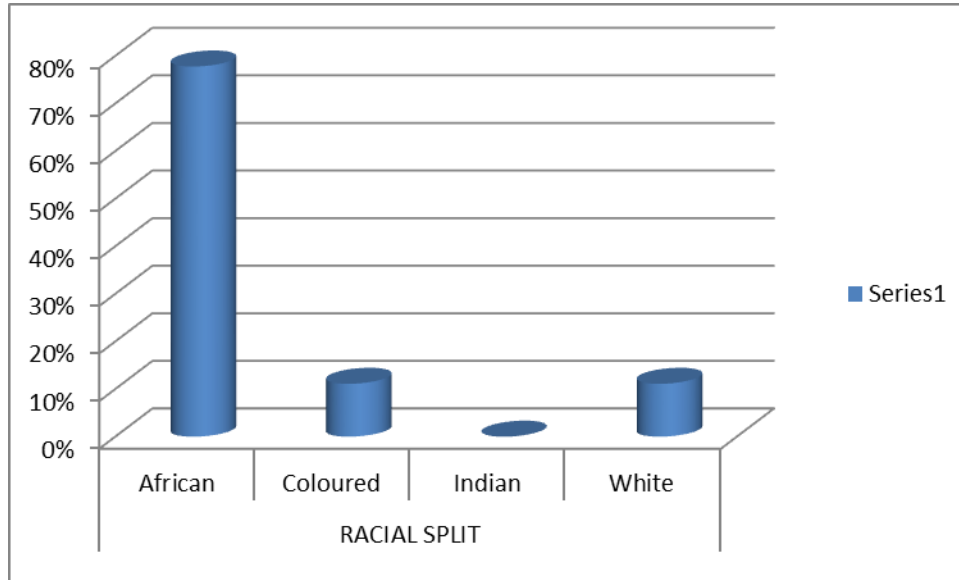


	RACIAL SPLIT			
	African	Coloured	Indian	White
ACTUAL	43%	14%	29%	14%
TARGET	78%	4%	2%	16%
GAP	-35%	10%	27%	-2%

	GENDER SPLIT				ACTUAL	TARGET
	A	C	I	W		
MALES	29%	0%	14%	14%	57%	50%
FEMALES	14%	14%	14%	0%	42%	50%



SENIOR MANAGEMENT

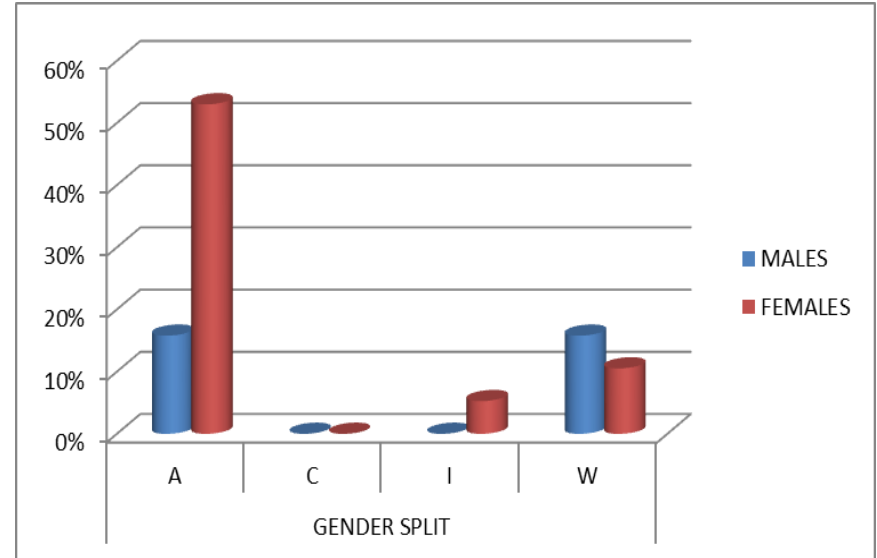
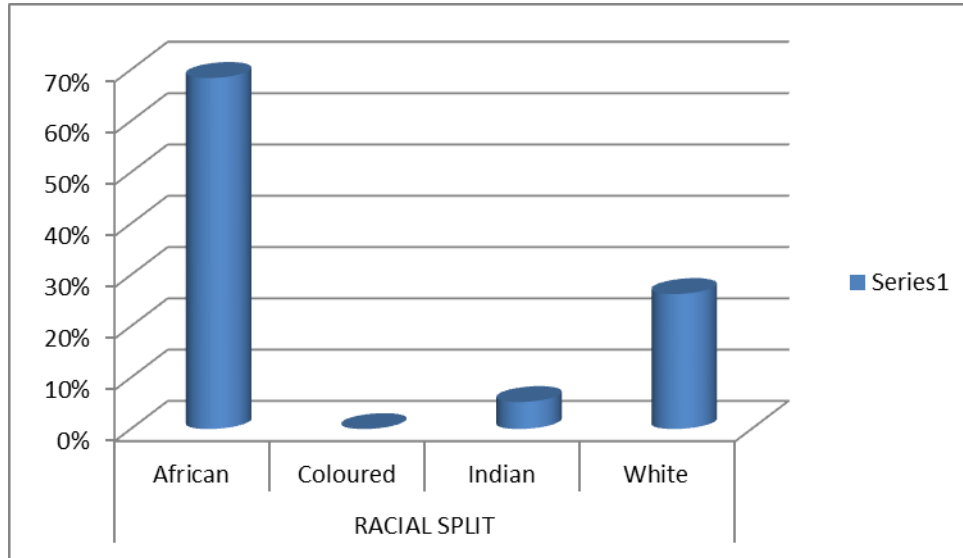


	RACIAL SPLIT			
	African	Coloured	Indian	White
ACTUAL	78%	11%	0%	11%
TARGET	78%	4%	2%	16%
GAP	0%	7%	-2%	-5%

	GENDER SPLIT				ACTUAL	TARGET
	A	C	I	W		
MALES	44%	0%	0%	11%	56%	50%
FEMALES	33%	11%	0%	0%	44%	50%



MIDDLE MANAGEMENT

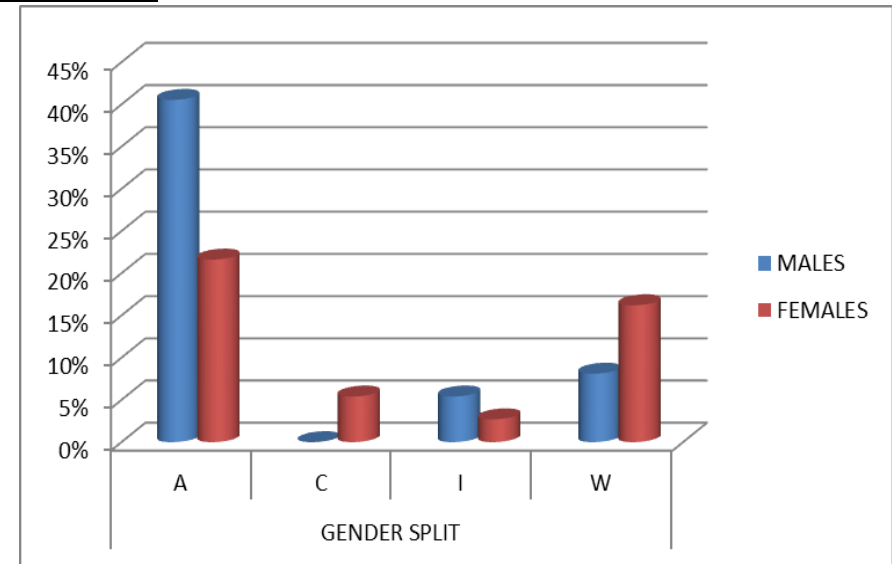
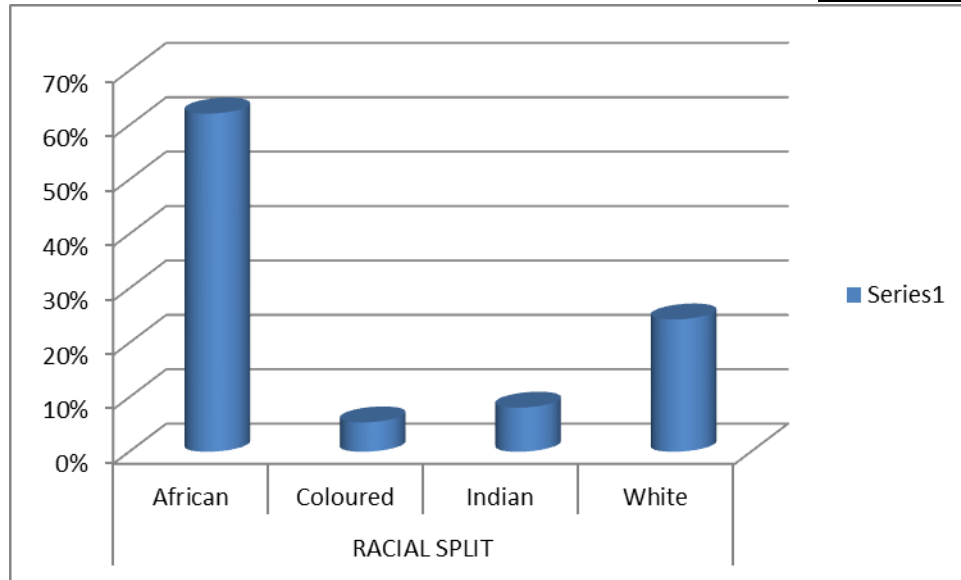


	RACIAL SPLIT			
	African	Coloured	Indian	White
ACTUAL	68%	0%	5%	26%
TARGET	78%	4%	2%	16%
GAP	-10%	-4%	3%	10%

	GENDER SPLIT				ACTUAL	TARGET
	A	C	I	W		
MALES	16%	0%	0%	16%	32%	50%
FEMALES	53%	0%	5%	11%	69%	50%



JUNIOR MANAGEMENT

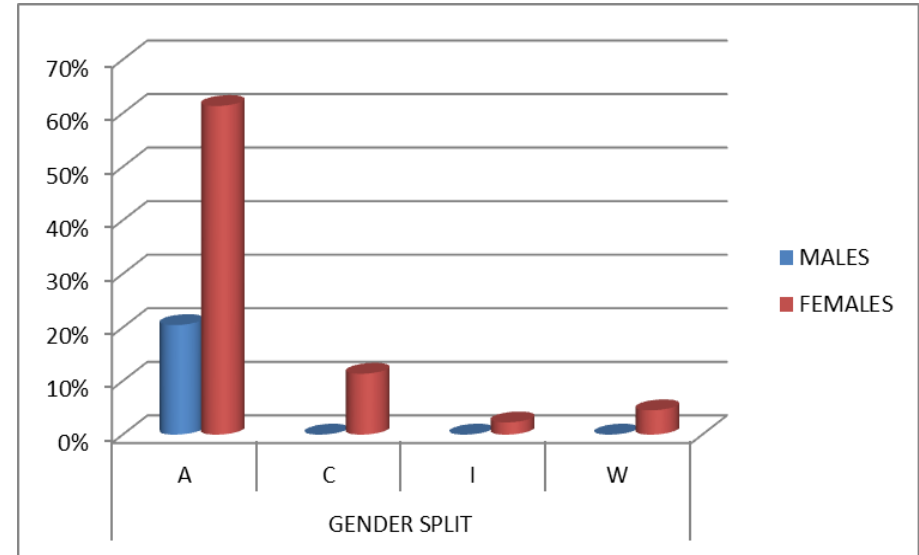
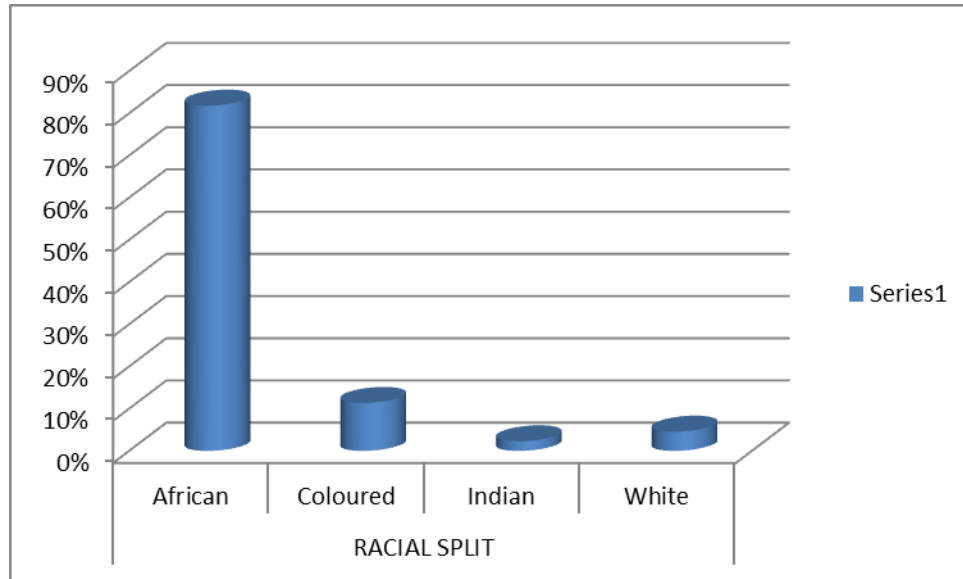


	RACIAL SPLIT			
	African	Coloured	Indian	White
ACTUAL	62%	5%	8%	24%
TARGET	78%	4%	2%	16%
GAP	-16%	1%	6%	8%

	GENDER SPLIT				ACTUAL	TARGET
	A	C	I	W		
MALES	41%	0%	5%	8%	54%	50%
FEMALES	22%	5%	3%	16%	46%	50%



SEMI SKILLED



	RACIAL SPLIT			
	African	Coloured	Indian	White
ACTUAL	82%	11%	2%	5%
TARGET	78%	4%	2%	16%
GAP	4%	7%	0%	-11%

	GENDER SPLIT				ACTUAL	TARGET
	A	C	I	W		
MALES	20%	0%	0%	0%	20%	50%
FEMALES	61%	11%	2%	5%	80%	50%

Investment in People

	Measuring Unit	2012	2011	2010	2009
Training Costs	R'000		643	764	966
Bursary Students/Trainees	No.	2	2	0	0

JPC Developmental Objectives

	Measuring Unit	2012	2011	2010
BEE Spending	R'000	25 636	17 874	16 149
BEE Spending %	%	61%	69.76%	82.26%

JPC is mandated to support the COJ economic and social objectives as outlined in the GDS as well as contributing towards the growth of an inclusive, livable and prosperous economy. JPC strives towards ensuring that socio-economic disparities and legacies of discrimination and inequality are addressed in a sustainable manner as well as:

- Realising value (social and economic) through management and development of Council-owned properties;
- Maximising social and economic development of Council-owned properties and mobilising private and public capital to increase value and long-term returns;
- Supporting economic development and aligning the property portfolio with CoJ priorities;
- Increasing the effectiveness of an economically viable municipality and promoting social use of properties;
- Managing risk and returns with respect to the property portfolio and property transactions;
- Establishing and maintaining a property Asset Register; and
- Ensuring adequate systems, infrastructure, and personnel skills are available to achieve its objectives.

COJ regulates the services and mandate of JPC by means of a service delivery agreement (SDA) which includes but is not limited to:

- Financial issues, such as capital expenditure;
- Human resource issues, such as skills development;
- Delivery targets, such as physical verification of assets, maintenance of assets and securing assets, and
- Standards of customer care.

JPC, a company that supports the City's transformation drive

For the past decade, government has been addressing the issue of land access and ownership to redress inequalities in land tenure, stimulate economic growth and pave the way for the creation of wealth amongst groups of individuals and communities who were previously disadvantaged and therefore did not have access to such opportunities. CoJ is a developmental local government that seeks to actively use the institution and the instrument of local government, the municipality, to improve the quality of life for all people. JPC has developed programmes, within its core departments, and is utilising the property portfolio to support this initiative in order to redress the previous disparities of land ownership.

The land regularisation programme is part of this transformational drive which, if tackled effectively, will act as a catalyst for development in the identified areas (currently Greater Orange Farm, Larger Alexandra and Ivory Park and surrounding areas), thus benefiting these communities, small enterprises and developers alike.

Description of daily operations

JPC provides an all-encompassing range of property services required for the management and

development of the property portfolio of CoJ and its MOEs. These services are commissioned on a sole agency basis to administer the acquisition and conveyancing of all land required for rendering municipal services and, furthermore, to administer, manage, develop and alienate (sell) Council-owned properties.

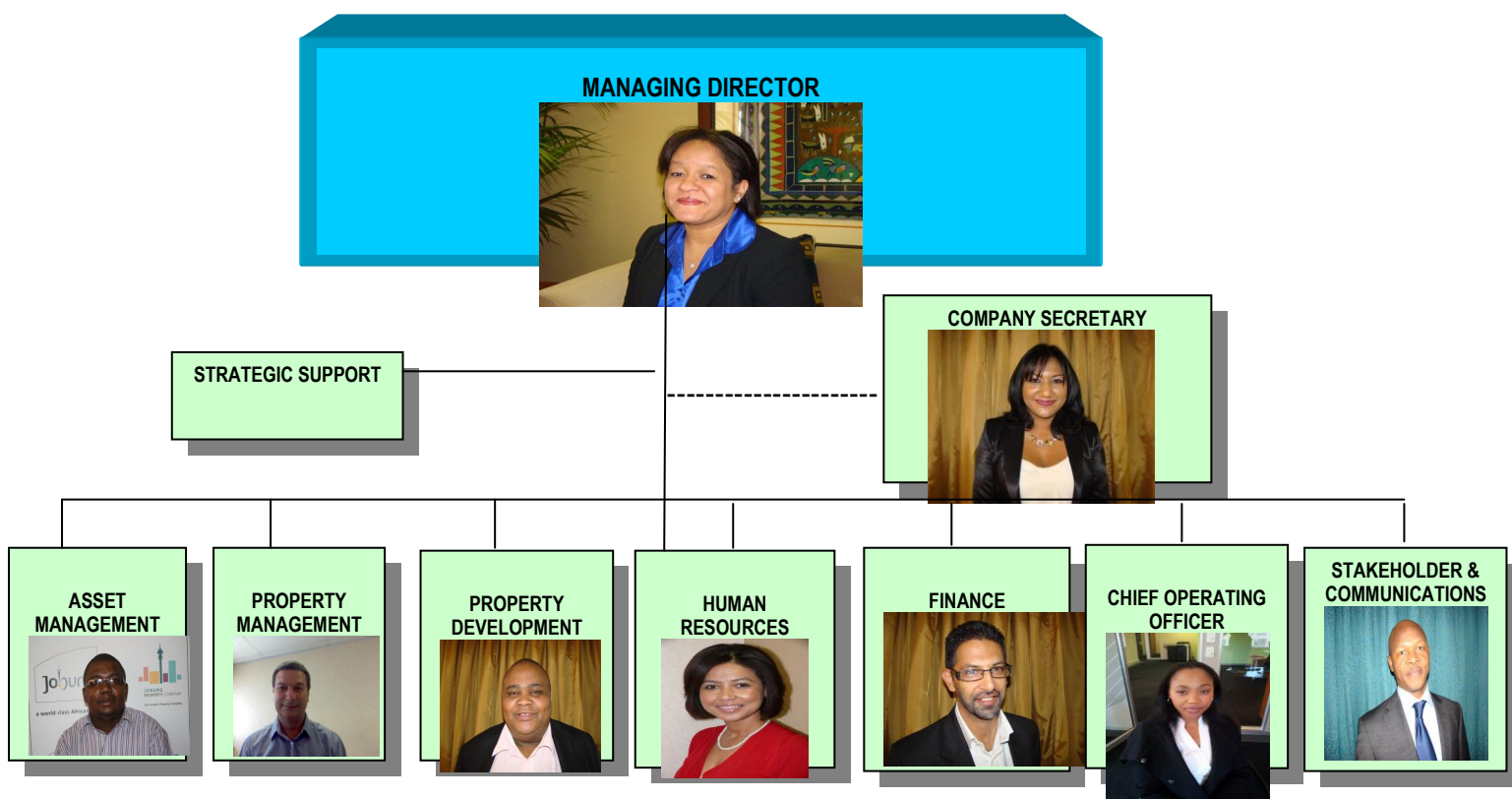
Managing the property portfolio

JPC manages R8.9 billion of the COJ immovable property. This portfolio is diverse with 64 000 properties under management, covering 39 000 hectares. The portfolio is utilised mainly for service delivery and social related services, e.g. water, electricity, sport, stadiums, clinics and fire stations etc.

JPC manages the portfolio in a manner that ensures a balance in terms of its socio-economic mandate and the needs of communities, entrepreneurs, formal business and investors alike. Though in the recent past the focus has been more on the social aspects but it is now time to balance the two in order to utilise the gains from the commercial and industrial zones to assist in funding the social aspects in the form of housing, community facilities and ablutions

Parcels of land not required for basic municipal services are alienated (sold or leased on a long term basis from 9 years 11 months to 44 years 11 months) to achieve financial returns and create economic opportunities that will attract investment resulting in economic spin-offs such as job creation.

JPC Approved High Level Organisational Design



Core Department Functions

Property Asset Management Services

- ✓ Strategic management of the portfolio, to ensure maximisation of portfolio returns in line with the JPC's social and commercial mandate;
- ✓ Strategic and financial analysis of the portfolio;
- ✓ Portfolio reporting and performance monitoring;
- ✓ Provision of related general asset management research;
- ✓ Development of individual asset plans for all portfolio properties according to the strategic plans, as part of GIAMA requirements;
- ✓ Administration of the Asset Register; and
- ✓ Management of property valuation processes performed by JPC and external valuers.

Property Portfolio Management

- ✓ Obtaining and maintaining value from the property portfolio through the effective management of Council-owned land;
- ✓ Property administration;
- ✓ Leasing, acquisitions and sales;
- ✓ Management of servitudes, encroachments and
- ✓ Maintenance management.

Property Development

- ✓ Facilitating development in a manner that will ensure that economic, social and transformational objectives are promoted;
- ✓ Conceptualisation, design and then implementation (either individually or in partnership) with development on CoJ land;
- ✓ Provision of project management services to support property development;
- ✓ Management of all property development related activities to ensure adequate completion and social/financial return for the City; and
- ✓ Leveraging off private and public capital to increase the value of property.

Support Services

These functions provide general strategic and operational support by way of human capital, financial services, professional services, stakeholder analysis and interaction. Support services add value by interpreting and influencing both the internal and external environment. These include Finance, Human Resources, Corporate Services and the offices of the Chief Operating Officer and the Managing Director.

EXECUTIVE MANAGEMENT

Executive management, headed by the Managing Director, is responsible for the day to day operations and strategic management of the organisation. JPC is organised into various departments responsible for specific aspects of the business as indicated in the high level organisational design.

During the period under review, the following individuals constituted the management team under the leadership of the Managing Director.

Sthembiso Mntungwa



Qualifications

PGDBA

Property Development Programme

Position

Executive Manager : Property Development

Expertise

- Business
- Innovative finance
- Municipal property management
- Stakeholder liaison
- Restructuring

Fanis Sardianos



Qualifications

Diploma in Administration & Commerce

Local Government Diploma

Position

Executive Manager : Property Management

Expertise

- Property management
- Finance
- Accounting
- Stakeholder liaison

Neo Matlala



Qualifications
PG Property Development & Management
Property Intermediate Programme

Position
Executive Manager : Asset Management

- Expertise**
- Property and facilities management
 - Property finance
 - Strategic property operations
 - Procurement
 - Management

Imraan Bhamjee



Qualifications
BCompt Honours
Advanced Certificate in Auditing

Position
Executive Manager : Finance

- Expertise**
- Financial management
 - Auditing
 - Risk management
 - Process control and mapping
 - procurement

Verusha Morgan



Qualifications
LLB University of Natal Duran
NQF Level 8 Management Wits
Admitted Attorney of the High Court

Position
Company Secretary and Compliance Officer

- Expertise**
- Legal Compliance
 - Management
 - Corporate Governance
 - Leadership
 - Litigation

Ellenise Pedro



Qualifications
MCom Labour Relations & Human Resources
BCom Honours

Position
Executive Manager : Human Resources

- Expertise**
- Organisational design
 - Human capital development
 - Employee relations
 - Talent acquisition

Kululwa Muthwa



Qualifications
 BProc University of Transkei
 Masters in Labour Law Unisa

Position
 Chief Operations Officer

- Expertise**
- Property management
 - Property asset management
 - Contract management
 - Project management

Sandile Ndlungwane



Qualifications
 MSc Social and Transformation University of Buckingham
 Diploma in International Development & Advanced Economics

Position
 Executive Manager : Stakeholder Relations and Communications

- Expertise**
- Marketing
 - Transformation
 - Conflict management
 - Public relations

Changes in the composition of management during the current year

Employee Name	Position	Date Engaged	Date Terminated
Mr MJ Shongwe	EM: Stakeholder and Communication	05/09/2011	31/12/2011
Mr D Mosito	Company Secretary	28/04/2010	02/09/2011

GDS 2040 principles

GDS Principle	JPC's Response with Regard to Outcome
Eradicating poverty	To promote social, economic and spatial inclusion in marginalised communities, JPC ensures that economic growth and job creation through alienation of land via either sale or lease for commercial and social purposes addressing socio economic disparity and discrimination and inequality legacies. JPC also creates an enabling environment to ensure that decent lowest-cost rental housing opportunities are available.
Building and growing an inclusive economy	Facilitating shared growth and involving more citizens in economically productive activities to create jobs, support small businesses and enable and attract investment to increase competitiveness of the local economy.
Building sustainable human settlements	Ring fencing of land parcels and acquiring land intended to address housing needs.
Achieving social inclusion through support – and enablement	Aims to build an enabling environment through which CoJ citizens can support themselves and each other and proactively promoting and monitoring jobs created and people trained in construction and property related skills to increase the number of black property owners.
Promoting good governance	Ethical management according to prudently determined risk parameters in compliance with generally accepted corporate practices. The Audit and Risk Committee monitor compliance with relevant legislation and JPC endeavors to be as fully compliant as possible at all times. The Social and Ethics Committee held its first meeting subsequent to the year end. The property portfolio has been identified as a non-traditional source of revenue. The new paradigm seeks more sustainable and less dependent sources of income including non-tax revenues and leveraging local capital markets through strategic use of municipal assets and non-tax revenues.

Strategic direction

JPC's primary goal in supporting the 2040 GDS vision and mission is based on recognising and emphasising its role as an **economic and social property agency** to achieve positive developmental outcomes. These strategic objectives are aligned to the strategies of the Economic Growth, Human and Social Development, Sustainable Services and Governance clusters, as well as various IDP programmes.

In synchronising the various strategic objectives, JPC identified the following strategic objectives:

- Supporting economic development ;
- Supporting community development and social initiatives;
- Utilising the property portfolio to address social imperatives and priorities;
- Utilising the portfolio as a vehicle for transformation;
- Ensuring efficient, economic, and effective service delivery to clients, customers and stakeholders; and
- Ensuring a professionally managed, sustainable and profitable company.

Five-Year Strategic objectives, programmes and key operational outputs

The 2040 GDS is translated into the integrated development plan (IDP). JPC’s delivery agenda in terms of quantifiable outputs is aligned to the GDS and IDP as follows:

5-Year Strategic Objective	IDP Programme	2011/12 Delivery Agenda Achievements
Promoting Joburg as a premier business and leisure tourism destination as well as entrenching it as a sought after location for head offices of African and International companies	Leverage R1.8 billion (over 5 years) private sector investment on CoJ land. For the 2011/12 financial year, a total of R215m will be invested through construction: <ul style="list-style-type: none"> • Potato Sheds & Majestic (Newtown) – R50m. • Jabulani CBD Project (mixed-use Development) – R90m • Orlando Ekhaya project (Housing and Retail) – R50m • Kgoro (Sandton Integrated Development) Project – R25m 	<ul style="list-style-type: none"> • Total investment value R285 million Potato Sheds & Majestic: - construction value R131m • Jabulani CBD: construction value of residential units R109.8m • Huddle Park: Construction value R3.2m • Meadowlands: Construction value R6.4m • Bara Central: Construction value R7.915m
Promoting Johannesburg as a Trade and Investment Hub, with emphasis on Fixed Direct Investment	City marketing and communication programme – with respect to properties Implement an integrated corporate communications program	The integrated corporate communications program was developed and 50% implementation achieved
Encouraging and supporting the creation of sustainable work opportunities	Leverage and facilitate the creation of jobs in property portfolio Create 800 jobs in the construction and property industry	1 118 jobs created
Sector diversification through support for emerging and new sectors (new entrant)	Emerging industries support programme <ul style="list-style-type: none"> • Identify and prepare 5 properties (>2 ha) for release to new entrant developers Release properties (<2 ha) to new entrant	Five (5) properties identified and prepared for release to new entrant developers. 100 properties were identified and packaged for release to new entrants.
Implementation of skills development and re-skilling programmes that are linked to the needs of market economy	Skills development programme Develop and Roll-out a Property Incubator Programme Local government property standards – best practice Develop of best practice standards, i.e. standards and property skills	Incubator program developed and rolled out. Jabulani Housing project – 16 youth participated in a plumbing (property) incubator programme; Partnerships concluded with Broll Property Academy. High level best practice standards (incorporating asset management policy) developed for implementation in 2012/13.

5-Year Strategic Objective	IDP Programme	2011/12 Delivery Agenda Achievements
<p>Championing spatial economic restructuring for grown and marginal areas</p>	<p>Area based Economic Development Programme Design and roll out an intervention strategy within townships and underdeveloped areas) Transfer and/or identifying properties to/for beneficiaries (transfer 200 allocated properties and identify 800 verified Council properties for allocation)</p> <p>Acquisition of land for Housing Acquisition of properties to support Housing master plan (17 Properties to be purchased to realise 15 000 housing units) Deliver affordable housing units via 3rd party development projects.</p>	<p>Three (3) lodged, 305 transferred and 836 identified for allocation</p> <p>17 properties purchased; 17 agreements finalised; and 386 units handed over.</p>
<p>Provision of economic research, policy development and advisory services</p>	<p>Effective property value creation Perform highest and best use and investment analysis on developable land owned by the City (Industrial development zone) - Annual Research and Impact evaluations to provide key economic data to the City</p>	<p>911 properties packaged for the property fund</p>
<p>Sector diversification through retention of competitive economic sectors</p>	<p>Asset management and maintenance programme 1. Physical verification of properties 2. Development of a fixed asset management plan</p>	<p>Desk top verification with approximately 36 000 properties verified</p> <p>Physical verification to be conducted in the 2012/13 financial year, funds permitting</p> <p>2012/13 financial year other verification mechanisms will be sought with the CoJ, MOE's, province and other stakeholders.</p>

PERFORMANCE REVIEW

HIGHLIGHTS AND ACHIEVEMENTS

A major obstacle for the industry is sky-rocketing operating costs, which quickly outstrip income growth and push cost ratios. Electricity costs continue to rise, and at a monthly average of R12.8/m² now make up one third of the total operating cost for property owners. Rates and taxes constitute a further 20%. The costs burden is being felt jointly by tenants and owners, however, with around three quarters of total costs falling to the tenant this puts immense pressure on disposal income required to stimulate the economy.

Sector-wise, the picture is worst in the office sector. Plagued by stubborn vacancy rates, which shifted from 12.1% in December 2011 to 15.0% in June 2012, and negligible rental growth at just 0.1%, office properties have also seen the highest growth in operating costs across all sectors.

Six months ago, the IPD's 2011 results showed 10.4% annual return in property investments overall, with a slight uptick in the second half of the year that suggested a possible recovery. At the same time, vacancies increased to 6.9%, rental growth declined to 6.2% and yields weakened by 36 basis points, to 9.6%.

Soweto Theatre

Architecturally, the theatre's design presents a modern façade to its surroundings in the form of three brightly coloured boxes which were inspired by the theatrical "black box" concept. The three stages, venue designed by Afritechts incorporates sweeping and twisting external facades, which provide Soweto with its first iconic architectural building. This building is designed to inspire creativity and excellence and serve as a beacon for the on-going revitalisation of Soweto, promote advancement and sharing of arts and culture and to assist in furthering the economic and social development in Joburg.



The official opening was on the 25th June 2012 (Africa Day) and Soweto Theatre won scooped the top award in the Social/Environmental Impact Development category at SAPOA. The project was judged on property solutions, quality of design and finishes, industry and community participation, community enhancement and adaptability amongst others. In addition it was nominated for a further award at the African Regional Property Summit and Awards Gala in Dubai.



Rissik Street Post Office

The award for the re-development of this national monument was approved during the 2011/12 financial year. Re-construction will commence during the 2012/13 financial year.

The following work was completed:

- Debris clearing.
- Salvaging materials and building fabric that can be re-used;
- Roof installation; and
- A conservation policy document.



Fixed Asset physical verification

The Company requested R20 million from the CoJ to conduct a physical verification of all Council owned properties. However, despite internal lack of funding JPC was able to source alternative funding and utilise resources at their disposal and could verify 16 124 properties. Desk top verification was also conducted and a total of approximately 36 000 properties verified. It is anticipated that the physical verification exercise will still be conducted in the new financial year.



Launch of the JPC Transformation agenda:

Skills and incubator programs

Sixteen youth participated in plumbing through the Jabulani CBD Housing Project. These learners are going through theoretical and practical training on different areas of plumbing.

Land Regularisation Programme

The theme for this programme was “My Land, My Heritage” – which was an emotional and extraordinary event that marked another major step in the right direction towards equality for all. This event was held on 19 January 2012 at Helderfontein Estate, Kyalami Gardens and three hundred and five (305) title deeds were handed over to beneficiaries. The event was hosted by the Executive Mayor: Cllr Parks Tau.



Jabulani CBD

The Jabulani precinct is JPC's biggest development site to date, which will ultimately deliver approximately 200 000m² of new development with a value of R3 billion. This includes:

- 18 000m² of new retail – site development plans have been approved and the developer will be doing the tenant launch. No construction has started as yet;
- 30 000m² of offices, hotels and other commercial uses;
- 3 500 mixed income residential units – 330 have been completed and are ready to hand over;
- 3.5 hectares of cultural precinct including the Soweto Theatre – The Soweto Theatre is the first professional performing arts venue to be developed in any former township in South Africa. The regeneration of former township areas and the realisation of the vision for transformation in Soweto has been realised.



In Pursuit of Excellence:



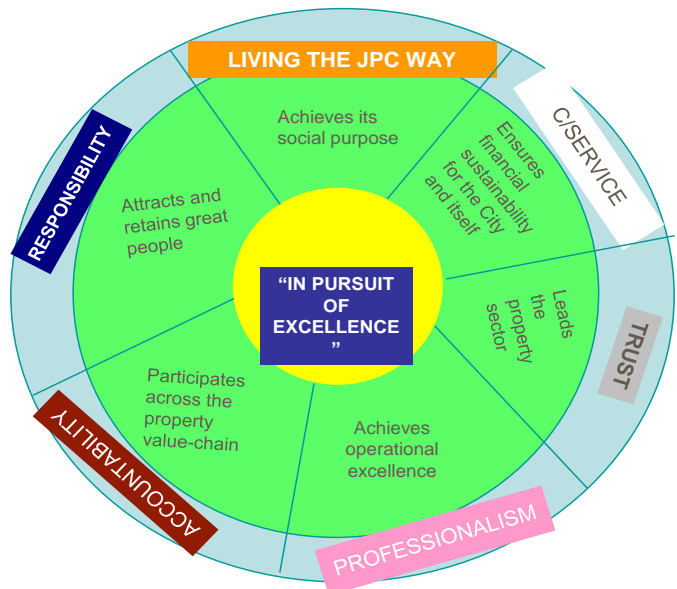
JPC’s theme for the year was “Investing in Excellence”, with this philosophy in mind JPC has endeavoured to become a learning organisation set in a values based learning organisation. JPC commenced with the implementation of the 2011/12 training plan,

The first 30 employees, mostly from middle management level were selected to and sessions are currently underway. The envisaged outcome is for all JPC employees to have a common understanding of the self and organisation purpose, using a common language to communicate and converge towards the same outcomes.

JPC Way

This is a transformation initiative aimed at introducing and embedding a new culture in the organisation. The implementation includes a broad range of Training and Development interventions to encourage and drive corrective behaviour for both management and employees and introducing the team concept to enhance the implementation of the Performance Management Policy. This is depicted by the diagram to the right, which includes the company values.

As part of this new initiative, an annual recognition and rewards ceremony will be held in line with the company’s values, to honour and express gratitude to top performing employees and departments



Inter-governmental initiatives and collaboration with other sectors

Since collaboration with other Municipal Owned Entities (MOEs), city departments, provincial departments, national departments and the private sector is key to delivering quality services, JPC’s delivery on its objectives has always depended on co-operation. JPC has also identified private sector partners for the implementation of capital projects which contribute to the economic growth of the City, as per the Economic Development Cluster plans.

The following are some of the CoJ departments and MOEs with whom there are close interdependencies:

- Housing;
- Development Planning and Urban Management;
- City Parks;
- Johannesburg Roads Agency;
- Johannesburg Development Agency; and
- Community Development.

EXECUTIVE MANAGER: FINANCE REVIEW
IMRAAN BHAMJEE



Overall financial overview

Cash flow and Revenue

JPC has liquidity ratio of 2.88:1 as compared to the norm of 2:1, with a positive cash flow of R19, 668,635 for the year under review as compared to a positive cash flow of R1, 006,962 for the same period in the 2010/11 financial year.

Revenue generated for the year is R105 046 322 which equates to 34, 6% above the allocated full year budget of R78 020 880. The anticipated revenue target has mainly been achieved as a result of commission earned on the completion of the Soweto Theatre development which amounted to R37, 5 million and improvement of CoJ rental collections. Third party development facilitation fees did not reach the approved budget during the year under review as a result of the decline in the property market and also lack of capital funding from the City

Operating Expenditure

The overall actual total operating expenditure for the year is R74 874 542, as compared to the approved budget of R73 695 000 which represents an over-expenditure of R1.2m. Below are detailed explanations with regard to each over- expenditure line item:

- Loss on disposal of assets which was not budgeted amounting to R1,4million
- Audit fees overrun.
- And fixed operating expenses which were budgeted, but the allocation was reduced during the Mid-year budget review by the City

Performance against key performance indicators: Effective financial management

	Actual R 2011/12	Actual R 2010/11	Actual R 2009/10
Turnover	105 046,322	53 068 853	87 836 504
Net Surplus/(Deficit) (After taxation)	21 458 523	(5 456 775)	22 793 649
Operating Expenditure	(74 874 542)	(64 358 485)	(55 248 721)
Capex (Portfolio)	12 622 371	12 866 449	16 225 169
Capex (JPC Main)	2 350 000	1 889 216	2 734 239
Net Cashflow Position	19 668 635	1 006 962	(28 549 783)

Financial performance

Key Financial Figures		2012	2011	2010	2009	2008
Total assets	R	123,260,848	97,851,357	104,999,511	49,265,398	47,326,031
Total equity	R	67,690,499	46,231,975	52,782,397	28,471,977	16,225,840
Total equity and liabilities	R	123,260,848	97,851,357	104,999,511	49,265,398	47,326,031
Bank balance	R	2,000	2,000	15,341	3,777	602,965
Capital expenditure	R	10,695,840	1,750,484	3,583,633	4,080,000	3,412,000
Revenue	R	105,046,322	53,068,853	87,836,504	65,916,145	35,228,282
Grant and Subsidies	R	0	0	537,000	10,516,000	11,130,000
Employee costs	R	48,745,513	42,343,083	37,652,896	31,778,492	26,642,502
Finance income	R	3,841,449	6,265,780	1,797,185	1,465,278	1,288,100
Finance costs	R	(584,455)	(2,457,070)	(999,460)	984,995	647,828
Surplus before tax	R	29,652,490	(7,296,147)	33,385,508	16,556,462	(1,807,317)
Income tax expense – current	R	(6,256,496)	(7,115,560)	(9,846,801)	(4,161,547)	(2,098,120)
Income tax expense – deferred	R	(1,937,471)	8,954,932	(745,058)	(148,719)	(57,861)
(Deficit)/Surplus for the year	R	21,458,523	(5,456,775)	22,793,649	12,246,196	290,803
Net cash from operating activities	R	57,825,500	31,920,525	(56,088,908)	23,246,529	(8,388,493)
Net cash used in investing activities	R	(9,727,861)	(1,552,040)	(2,800,317)	5,361,621	(38,534,476)
Net cash from/used in financing activities	R	(48,097,639)	(30,381,825)	58,901,289	(23,567,804)	46,966,550
Financial ratios						
Liquidity	Ratio	3x	2.93x	2.03x	3.16x	1x
Solvency	%	42%	(8.00) %	45%	58%	2%
Total operating expenditure/revenue	%	73%	121%	63%	76%	107%
Interest coverage	Ratio	45x	((1.97x)	34.4x	14x	4x
Other						
Employees	Nr	126	128	125	125	96
Employment equity	%	86%	87%	86%	86%	80%
Gender equity (F:M)	%	61%:39%	61%:39%	59%:41%	59%:41%	65%:35%
People with disabilities	%	0%	0%	0%	0%	0%
Training cost	R	235,041	380,188	288,402	515,329	290,381

Impending or actual financial problems

Lack of sufficient funding resulted in the reduction in income and in the entity's inability to undertake and complete critical projects that will generate income in the future, therefore future financial sustainability could be compromised if revenue maximisation endeavours fail to achieve the desired outcomes.

Irregular or fruitless and wasteful expenditure as well as deviations from the supply chain regulations

Irregular expenditure of R14 215 888 was incurred as a result of non-compliance with supply chain management regulations. Page 40 of the attached audited financial statements indicates the irregular expenditure for the current year.

Pages 39 to 41 of the annual financial statements (attached as Annexure A) indicate the unauthorised, fruitless and wasteful expenditure as well as irregular expenditure and deviations from the supply chain regulations.

Unauthorised expenditure

Unauthorised expenditure of R1, 763,997 was identified which relates mainly to the loss on disposal of assets and rental of office premises.

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure of R15, 736 was identified which related mainly to SARS penalties and interest.

Irregular expenditure

Irregular expenditure of R14 215 888 was identified as a result of non-compliance with supply chain regulations as this expenditure did not meet the requirements of regulation 36(1). Detailed information is available in the annual financial statements pages 40 and 41.

Deviations from supply chain management regulations

Deviations from the supply chain management regulations of R1, 419,068 was identified which related mainly to the JPC corporate DVD and office refurbishment.

Disposal of capital assets

The JPC does not have capital assets and therefore none were disposed of.

Performance monitoring against the scorecard

1. Championing spatial economic restructuring for growth in marginal areas

1.1 Land regularisation: Transfer and/or identify properties to/for beneficiaries

Annual Target	Actual
Transfer of 200 allocated properties	305 properties transferred
Identify 800 verified Council properties for allocation	836 properties identified for allocation

2 Upscale of entrant property owners in CoJ land/property disposals and/or awarding of tenders to emerging property developers

2.1 Identify and prepare 5 properties for release and development to emerging property developers.

Annual Target	Actual
Identify and prepare 5 properties	5 properties identified and prepared for release to new entrant developers

2.2 Release properties on tender, less than 2ha to new entrants in the property market for housing, commercial, development and social initiatives. (SMMEs)

Annual Target	Actual
Identify and package 100 properties for sale	100 properties identified and packaged for release to new entrants.

3 Implementation of skills development and re-skilling programmes that are linked to the needs of the property market. Ensure an effective skills development programme

3.1 Develop and Roll out a Property Incubator Programme

Annual Target	Actual
100% roll out of a property skills programme	Property skills programme completed, 16 youth are participating in the programme.

3.2. Develop best practice standards for the City of Joburg Property Company

Annual Target	Actual
100% completion of the best practice standards by end June 2012	A High level Best Practice standard document (incorporating asset management policy, asset management plan and best practice procedures) was developed

4. Utilisation of the property portfolio to support the Housing Master Plan

4.1 Acquisition of properties to support housing master plan

Annual Target	Actual
17 Properties to be purchased to realise 15 000 housing units	15 Properties were purchased and 1 agreements has been finalised

4.2 Deliver affordable housing units (per Banking Charter) via 3rd party development projects

Annual Target	Actual
300 Properties to be delivered	386 units completed and handed over

5 Conduct physical verification of all property holdings on CoJ owned land.

5.1. Conduct physical verification of all property holdings on CoJ owned land.

Annual Target	Actual
15 000 properties	16 124 physically verified properties. Due to financial constraints, a desk top verification exercise was conducted and a total of approximately 36 000 properties verified

The target for the financial year was initially 56 000 which was revised to 15 000 and approved at Mayoral Committee on 16 August 2012. This was largely due to the lack of funding for physical verification but other mechanisms, such as desk top exercises were undertaken.

Initiatives are underway in the 2012/13 financial year to leverage off other COJ departments and MOEs as well as external private funding. In addition procedures are being documented to ensure consistency as this function will largely be undertaken by other parties.

5.2 Develop a fixed asset management plan – in line with the City’s planning process

Annual Target	Actual
A complete Asset Management Plan	A high level asset management plan has been developed and will be submitted to the Land Steering Committee by 30 June 2013

6 Ensure effective property value creation

6.1. Perform highest and best use and investment analysis on developable land owned by the City (Industrial Development Zone) – to ensure effective property value creation

Annual Target	Actual
Identify property for the creation of 80 Industrial and commercial development zone properties	Total of 911 industrial and commercial development zoned properties identified

7 Leverage and Facilitate the creation of jobs in property portfolio projects on Council owned land

7.1 Create 800 jobs through property portfolio

Annual Target	Actual
800 jobs	1 118 jobs created

The spectrum of jobs created includes repairs, maintenance and renovations, security and clearing of sites etc. throughout Johannesburg.

8 Ensure effective utilisation of the property portfolio to promote investment in CoJ

8.1 Third party investment on CoJ property

Annual Target	Actual
Achieving R215 Million investment (construction value)	R285 million investment value

9 Ensure financial sustainability by seeking alternative sources of revenue and maintaining prudential ratios and benchmarks

9.1 Implement the company’s approved Turnaround Strategy in accordance with the implementation plan.

Annual Target	Actual
50% implementation of the approved turnaround strategy	Target not achieved

It should be noted though that JPC is undertaking a strategy review in the 2nd quarter of the 2012/13 financial year due to the institutional review underway.

9.2. Maintain a sound Ratio of cost coverage

Annual Target	Actual
Not less than 1:1 ratio	-2.65:1

9.3. Maintain a sound Liquidity ratio

Annual Target	Actual
The ratio should be greater than 1.00	2.57

10 Ensure overall effective financial management

10.1 Spend on the JPC’s capital budget

Annual Target	Actual
100% spend on Capex	100%

10.2 % Variance on the operating budget

Annual Target	Actual
0% over the budgeted amount	0.02% over budget

10.3 Attainment of clean audit report

Annual Target	Actual
Unqualified audit report at the end of 2011/12	Unqualified audit report with matters of emphasis

11 Contribute to the promotion of Joburg as a business and leisure tourism destination

11.1 Host an African Property Summit

Annual Target	Actual
Host the Property Summit in the fourth quarter of 2011/12 financial year	KPI was deferred to the 2012/13 financial year and a scorecard amendment report was tabled at Mayoral Committee

12 Ensure stakeholder awareness on CoJ property portfolio and effective reputation management.

12.1 Implement an integrated corporate communication program

Annual Target	Actual
50% Implementation of communications program	Integrated corporate communications program was developed and approved by the Managing Director; 50% implementation of program. Activities: <ul style="list-style-type: none"> - 30 land parcels branded. - 5 projects branded. - New offices branded - 11 regional road shows conducted

13. Ensure an effective, clear and watertight SDA

13.1 Review and refine the company's SDA in accordance with the City's mandate for JPC

Annual Target	Actual
New SDA approved by Board and the City	The SDA will be refined on finalization of the CoJ's institutional re-design. In terms of the institutional review JPC will be responsible for the entire facility management of the COJ portfolio.

14. Ensure effective human resources management

14.1 Develop and implement an HR strategy for the company

Annual Target	Actual
50% implementation of the strategy	25% implemented

15. Ensure effective risk management

15.1 Implement the mitigating measures per the strategic risk register

Annual Target	Actual
100% Implementation of action plans	Strategic risk register review commenced and a Board workshop will be convened in the new financial year to further assess the current top three risks.

Of the total number of 23 targets for the financial year 5 were not achieved in the year under review as indicated above. Two of the 5 targets were deferred to the 2012/13 financial year due to circumstances beyond the control of the company.



JPC SCORECARD FINANCIAL YEAR 2011/12

KPA No	Key Performance Areas (KPA's)	KPI No.	Key Performance Indicators (KPIs)	Baseline	Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4
1	Championing spatial economic restructuring for growth and marginal areas	1.1	Land regularisation: Transfer and/or identify properties to beneficiaries	New Indicator	Transfer of 200 allocated properties Identify 800 verified Council properties for allocation (1000 properties)	Prepare 50 title deeds for lodgment. Release tender for the appointment of a service provider to conduct verification of Council properties	Lodge and Transfer 50 properties. Finalise the appointment of service provider to conduct verification	Prepare, Lodge and Transfer 75 Council properties (cumulative 125 from 2 nd quarter) Conduct verification exercise and develop property plans	Prepare, Lodge and Transfer 75 Council properties (cumulative 200 from 3 rd quarter) Identify 800 properties for release on tender
2	Upscale of entrant property owners in CoJ land/ property disposals and/or awarding of tenders to emerging property developers	2.1	Identify and prepare 5 properties (greater than 2 ha) for release and development to emerging property developers	New Indicator	5 Properties identified and prepared.	Identify properties	Submit application for improvement to relevant authorities	Submit applications for approval of 14 (2)	Preparation of properties completed
		2.2	Release properties on tender, less than 2ha to new entrants in the property market for housing, commercial, development and social initiatives. (Smme's)	New Indicator	Identify and package 100 properties for sale	Identify properties and circulate for comments section 14(2)	Draft report for COJ approval process sec 14(2) (circulation for comments)	EAC and SCMPL process	Finalise transactions, draft agreements and appoint attorneys to transfer properties
3.	Implementation of skills development and re-skilling programmes that are linked to the needs of the property market. Ensure an effective skills development programme	3.1	Develop and Roll-out a Property Incubator Programme	New Indicator	100% roll out of a property skills programme	Conduct Research & Establish Partnerships	Draft property skills Strategy Document and submit to Mayoral Committee.	Conduct Workshops with relevant stakeholders & obtain Board & Council Approval	Conclude Partnership Agreements / MOU & Launch.



KPA No	Key Performance Areas (KPA's)	KPI No.	Key Performance Indicators (KPIs)	Baseline	Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4
		3.2	Develop best practice standards for the City of Joburg property company	New Indicator	100% completion of the best practice standards– by end June 2012	Align an Asset Management policy to GIAMA and Analyse and asses regulations governing the local government property portfolio	Finalise the assessment, conduct a benchmarking exercise & commence with the development of the best practice standards and property skills. Submit report to Mayoral Committee.	75% completion of the best practice standards	25% completion of the best practice standards for COJ (100% cumulative from 3 rd quarter)
4.	Utilisation of the property portfolio to support the Housing Master Plan	4.1	Acquisition of properties to support housing master plan	New Indicator	17 Properties to be purchased to realise 15 000 housing units	Commence negotiations with owners to sign agreements	7 signed agreements	3 signed agreements (10 cumulative from 2 nd qtr.)	7 signed agreements (17 cumulative for 2011/2012 FY)
	Utilisation of the property portfolio to support the Housing Master Plan	4.2	Deliver affordable housing units via 3 rd party development projects.	New Indicator	300 Properties to be delivered	Commence with construction	Super structure completed	Handover of housing units to the housing department / Joshco	
5.	Ensure effective asset management and maintenance	5.1	Conduct physical verification of all property holdings on COJ owned land.	New Indicator	56000 properties Revised to 15000	Finalise appointment of service provider	22000 properties verified Revised to 500	20000 properties verified Revised to 4500	14000 properties verified Revised to 10000
		5.2	Develop a fixed asset management plan– in line with the City's planning process	New Indicator	A complete asset Management Plan	Formulate draft asset management plan policy	Formulate guidelines for implementation	Preliminary Segmentation of the property portfolio in line with policy	Segmentation of the property portfolio in line with the policy and finalization of the fixed asset management plan.



KPA No	Key Performance Areas (KPA's)	KPI No.	Key Performance Indicators (KPIs)	Baseline	Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4
6	Ensure effective property value creation	6.1	Perform highest and best use and investment analysis on developable land owned by the City (Industrial development zone) - to ensure effective property value creation	New Indicator	Identify property for the creation of 80 Industrial and commercial development zoned properties	Identify properties for highest and best use and develop a project plan	Conduct highest and best use exercise and investment analysis	Draft a proposal to COJ and submit to Mayoral.	Finalise proposals for creation of IDZ and commercial nodes.
7	Leverage and Facilitate the creation of jobs in property portfolio projects on Council owned land.	7.1	Create 800 jobs through property portfolio	New Indicator	Create 800 jobs	90 jobs :	150 jobs	180 jobs	380 jobs
8.	Ensure effective utilisation of the Property Portfolio to promote investment in COJ.	8.1	Third party investment on COJ property	New Indicator	Achieving R215 Million investment (construction value)	Achieve R20M investment	Achieve R65M investment	Achieve R65M investment	Achieve R65M investment
9.	Ensure financial sustainability by seeking alternative sources of revenue and maintaining prudential ratios and benchmarks	9.1	Implement the company's approved Turnaround Strategy in accordance with the implementation plan	New Indicator	50% implementation of the approved turnaround strategy	Conduct strategic workshops on the implementation of the strategy (internal and City)	10% implementation	15% implementation (25% cumulative from 2 nd qtr.)	25% implementation (50% cumulative from 3 rd qtr.)
		9.2	Maintain a sound Ratio of cost coverage	New Indicator	Not less than 1:1 ratio	1:1 or a favourable ratio	1:1 or a favourable ratio	1:1 or a favourable ratio	1:1 or a favourable ratio
		9.3	Maintain a sound Liquidity ratio	New Indicator	The ratio should be greater than 1.00	Value >1.00	Value >1.00	Value >1.00	Value >1.00
10.	Ensure overall effective financial management	10.1	% Spent on the JPC's capital budget	100%	100%	25%	25%	25%	25%
		10.2	% Variance on the operating budget	0% over the budgeted amount	0% over the budgeted amount	0% over budget	0% over budget	0% over budget	0% over budget



KPA No	Key Performance Areas (KPAs)	KPI No.	Key Performance Indicators (KPIs)	Baseline	Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4
		10.3	Attainment of clean audit report	Unqualified Audit Report	Unqualified audit report at the end of 2011/12 FY	Develop an OPCAR Tracking register and submit quarterly report to Exco	Follow up on the action plans and preventative internal controls. Get an independent verification of the implementation of the action plans. Submit quarterly progress report	Ongoing monitoring and submission of a quarterly progress report	Ongoing monitoring and submission of a quarterly progress report Attainment of a clean audit
11.	Contribute to the promotion of Joburg as a business and leisure tourism destination	11.1	DEFERRED TO 2012/13 FINANCIAL YEAR (11.1 per approved scorecard amendment report)						
			Plan and host an African Property Summit	New Indicator	Host the Property Summit in the fourth quarter of 2011/12 FY	Appoint event management service provider	Establish Event Committee & Draft detailed event-plan	Source sponsors and continue to market the event	Host the event
12	Ensure stakeholder awareness on COJ property portfolio and reputation management	12.1	Implement an integrated corporate communications program	New Indicator	50% Implementation of communications program.	Identify top 2 key stakeholders.	Develop a communications program; Branding of 10 land parcels; new offices and 5 projects; 3 Regional road shows.	25% implementation of the program Branding of 10 land parcels; 4 Regional road shows.	50% (cumulative) implementation of the program; Branding of 10 land parcels; 4 Regional road shows.
13.	Ensure an effective, clear and watertight SDA	13.1	Review and refine the company's SDA in accordance with the City's mandate for JPC	New Indicator	New SDA approved by Board and the City	Reviewed SDA will be presented to the City after the CoJ's institutional design process is finalised.	Review, together with the City, the refined SDA	Review and update the SDA and present to Board	Final SDA document approved by both the City and Board



KPA No	Key Performance Areas (KPA's)	KPI No.	Key Performance Indicators (KPIs)	Baseline	Target	Quarter 1	Quarter 2	Quarter 3	Quarter 4
14.	Ensure effective human resources management	14.1	Develop and implement a HR strategy for the company	New Indicator	50% implementation of the strategy.	Conduct an environmental assessment of JPC's Human capital needs	100% completed strategy approved by Remco	25% implementation of strategy	50% implementation (cumulative) of the strategy
15	Ensure Effective Risk Management	15.1	Implement the mitigating measures per the strategic risk register	New Indicator	100% Implementation of action plans	Review and finalise the strategic risk register.	Ongoing monitoring and submission of a quarterly progress report	Ongoing monitoring and submission of a quarterly progress report	Ongoing monitoring and submission of a quarterly progress report

ASSESSMENT OF ARREARS ON MUNICIPAL TAXES AND SERVICE CHARGES

Assessment of Municipal Taxes and Service Charges owed to the JPC

This section is not applicable to the JPC as the company is not responsible for the collection of municipal tax and/or service charges.

Amounts owed by the JPC for service charges

This section is not applicable to the JPC as the company is not responsible for the collection of municipal tax and/or service charges.

Assessment of Directors' and Senior Managers' Municipal Accounts

None of the directors or senior managers is in arrears with municipal accounts:

Name of Director/Senior Managers	Designation	Name of Municipality	Municipal Account Name/ Number	Account Status as at June 2011	Comments
Mr A Mabizela	Chairperson	CoJ	402675542	Current	None
Mr L Itholeng	Chairperson (Social & Ethics Committee)	CoJ	300839679	Current	None
Mr H Mashele	Non-executive Director	CoJ	3318472527 5001965456	Current Current	None
Mr T Hickman	Non-executive Director	CoJ	10147850	Current	None
Dr D Sekhukhune	Chairperson HR & Remunerations Committee)	CoJ	502453702	Current	None
Mr J Mabaso	Non-executive Director	CoJ	440406890	Current	None
Dr L Msengana-Ndlela	Non-executive Director	Tshwane	2067351222	Current	None
Ms S Childs	Non-executive Director	n/a	n/a	n/a	n/a
Prof. A Nevhutanda	Non-executive Director		47512555	Current	None
Ms T Molala	Independent Audit Committee Member	CoJ	901187636	Current	None
Mr V Mokwena	Independent Audit Committee Member	CoJ	504973087	Current	None
Mrs H Botes	Executive Director (MD)	CoJ	206875165	Current	None
Mr N Matlala	EM: Asset Management	Ekurhuleni	2101891306	Current	None
Mr S Mntungwa	EM: Property Development	CoJ	207170312	Current	None
Mr F Sardianos	EM: Property portfolio	CoJ	300845880	Current	None
Mr I Bhamjee	EM: Finance	Tshwane	3311770476	Current	None
Ms E Pedro	EM: Human Resources	CoJ	n/a	n/a	New property awaiting account
Mr T Mokataka	Manager: Legal Services	CoJ	505407782	Current	None
Mr S Ndlungwane	EM: Stakeholder Management	CoJ	504001229	Current	None
Ms K Muthwa	Chief Operating Officer	Tshwane			None
Ms V Morgan	Company Secretary	CoJ	n/a	n/a	New property awaiting account

STATEMENT ON AMOUNTS OWED BY GOVERNMENT DEPARTMENTS AND PUBLIC ENTITIES

This Section is not applicable as there are no amounts owed to the company by government departments and public entities.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

JPC confirms and acknowledges its responsibility to comply with the Code of Governance Principles ("the Code") as laid out in the King III Report on Corporate Governance for South Africa 2010. The Board of Directors discuss the responsibilities of management in this respect at Board meetings and monitor the company's compliance with the code on an annual basis.

All of the directors bring to the Board a wide range of expertise as well as significant financial, commercial and technical experience and, in the case of the non-executive directors, independent perspectives and judgment. The Board is responsible for setting the direction of the JPC through the establishment of strategic objectives and key policies. It monitors the implementation of strategies and policies through a structured approach to reporting on the basis of agreed performance criteria and defined written delegations to management for the detailed planning and implementation of such objectives and policies.

The Board retains full and effective control over JPC, meeting quarterly with additional ad hoc meetings when necessary, to review strategy and planning, and operational and financial performance. The Board authorises major capital expenditure, stakeholder communication and other material matters reserved for its consideration and decision. The Board also approves the annual budgets for the various operational units.

The Board is responsible for monitoring the activities of executive management within the JPC and ensuring that decisions on material matters are considered by the Board. The Board approves all the terms of reference for the various sub-committees of the Board, including special committees tasked to deal with specific issues.

While the Executive Director is involved with the day-to-day management of the JPC, the non-executive Directors are not, nor are they employees of the JPC. The directors have a responsibility to become acquainted with all of their duties, as well as with the issues pertaining to the operations and business of the JPC. The Board operates in a field which is technically complex and the directors are continually exposed to information which enables them to fulfil their duties. New board members were inducted by JPC on 5 June 2012 and CoJ on 20 July 2012.

CODE OF ETHICS

The CoJ has requested compliance by all the MOEs in adopting a Code of Ethics specific to each entity, which would direct the manner in which employees and directors execute their duties.

The Code of Conduct for Municipal Staff Members as in Schedule 2 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), and the Code of Conduct for Councillors are also respectively applicable to all employees and directors of the JPC as an MOE of the CoJ. The JPC implemented a Code of Ethics during the 2010/11 financial year, to ensure that the company conducted its business relationship with its clients and customers in an ethical manner and was designated according to national and international accepted standards of ethical behaviour.

The issue of confidentiality and disciplinary measures and processes were addressed in the JPC's employment contractual terms and conditions. All disciplinary processes were in accordance with the company's approved Human Resources Policies. Substantial and procedural fairness were exercised in all cases where offences occurred.

The Social and Ethics Committee convened the first meeting at the beginning of the 2012/13 financial year.

CONFLICT OF INTEREST

JPC is committed to upholding good corporate governance in all of its business dealings. JPC has an approved Board Charter regulating how the JPC's business is conducted and is based on the principles of good corporate governance in line with the governance framework adopted by the shareholder.

According to the Board Charter, Board members are required to declare any interest that they might have in the business of the JPC. The Board members are required to sign a "Declaration of Interest" form on an annual basis. They also sign a register in every sitting of the Board or any of its committees.

BREACH OF GOVERNANCE PROCEDURE

JPC confirms and acknowledges its responsibility to comply with the Code of Governance Principles ("the Code") as laid out in the King III Report on Corporate Governance for South Africa 2010. For the year under review, the JPC adhered to the Code of Governance Principles as set out in the King III report on Corporate Governance. The Board of Directors discusses the responsibilities of management in this respect, at Board meetings, and monitors the company's compliance with the Code on an annual basis.

The Board of Directors and Management recognise and are committed to the principles of openness, integrity and accountability advocated by the Code. Through this process, 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. Part of the mandate of the Audit and Risk Committee is the monitoring of the entity's compliance with relevant legislation and the Code. The entity endeavours to be fully compliant at all times.

Regulatory issues

The JPC is governed primarily by the Municipal Systems Act (as amended) and Municipal Finance Management Act No 56 of 2003 (MFMA) and its various regulations. The primary objective of the Act is to ensure sound and sustainable management of the Council and its various entities.

As a Proprietary Limited Company, the JPC was bound by the Companies Act, 1973. This Act has been replaced by the new Companies Act 2008, which came into operation in 2011 and the JPC shall ensure compliance with this act.

The company was well managed during the period under review and there was no breach of governance procedures and all legislation was adhered to as fully as possible.

GOVERNANCE STRUCTURES

The Sections below refer to the Governance structures in place.

Board of Directors – composition and information

The Board initially consisted of seven (7) Non-Executive Directors (Mr. John Buys (Chairperson), Dr Dorothy Sekhukhune, Advocate Du Toit Maritz, Mr Simphiwe Dzengwa, Mr Harry Mashele, Mr Leighton Itholeng and Ms Jocelyn Armstrong) and one (1) Executive Director (Ms Helen Botes) until the Annual General Meeting which took place on 25 April 2012. Four (4) Non- Executive Directors (Advocate Du Toit Maritz, Mr John Buys, Ms Jocelyn Armstrong and Mr Simphiwe Dzengwa) were retired at the AGM. Three (3) Non-Executive Directors (Dr Dorothy Sekhukhune, Mr Harry Mashele and Mr Leighton Itholeng) were reappointed. Seven (7) new Non- Executive Directors (Mr Andile Mabizela (Chairperson), Ms Shelley Childs, Dr Lindiwe Msengana-Ndlela, Professor

A. Nevhutanda, Mr Tom Hickman, Mr Jabu Mabaso and Ms Matsotso Vuso) were appointed to the Board. No changes were made to the Executive Director. The Board currently comprises of eleven (11) Directors which is made up of ten (10) Non-Executive.

The Board was initially chaired by, Mr John Buys, who was then retired on 25 April 2012 and is now chaired by , Mr Andile Mabizela with effect from 25 April 2012. The Board retained full control over the company. The Board remained accountable to the CoJ, the sole member and its stakeholders, the citizens of Johannesburg. A Service Delivery Agreement (SDA) concluded in accordance with the provisions of the MSA governs the entity's relationship with the CoJ. The Board provides quarterly, bi-annually and annual reports on its performance and service delivery to the CoJ as prescribed in the SDA, the MFMA and the MSA. The SDA is currently under review and is pending finalisation of the institutional review.

The roles of the Chairperson and Managing Director are separate, with responsibilities divided between them. The Chairperson has no executive functions.

The Board is responsible for setting the direction of the JPC through the establishment of strategic objectives and key policies. It monitors the implementation of strategies and policies through a structured approach to reporting on the basis of agreed performance criteria and defined written delegations to management for the detailed planning and implementation of such objectives and policies.

Members have unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees on matters including compliance with Company Rules and Procedures, statutory regulations and best corporate practices. Directors are also entitled to seek independent professional advice concerning the affairs of JPC at JPC's expense, should they believe that such course of action undertaken would be in the best interests of JPC.

The Board of Directors has adopted the Board Charter which encapsulates the CoJ Group Policy on shareholder governance of boards of directors of MOE's this includes matters of ethics, procedure and the conduct of Board members. The Board and Senior Management ensure material compliance with relevant legislation.

The Board met nine (9) times during the period under review.

Board Committees

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

- Audit and Risk Committee
- Remuneration and Human Resources Committee
- Transactions Committee
- Social and Ethics Committee

Audit and Risk Committee

Proceeding the 25 April 2012 Annual General Meeting, the Committee consisted of four (4) members, made up of two Non-Executive Directors (Ms Jocelyn Armstrong (Chairperson) and Mr Harry Mashele) and two (2) Independent Audit Committee Members (Ms Tshidi Molala and Mr Vusi Mokwena). As of 25 April 2012 Ms Jocelyn Armstrong was retired as a Non-Executive Director and Mr Thomas Hickman was appointed as a Non-Executive Director and member of the Audit and Risk Committee. Mr P Moodley was appointed as an Independent Audit Committee Member. Mr Harry Mashele (Non-Executive Director), Ms Tshidi Molala (Independent Audit Committee Member) and Mr Vusi Mokwena (Independent Audit Committee Member) were reappointed as Audit Committee members in their previous capacities. The Audit and Risk Committee now consists of five (5) members, two (2) Non-Executive Directors (Mr Harry Mashele (Chairperson) and Mr Tom Hickman) and three (3) Independent Audit Committee Members (Ms Tshidi Molala, Mr Vusi Mokwena and Mr

Pooven Moodley).

The role of the Audit and Risk Committee is to assist the Board by performing an objective and independent review of the functioning of the organisation's finance and accounting control mechanisms. The Committee exercises its functions through close liaison and communication with management and the internal and external auditors.

The Committee has been delegated the task of overseeing the quality, integrity and reliability of the company's risk management function. In terms of its mandate, it reviews and assesses the integrity and the quality of risk control systems and ensures that risk policies and strategies are effectively managed. The committee met seven (7) times during the year under review.

The Audit and Risk Committee operates in accordance with written terms of reference authorised by the Board, and provides assistance to the Board with regard to:

- Ensuring compliance with applicable legislation and the requirements of regulatory authorities;
- Matters relating to financial accounting, accounting policies, reporting and disclosures;
- Internal and external audit policy;
- Activities, scope, adequacy and effectiveness of the internal audit function and audit plans;
- Review/approval of external audit plans, findings, problems, reports and fees;
- Risk Management;
- Compliance with the Code of Corporate Practices and Conduct; and
- Compliance with the Code of Ethics.

Remuneration and Human Resources Committee (REMCO)

For the period preceding the Annual General Meeting of 25 April 2012 REMCO consisted of three (3) Non-Executive Directors (Dr. Dorothy Sekhukhune (Chairperson), Mr. Leighton Itholeng and Advocate Du Toit Maritz). One Non-Executive Director (Advocate Du Toit Maritz) was retired on 25 April 2012. Mr. Leighton Itholeng retired as a member of REMCO on 5 June 2012 four (4) Non-Executive Directors were appointed to REMCO (Dr. Dorothy Sekhukhune (Chairperson), Ms. Shelley Childs, Professor Alfred Nevhutanda and Mr. Tom Hickman) on the same date.

The Remuneration and Human Resources Committee advises the Board on human resources policies, remuneration and other conditions of employment for senior management.

The Committee met four (4) times during the year under review.

Transactions Committee

The Transactions Committee preceding the 25 April 2012 Annual General Meeting consisted of three (3) Non-Executive Directors (Mr Leighton Itholeng, Advocate Du Toit Maritz, Mr Simphiwe Dzengwa (Chairperson)). Two Directors (Advocate Du Toit Maritz, Mr Simphiwe Dzengwa (Chairperson)) were retired from the Board on 25 April 2012. The Transactions Committee now consists of five (5) Non-Executive Directors consisting of Committee (Professor Alfred Nevhutanda (Chairperson), Dr Dorothy Sekhukhune, Mr Harry Mashele, Mr Leighton Itholeng and Mr Jabu Mabaso).

All property transactions are considered by the Transactions Committee which makes recommendations to the Board or the shareholder. The Committee has delegated powers from the Board to deal effectively with certain operational issues relating to the property portfolio of the shareholder and operates within the terms and references approved by the Board.

The Transactions Committee met five (5) times during the year under review.

Social and Ethics Committee

The Social and Ethics Committee is a newly established committee and consists of four members. Two (2) Non-Executive Directors are appointed to the committee namely Mr. Leighton Itholeng

(Chairperson) and Ms. Shelley Childs as well as two prescribed Officers namely Ms. Kululwa Muthwa (Chief Operations Officer: JPC) and Ms. Ellenise Pedro (Executive Manager Human Resources: JPC)

The purpose of the Committee is to monitor the Company’s activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice. It looks into the social and economic development, including the Company’s standing in terms of the goals and purposes, good corporate citizenship, the environment, health and public safety, consumer relationships, including the Company’s advertising, public relations and compliance with consumer protection laws; and labour and employment. This Committee was only established on 19 April 2012.

The Committee has not met during the period under review but met shortly after the financial year end.

Schedule of attendance of meetings

Attendance at meetings held during the year was as follows:

Board	Audit and Risk	REMCO	Transactions
29 July 2011	15 July 2011	26 July 2011	30 August 2011
01 November 2011	15 August 2011	26 October 2011	22 September 2011
24 November 2011	18 October 2011	25 January 2012	29 November 2011
7 December 2011	28 October 2011	11 April 2012	26 March 2012
19 January 2012	23 November 2011		11 April 2012
30 January 2012	26 January 2012		
19 April 2012	17 April 2012		
24 April 2012			
5 June 2012			

Remuneration

The table below reflects the remuneration of the Board of Directors during the period under review. Non-executive directors received fees for their contribution to the Board and the Board sub-committees on which they served. The remuneration of the non-executive directors was in line with the provisions set by the CoJ.

	Name of Director	Meetings Attended	Emoluments	Retainer	Total
1	Mr L Itholeng	17	R 76 400.00	R 19 840.00	R 96 240.00
2	Mr J Buys	12	R 138 880.00	R 33 062.50	R 171 942.50
3	Adv D Maritz	15	R 66 480.00	R 16 533.33	R 83 013.33
4	Dr D Sekhukhune	13	R 68 448.00	R 19 840.00	R 88 288.00
5	Ms J Armstrong	12	R 84 320.00	R 16 533.33	R 100 853.33
6	Mr S Dzengwa	14	R 73 410.00	R 16 533.33	R 89 943.33
7	Mr H Mashele	14	R 79 360.00	R 19 840.00	R 99 200.00
8	Mr A Mabizela	1	R 9 920.00	R -	R 9 920.00
9	Dr L Msengana-Ndlela	1	R 4 960.00	R -	R 4 960.00
10	Ms M Vuso	0	R -	R -	R -
11	Mr T Hickman	1	R 4 960.00	R -	R 4 960.00
12	Mr J Mabaso	1	R 4 960.00	R -	R 4 960.00
13	Ms S Childs	1	R 4 960.00	R -	R 4 960.00

	Name of Director	Meetings Attended	Emoluments	Retainer	Total
14	Prof. AN Nevhutanda	1	R 4 960.00	R -	R 4 960.00
TOTAL			R 622 018.00	R 142 182.49	R 764 200.49

Independent Audit Committee members

	Name of Director	Meetings Attended YTD	Emoluments	Retainer	Total
1	Mr V Mokwena (Independent Audit Committee Member)	8	R 29 760.00	R 19 840.00	R 49 600.00
2	Ms T Molala (Independent Audit Committee Member)	7	R 34 720.00	R 19 840.00	R 54 560.00
TOTAL			R 64 480.00	R 39 680.00	R 101 160.00

Total Non-Executive Director and Independent Audit Committee Member Remuneration

	Type	Emoluments	Retainer	Total
1	Non-Executive Directors	R 622 018	R 142 183	R 764 200
2	Independent Audit Committee Members	R 64 480	R 39 680	R 104 160
GRAND TOTAL		R 686 499	R 181 683	R 867 360

Senior Management remuneration

JOB TITLE	REMUNERATION (CASH)	TRAVEL ALLOWANCE	TOTAL COST TO COMPANY (Exclusive of company contribution to EJoburg)	PERFORMANCE BONUS (2011 & 2012)	OTHER (Contribution towards E-Joburg Pension Fund)
Managing Director	R 996 461.28	R 250 000.00	R1 246 461.28	R 286 582.80	R 0
Chief Operations Officer (COO)	R 896 252.72	NIL	R 896 252.72	R 54 657.53	R 128 982.99
Executive Manager : Finance	R 836 491.47	R 96 000.00	R 932 491.47	R 204 310.40	R 131 075
Company Secretary	R 707 345.75	NIL	R 707 345.75	R 158 311.37	R 110 636.62
Executive Manager: Property Management	R 878 026.68	NIL	R 878 026.68	R 195 384.16	R 131 075
Executive Manager: Human Resources	R 784 992.00	NIL	R 784 992.00	R 32 991.67	R 126 276.66
Executive Manager: Property Development	R 919 419.36	NIL	R 919 419.36	R 182 223.97	R 137 254
Executive Manager: Asset Management	R 763 776.00	NIL	R 763 776.00	NIL	R 114 019
Senior Legal Manager	R 499 819.81	NIL	R 499 819.81	R 58 470.72	R 73 038.94
Executive Manager: Stakeholders Management	R 387 097.76 Resigned 31/12/2011 6 (six) months	NIL	R 387 097.76	NIL	R 60 298.15
Executive Manager: Stakeholders Management	R 169 235.51 New appointment 01/04/2012 3 (three) months	NIL	R 169 235.51	NIL	R 0

INTEGRATED SUSTAINABILITY REPORT

SUSTAINABILITY VISION, STRATEGY AND PRINCIPLES

A company's performance is determined not only by its environmental and social activities, but also by its economic achievements. The JPC sustainability vision is in meeting business objectives, continuing to enhance stakeholder value, managing risks and focusing on opportunities posed by economic, social, human and environmental capitals within the company's scope of influence.

The JPC's approach takes into cognisance the core values of the company, and these are consistently applied to all its activities and decision-making. The company endeavours to drive service delivery excellence as well as to instil a sense of responsibility through its operations as well as amongst its staff in the sphere of both economic and social environments. JPC therefore focuses and reduces the risk of anything that will undermine this achievement.

Although JPC bases its policy development on the strong policy foundation of the City and its mandate on the SDA and City strategies, the degree to which these policies and mandate are effectively implemented is a challenge. There are a number of reasons for this:

- The mandate focuses on the maximisation of both social and economic opportunities and has not been reviewed since the inception of the JPC;
- Over the years, the JPC has been forced to balance business priorities with meeting the organisation's financial/economic goals as well as its socio-economic objectives;
- A review of the JPC operations over the past few years reveals that the organisation has demonstrated a bias towards its financial/economic priorities;
- Over the years, the JPC has been expected to contribute financially to the coffers of the City of Johannesburg and this requirement has increased substantially over the past year;
- Reduction in financial assistance from the shareholder and the urgency of the entity to generate its own revenue;
- The requirement of all entities in the city to contribute to increasing investment, job creation and ultimately contributing to the City achieving its 9% economic growth by 2014;
- The implementation of the mandate and most policies is dependent on financial resource availability; and
- Lack of relevant capacity and skill further hampers the growth and success of the organisation.

The impact of these challenges is a brittle foundation for effective service delivery relating to responsibilities, deliverables, and authorities and reporting. Effectively there is a breakdown of relations with the JPC's stakeholders, hence poor delivery on JPC's objectives. The company's service delivery efforts are being compromised and require immediate attention and corrective action.

JPC has therefore implemented the turnaround strategy which aims to improve the operational efficiencies and financial sustainability in the short- to medium-term. In the long-term, the strategy focuses on extending the company's mandate, while maintaining a strong core. This long-term strategic approach aims to achieve long-term and recurring financial returns by maximising the performance of the portfolio, while still maintaining a stringent focus on efficiencies in the core.

During the financial year, the JPC has strived to position and manage the property holdings of the CoJ as a strategic and a valuable source which provides economic and financial returns as well as social benefits in line with the CoJ's priorities. In the 2012/13 financial year JPC will review this strategy due to the institutional review.

MATERIAL ISSUES

The table below identifies the main material issues:

Chapter	Material Issues	Key Indicators	Status	Looking Forward
Serving our customers	Customer feedback: ensuring we engage	Percentage achievement of	A stakeholder survey was undertaken to determine how the	On-going surveys and market analysis will suggest relevant new directions and

Chapter	Material Issues	Key Indicators	Status	Looking Forward
	with and respond to our customers	service levels Number of complaints	community benefits from the services rendered by the JPC– 85% satisfaction was achieved.	offerings that our stakeholders would prefer. Conduct research and surveys constantly to effect service delivery and product knowledge improvement.
Ensuring ethical behaviour	Promoting ethical behaviour among our employees: Code of Conduct Policy and protecting our properties and employees from fraudulent activity	Measurement of internal fraud by the Audit and Risk Committee	A fraud hotline was implemented.	To ensure that our employees maintain their integrity by implementing and monitoring a fraud policy and a fraud hotline A social and ethics committee was formed and met in the 1 st quarter of the 2012/13 financial year
Supporting our communities	Corporate social investment; social projects	Number of jobs created; amount of training; social projects	1 086 jobs were created; 49 social leases were concluded and land was acquired for the construction of housing units.	To continue to create jobs to the EPWP programme; support social projects and housing initiatives

SUSTAINABLE COMMITMENTS

The JPC in its initiatives for the 2011/12 financial year responded to each of the Mayoral priorities. The JPC’s projects were aimed at achieving the following outcomes for the City and its citizens:

- Realising value (social, financial and economic) for the CoJ;
- Supporting economic development and aligning the CoJ property portfolio with CoJ priorities;
- Increasing effectiveness and efficiencies in respect of municipal and social use properties; and
- Managing risk and return with respect to the property portfolio and property transactions for the CoJ.

RISK MANAGEMENT GOVERNANCE AND PROCESSES

RISK MANAGEMENT AND INTERNAL CONTROLS

JPC is constantly developing and enhancing its risk and control procedures to improve mechanisms for identifying and monitoring risks. The company’s risk registers assist in measuring the intrinsic risk of the business. Risk Governance is a key focus of King III as it is required that the board should exercise leadership to prevent risk management from becoming a series of activities that are detached from the realities of the company’s business. Risk is positioned as a cornerstone of corporate governance and risk governance is substantially different to the requirement to implement risk management. The company appointed a risk manager to focus on monitoring the implementation of the risk mitigating measures. Unfortunately Risk Management was then outsourced due to the resignation of the Manager.

Risk management focuses on improving the overall Enterprise Risk Management (ERM) maturity rating from “weak” to “strong”. When the City assessed all factors of ERM, the ERM maturity rating for the JPC was found to be inadequate. The following factors will be improved in the 2012/13 financial year:

- Positioning of the risk management function within the corporate office – administrative and functional;

- Vigorous risk consideration at audit and risk committees – process and exposure;
- Adequacy of the risk management plans;
- Methodology to assess tolerance and appetite;
- Risk and performance reporting;
- Level of assurance achieved – combined assurance;
- Risk ownership – process and risk specific; and
- Consideration of compliance exposure – management and governance.

In order to meet its responsibility with respect to providing reliable financial information, JPC maintains financial and operational systems of internal controls. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management authority, that the assets are adequately protected against material loss or unauthorised acquisition, use or disposal and ensure that transactions are properly authorised and recorded.

The system includes a documented organisation structure and visions of responsibility, established policies and procedures, including a Code of Ethics to foster a strong ethical climate, which is communicated to the parent municipality.

The Board, operating through the Audit and Risk Committee, provides supervisions of the financial reporting process and internal control systems. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls.

JPC Risk Management

The JPC, assisted by JRAS, completed a strategic risk register and prioritised the top ten risks as at June 2012. The company is, however, going to review its risk register, taking into account audit issues raised by the Auditor-General, the institutional review and the introduction of new risks, if any.

At the end of the financial year JPC acknowledges 2 key risks mainly staff in terms of the transition due to the institutional review and funding which has been a recurring risk in recent years. Vigorous oversight of the review is underway in terms of weekly institutional review task team meetings and a board risk and governance workshop to be held in October 2012.

Internal Audit Function

PricewaterhouseCoopers (PWC), the outsourced internal auditors, developed an annual audit plan and conducted audits on a quarterly basis. The internal auditors present reports to the Audit and Risk Committee and to the Auditor-General.

Response to the Auditor General's Report

The external audit is done once a year by the Auditor General. The JPC received an audit report with emphasis of matter for the 2006/07, 2007/08, 2008/09, 2009/10, 2010/11 and 2011/12 financial years. Matters reported on by the Auditor General were successfully resolved and cleared. The following issues were raised by the Auditor General for the year ended June 2012.

Matters raised by the Auditor-General

Pages 39 to 41 of the annual financial statements indicate unauthorised, fruitless and wasteful expenditure as well as irregular expenditure and deviations from the supply chain regulations.

Unauthorised expenditure

Unauthorised expenditure of R1, 763,997 was identified which relates mainly to the loss on disposal of assets and rental of office premises.

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure of R15, 736 was identified which related mainly to SARS penalties and interest.

Irregular expenditure

Irregular expenditure of R14.215, 888 was identified as a result of non-compliance with supply chain regulations as this expenditure did not meet the requirements of regulation 36(1). Detailed information is available in the annual financial statements pages 40 and 41.

Deviations from supply chain management regulations

Deviations from the supply chain management regulations of R1, 419,068 was identified which related mainly to the JPC corporate DVD and office refurbishment.

Management has noted the findings and has moved to cancel some of the contracts and have made full disclosure in the financial statements.

Some of the matters highlighted with respect to non-compliance with the supply chain regulations will be addressed in the review of the supply chain policy.

More attention will be paid to the internal controls particularly the financial, performance objectives and compliance with laws and regulations.

Business Continuity Planning

- A business continuity management (BCM) strategy is in existence. A holistic management process to address these risks adequately and a framework to build operational resilience using a phased approach were implemented. Disaster recovery plans were also developed.
- A crisis management plan was defined, and investment in network infrastructure and redundancy has continued, with operating companies adopting network architecture design principles coupled with major investments to improve network redundancy. This has significantly enhanced JPC's capability to respond effectively in order to safeguard the interests of key stakeholders.

Fraud Management and Fraud Hotline

During the 2010/11 financial year JPC implemented a fraud hotline which is still in use. The Audit and Risk Committee of the board will receive quarterly updates on matters reported and their status at a strategic level.

Legal Support and Compliance Programme

The aim of JPC is to be 100% compliant with all relevant legislation and regulations; to develop land/property acquisition, land/property management and utilisation and a land/property disposal policy in line with the Government Wide Immovable Asset Management Act.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement

Stakeholder engagement has been given increased focus in King III. According to the principles of governance and accountability espoused in King III, corporate citizen are responsible to a wide number of stakeholders, and not merely their shareholders. Consequently, JPC views all persons, organisations or groups that influence, or that are affected by our business activities, policies or strategic objectives, as stakeholders. JPC has identified the following as key stakeholders: the City of Johannesburg, the public or customers, employees, local communities and civil society organisations, regulators, and suppliers and service providers.

Stakeholders	Engagement methods
<ul style="list-style-type: none"> <input type="checkbox"/> City of Johannesburg (CoJ) <input type="checkbox"/> The public and customers <input type="checkbox"/> Employees <input type="checkbox"/> Local communities and civil society organisations <ul style="list-style-type: none"> • Regulators • Suppliers and service providers • Trade unions 	<ul style="list-style-type: none"> <input type="checkbox"/> Community forums <input type="checkbox"/> Focus groups <input type="checkbox"/> Visual service delivery forums <input type="checkbox"/> Regular meetings with the CoJ and other municipal owned entities <ul style="list-style-type: none"> • Other one-on-one meetings • Labour forums and bargaining councils • Customer satisfaction surveys • Community and customer summits
Material stakeholder issues affecting the integrated report	
<ul style="list-style-type: none"> • Performance against the CoJ's integrated development plan (IDP); • Service delivery; • Financial sustainability; • Regulatory compliance; • Environmental compliance; • Economic development and job creation; • Customer responsiveness and improving the public image of JPC; and • Employees: employment equity, health and safety, human capital investment. 	

Specific stakeholder engagements

Stakeholder	Engagements
CoJ	COJ is the sole shareholder and as such is kept updated on its financial results and its performance against the key performance indicators and pre-determined objectives, as well as against the City's Integrated Development Plan. Regular meetings are held between the City of Johannesburg and other municipally owned entities (MOE's).
The public	The public is engaged via community forums, focus groups and visual service delivery forums. JPC strives to maintain effective communication with its employees through staff meetings, information boards, the intranet and websites, monthly and quarterly print media etc. On a collective level, JPC also engages with trade unions by means of labour forums and bargaining councils.
Suppliers and service providers	JPC engages on a regular basis with its main stakeholders, namely Department of Urban Management responsible for the spatial development of the City, Department of Economic Development responsible for the economic growth of the City, Joburg Development Agency responsible for project management within the COJ, the Department of Housing responsible for the provision of housing to communities and stakeholders. These forums have resulted in an

integrated approach to address these challenges without unnecessary delays that will impact on customers. In addition, when necessary, meetings are held between relevant officials to discuss and resolve issues on a wide variety of topics which are of mutual interest.

The importance of stakeholder management in JPC is to support the company in achieving its strategic objectives by interpreting and influencing both the external and internal environments and by creating positive relationships with these stakeholders through the appropriate management of their expectations and agreed objectives. Below are some of the activities embarked upon by the company in its endeavor to improve the relationship with its stakeholders:

Stakeholder Consultation

The company has to date conducted 11 road shows. The objective of these road shows was to firstly improve the relationship of JPC and key stakeholders, secondly, to clarify to and educate the stakeholders of the company's overall business activities.

Communication

An integrated corporate communications program was developed and 50% implemented. The program has been developed around the following principles:

- The overall communications thrust;
- The stakeholders that will be addressed;
- Stakeholder needs;
- The timings and where appropriate the frequencies of the messages;
- The message content;
- The most appropriate media;
- Objection and rogue message handling; and
- Communications responsibilities.

Openness and Transparency:

JPC adhered to openness and transparency by ensuring that all stakeholders are informed of developments and the performance of the company. Presentations were made and reports submitted to various City of Johannesburg Committee structures. All awards were made on a competitive basis in terms of the Supply Chain Management Policy for Land (SCMPL).

ECONOMIC IMPACT

The following were achieved in the period under review:

- To increase the economic base of underdeveloped areas of the City, JPC supported the Area Based Economic Development Programme.
- There was an increase in private sector investment.

SOCIO-ECONOMIC DEVELOPMENT

The following aspects/programmes were supported in the period under review:

NGO/CBO Support Programme

Several social properties have been identified for renewal and the conclusion of new leases. These properties vary from scout halls to crèches, municipal offices, schools in Soweto and other NGO occupied properties.

Skills Development Programme

To increase the number of beneficiaries reached by the City, the JPC facilitated a skills development programme and 1118 jobs were created in construction on Council-owned property.

TRANSFORMATION AND EMPOWERING EMPLOYEES

JPC's contribution to transformation and in terms of the property charter led to the establishment of a unit to focus on transformation and social-economic projects. It aims to harness the City of Joburg's property portfolio transactions by increasing economic growth and implementing Black Economic Empowerment (BBBEE). This will create jobs and economic opportunities for disadvantaged communities and business sectors. Transformation in JPC will focus on ensuring that all transactions include social transformation, economic development and investment in communities and their members, particularly among the disadvantaged youth, women and disabled persons.

Supply Chain Management and Black Economic Empowerment

The policy for SCM Policy for land is currently being reviewed by JPC. The review is aimed at improving service delivery and operational efficiencies to ensure that the land is the main driver of transformation. The policy SCM policy for goods and services on the other hand was approved in June 2010 and undergo annual assessment to ensure alignment with any policy or best practice amendments.

Employment Equity

The company currently conducts its business with a staff compliment of 126 employees. This includes 10 temporary staff. Additional temporary workers are employed to address staff shortages as and when the need arises.

HIV/AIDS in the workplace

Though there are no known cases of HIV/AIDS at JPC, HIV/AIDS could have an impact on the following risk areas: operations, target market risk, supplier risk, legal risk and health risk. While all these risks are under further investigation, JPC adopted the following core principles as a basis for its HIV/ AIDS Policy:

- Continuously assess the risks posed by HIV/AIDS to the business;
- Limit the number of new infections among employees;
- Ensure employees living with HIV/ AIDS are aware of their rights and that their rights are respected and protected; and
- Provide care and support to employees living with HIV/AIDS.

ENVIRONMENTAL RESPONSIBILITY

The JPC addresses Environmental Programmes and Initiatives in the management of the CoJ's property portfolio and Environmental Impact Assessment (EIA) is compulsory for all projects.

INFORMATION TECHNOLOGY (IT) GOVERNANCE

For the first time the King Committee on Corporate Governance has addressed the issue of corporate governance for information technology. In doing so the third report on Governance in South Africa has addressed the pervasive nature of information technology, its importance as part of the business strategy and the significant additional risks it introduces.

JPC assesses its Information Technology Governance arrangements against King III using PwC's proprietary assessment tool by completing the self-assessment and documenting responses.

ACRONYMS AND ABBREVIATIONS

TERM	DETAIL
ATR	Annual Training Report
CBO	Community Based Organisation
CoJ	City of Johannesburg
CAPEX	Capital Expenditure
FMMU	Facilities Management and Maintenance Unit
DPUM	Department of Planning and Urban Management
JMPD	Johannesburg Metro Police Department
GDS	Growth and Development Strategy
GIS	Geographic Information System
GIAMA	The Government Immovable Asset Management Act
IDP	Integrated Development Plan
JRA	Joburg Roads Agency
JPC	City of Joburg Property Company (SOC) Ltd
Joshco	Joburg Social Housing Company
MFMA	Municipal Finance Management Act
MOE	Municipal Owned Entity
NGO	Non-Government Organisation
LIS	Land Information System
OPEX	Operational Expenditure
PIMS	Property Information Management System
POWA	People Opposing Women Abuse
RFP	Request for Proposal
SAPOA	South African Property Owners Association
SMME	Small Medium Micro Enterprise
WSP	Workplace Skills Plan



ANNEXURE A
ANNUAL FINANCIAL STATEMENTS