



JHC ANNUAL REPORT 2016

IN THE MID-1990s

Launching into a high-risk environment

In the mid-1990s, when JHC was launched, the Johannesburg inner city was widely seen as a high-risk environment. Bishop Mvume Dandala, first Chairman of the JHC Board, remarked of that time:

“Many people said we were mad. The inner city was rough, uncontrollable, and unbankable and should be abandoned to ‘them’. I often wonder about the assumption and consequences of following through this advice. For what was being advocated was the abandonment of billions of rand of investment in property and infrastructure.

“The term ‘them’ was used to diminish thousands of people who had taken their futures into their own hands by moving from the physical and spiritual poverty of apartheid ghettos to the relative freedom and opportunity of inner cities. Was the JHC being asked by the conventional wisdom of the day to consign this massive investment, this huge human response to political and economic opportunity, to oblivion?”

Obviously, JHC did not take the conventional wisdom of 1994 to heart. By 2005, ten years into its operations, the company had invested millions of rand into the inner city, it owned 21 buildings across Johannesburg, providing some 2 400 homes, accommodating about 8 000 people. Today, in its 21st year of operation, JHC owns 34 buildings across the inner city, providing more than 4 000 flats which are home to more than 12 000 people.

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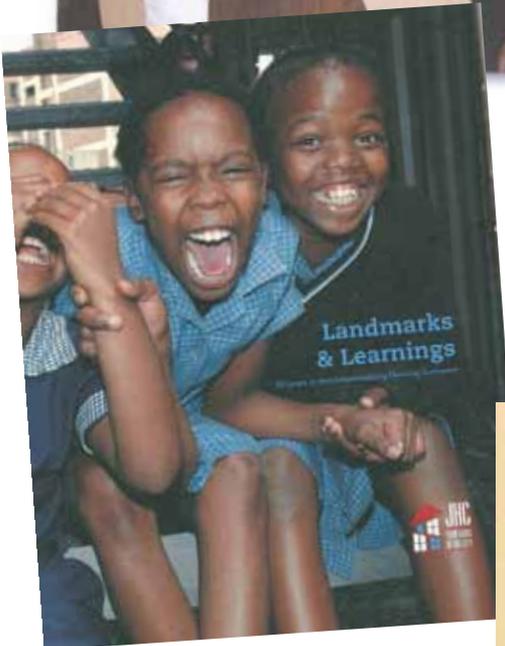
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JHC Special Projects Division Feature **JHB HOUSING**

"JHC is seen as the exception to the rule when it comes to the performance of a Social Housing Institution in South Africa. It runs at an operational surplus, is growing organically, is making use of economies of scale and is able to access private debt and equity funding. How has it managed this in the same environment as all other social housing institutions in South Africa"
 – Social Housing Review 2005.

10th Birthday

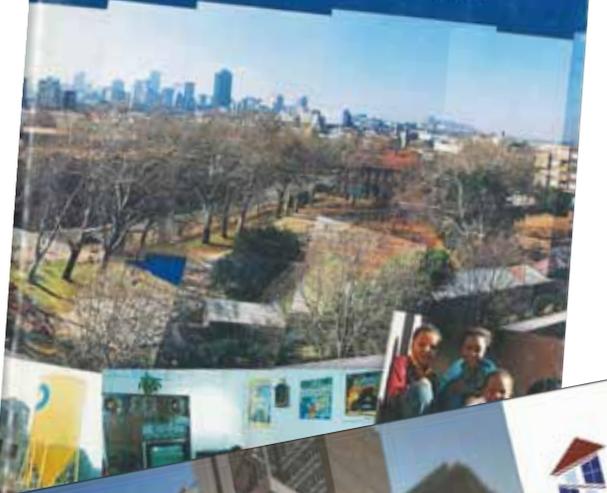
is that learning is the major requirement for growth and success," said Adler. Murphy Masiba, chairman of the JHC said 10 years was both "a long and a very short time" for a project as ambitious as the Johannesburg...



Landmarks & Learnings

End of the beginning

Five years of JOHANNESBURG HOUSING COMPANY



Buildings... The... had lost... Under the... payment of... growing power... by an... further degradation... Because of the new local... enforcement of... and traffic... laws fell by the... The social... by a lack of... accountability... common value... tenants, building... local... An... did... the effect of... social... health facilities... utilities and... Some of the... in the city at... those that had... with... Lack of... rising... increasing... led to the... debt to banks and... for utility... well as declining... maintenance... This response... of inner city... put the brakes on...

Entering the lower income housing market on a sustainable basis

The... project is a... for the... Fund. It says that... of the... (GPF). Elze... "The project succeeded in bringing together both public and private sectors to invest in housing in... which is one of the key objectives of the... Partnership Fund... also... In phase one of the project, the... (GPF) joined... to the... and... Fund and... the... of... GPF... R20 million to phase one of the project in 2005... In 2006... for the... used in... in February 2008. The total... of GPF in... R243 million which... private sector... of about... The... GPF... private... should they... into a... GPF... long term... equity... This... to equity...



Elze Steyn, chief executive of the Gaining Partnership Fund (GPF)

types of... should be a... of... of... by... to... of... This... investment... to... also... better... accountability... in the long term... of projects... Gaining... to... for both... and the... for the... of the... Steyn... the role of the... Fund to... to... under the... to... that... to... of... The... Fund in... with the... as the... Services... that... between...

Chairperson's Report



Bishop M. Dendele

I wish to start this report marking the Johannesburg Housing Company's (JHC's) first five years by making a bold statement.
 The city of Johannesburg is being successfully reclaimed.
 When we decided to invest in the inner city, at a time when many were fleeing northwards, our decision appeared to be sheer madness. However, in partnership with the other organisations, which have had faith in the inner city, that decision has been vindicated and is paying very satisfying dividends. I am very proud to be able to say that JHC is among those who are achieving what others thought impossible.
 This success has a very powerful message to convey to the whole country. If we can reclaim a derelict and fast-decaying city and transform it, then all the problems that appear insoluble, all the obstacles that appear insurmountable, are within the bounds of the possible. They are within the scope of what can be achieved.

Then and Now

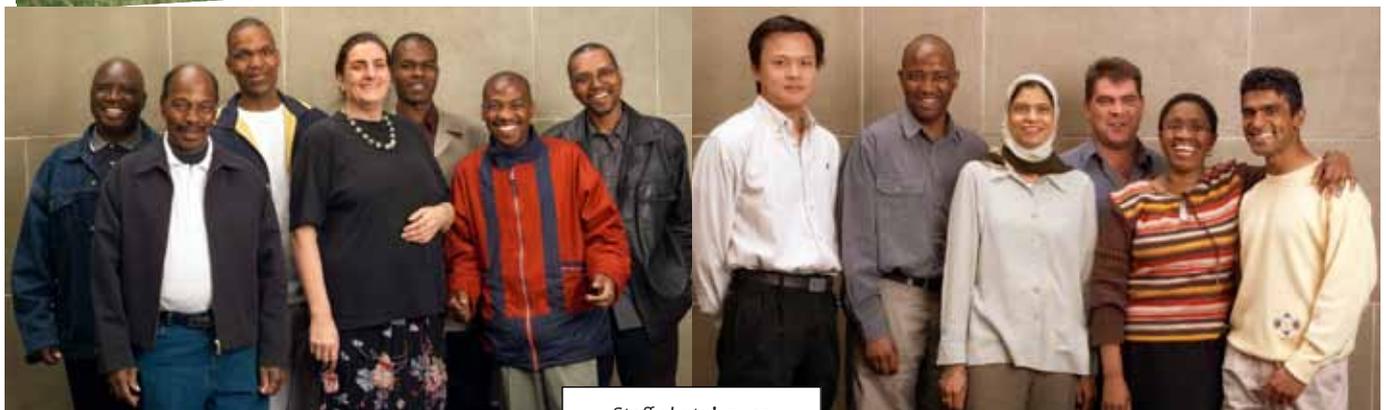
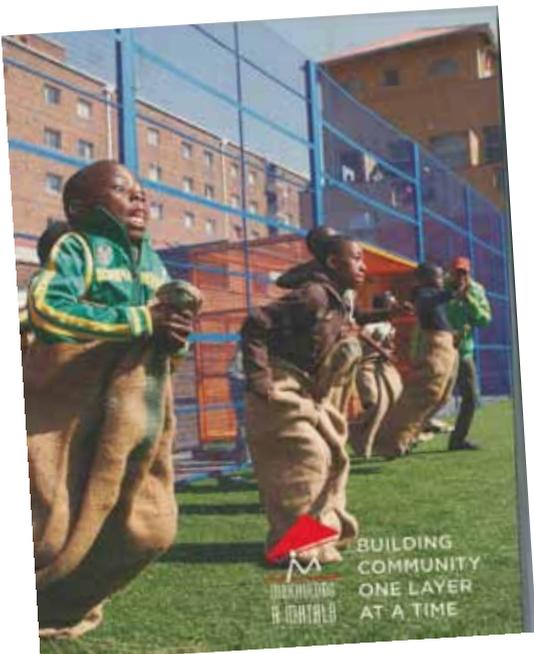
This year, JHC celebrates its 21st year in operation. Over the years, it has witnessed significant changes in the Johannesburg inner city. There has been substantial investment – from both public and private sectors – in the regeneration and renewal of the city. Johannesburg has become an inclusive city, home to a shifting and seemingly ever-growing population, a magnet for people from all walks of life – people claiming their space in the city where they were born and others in search of new opportunities.

Despite the successes that have been achieved however, the city remains vulnerable to pockets of degeneration, the pressures imposed by increasing demands on city services, inadequate maintenance of its aging infrastructure and weaknesses in urban management and bylaw enforcement.

Amidst the challenging dynamics of this urban environment, JHC has continued to grow and has

contributed significantly to the transformation of the inner city, creating the space for a new residential market to emerge. Where JHC opened the way for the development of social housing as a new tenure option in the mid-1990s, others followed. The social housing sector is now supported by many more players across the inner city and the housing market has evolved to embrace a much wider reach of people who are choosing to make the city their home.

Following its successful drive for further growth over the past five years, JHC is now ready to leverage its competitive positioning in the social housing sector, to identify new opportunities for further development and secondary revenue streams, building on its existing assets and strengthening its existing capacity and systems to ensure the company's continuing long-term sustainability and success. This is the overarching focus for JHC through the next five years.



Staff photo's 2003

IN 2000

Taking stock

In 2000, after its first five years, JHC took stock of its lessons and its achievements. *End of the beginning – Five Years of Johannesburg Housing Company* was published. In this record of JHC's progress and looking to the path ahead, Bishop Mvume Dandala stated:

“Our financial figures are based on firm and sound business principles. The major difference between us and other businesses is that all profits go back to the company to realise our mission – to deliver safe, affordable and comfortable housing. We hope to demonstrate to the South African business sector that a company that is sensitive to people, is owned by and belongs to non-profit organisations, can be run in a professional manner.”

While JHC's core mission is a social one, the company has never lost sight of the fundamental requirement of ensuring its long-term financial sustainability in order to drive its social mission.



Key Performance Figures (JHC Group)

	2016	2015	2014	2013	2012
Financial Performance					
Total Assets	R1.543 billion	R1.356 billion	R1.102 billion	Rm 985.1	Rm 892.3
Total Investment Properties	R1.312 billion	R1.148 billion	Rm 967.0	Rm 863.6	Rm 732.6
Total Revenue	Rm 226.3	Rm 204.5	Rm 179.0	Rm 149.5	Rm 132.9
Total Expenditure	Rm 146.5	Rm 123.6	Rm 113.6	Rm 98.7	Rm 90.1
Operating profit after tax ¹	Rm 55.2	Rm 49.7m	Rm 49.2m	Rm 39.5	Rm 31.7
Yield on Buildings	22%	20%	18%	21%	14%
Cost: Income ratio	46%	45%	46%	45%	54%
Debtors (% of total rent billing)	-0.02%	-0.045%	-0.011%	-0.004%	-0.07%
Vacancies (average for the year)	3.18%	3.8%	3.13%	2.71%	2.93%
Social Performance					
Total social housing units delivered ²	-	-	351	459	195
Total social housing units provided ³	4 293*	4 320	4 320	3 615	3 462
Total tenants accommodated	> 12 000	> 12 000	> 12 000	> 10 845	> 10 000
Playrooms/playgroups established at Providing access for children	22 buildings All buildings	23 buildings All buildings	24 buildings All buildings	22 buildings All buildings	14 buildings
Outdoor play facilities at buildings	8	8	6	4	2
Junior Soccer Development	All buildings	All buildings	All buildings	All buildings	All buildings
Youth Clubs at buildings	-	-	4	4	4
Neighbourhood Development	4 precincts	5 precincts	3 precincts	3 precincts	2 precincts
Community Development programmes & events	184	190	219	114	42
Corporate Social Investment (Makhulong A Matala)	Rm 5.1	Rm 4.7	Rm 4.4	Rm 4.0	Rm 4.1
Employment equity	94%	91%	91%	89%	88%
Staff wellness events	1	1	2	2	2
Staff training	Rm 0.6	Rm 0.4	Rm 0.3	Rm 0.7	Rm 0.3
Staff bursaries	Rm 0.2	Rm 0.2	Rm 0.2	Rm 0.2	-
Environmental Performance					
Total buildings ⁴	34	34	34	31	29
- Total new build	9	9	9	9	9
- Total refurbished/recycled	25	25	25	22	20
Waste Recycling at buildings	3	3	3	3	3
Food Gardens at buildings	8	6	6	5	3
Prepaid electricity meters installed	5 buildings	5 buildings	5 buildings	5 buildings	3 buildings
Electricity recoveries	98%	114%	98%	87%	89%
Water recoveries	94%	86%	79%	85%	85%

¹ Operating profit after tax excludes fair value adjustments and deferred tax

² New units delivered

³ Income generating units under management

* Sylvadale refurbishment resulted in unit typology changes

⁴ Income generating buildings

JHC Board of Directors



IN 2004

Investing in the inner city

When JHC launched its first Ekhaya Neighbourhood Development programme in Hillbrow in 2004, then Chairman, Murphy Morobe, explained the rationale behind this drive within the company’s broader commitment to the regeneration of the Johannesburg inner city.

“JHC has always been of the view that it is not viable in the long term to provide islands of privilege in seas of poverty. Hence we have always seen our buildings as the launch pads of initiatives of urban regeneration in the areas where we operate. The formation of neighbourhoods means that the public and private spaces between buildings and people may begin to knit together and heal.”

Chairman's Report

As 2016 is JHC's 21st year, it is appropriate to look back briefly at how far we have come. Indeed, this makes the company's achievements through this past year and over the past five-year period all the more remarkable.

When JHC established itself, in 1995, as the first social housing organisation in Johannesburg, the inner city was a very different place to the city we know today. In those early transitional years that ushered in the new democratic order the downtown population surged and the race and income demographics of the inner city changed dramatically. Rising crime rates and declining property values led many established businesses and property owners to abandon central Johannesburg and move mostly northwards, to expanding suburban centres. As the newly incumbent local government found its feet and former structures made way for a new framework of public administration, services deteriorated, bylaw enforcement fell by the wayside, and the city spiralled into a state of near anarchy.

Looking beyond the chaos of that transitional time the founders of JHC recognised the potential presented by the inner city's established infrastructure and falling property prices to respond to the pressing demand for well-located good-value housing in well-managed buildings. This made Johannesburg the right place for social housing investment and development. And JHC, together with its funders and partners, forged the pathway to make this happen.

In the beginning, the company faced its own teething problems, as any new organisation will – and perhaps more especially one that is charting a new course in untested waters. The learning curve was steep and JHC faced many challenges. Initially, the company experienced a high staff turnover as the first employees were unsure of its sustainability and uncertain of their own futures with it. JHC faced the challenge of building up its property portfolio from scratch and encountered the difficulties of working with external property developers before the decision was taken to bring development projects in-house as a specialised management function. Over time it tackled the challenge of developing systems to manage its properties and connect with the tenant community in this newly evolving social housing sector and to establish a sound foundation for its long-term sustainability.

JHC took the path of the innovator – exploring new ways of doing things to find solutions to the challenges it faced. Along the way, it recorded its lessons and adapted its systems to strengthen its business operations. It also

shared its lessons with other social housing institutions, as it continues to do today, to build the social housing sector nationally.

After the first five or so years, the company stabilised, with enough ballast in its property assets and enough certainty in its operational systems, management and governance, to source additional funding and grow further.

Having been a member of the JHC Board since those early days, I believe the Board played an essential stabilising role through those years – keeping the company focused on its mission and addressing issues that arose. The Board has consistently lent support and guidance to the company's management when needed, without getting involved in operational matters. While we have inevitably seen changes at Board level, several members of the original JHC Board are still with us. They continue to share their skills and experience as well as their knowledge of the lessons JHC has learned and, alongside the newer members, have helped JHC reach its current status.

In my view, there are two key factors that support this positive interaction between the Board and management and that have contributed to the company's growth and strength over the years.

First is the shared understanding of JHC's social commitment – to provide housing at good value for the thousands of people who choose to make their home in the inner city – and to do so in a way that supports the development of orderly communities, in well-managed buildings and neighbourhoods, where people feel at home.

Second is our shared love for the city of Johannesburg. We all recognise Johannesburg as a great city. It is a turbulent city. It faces its own share of difficulties and constraints. It is a great melting pot that embraces people from near and far, families long established and foreigners in transit or here to stay, and it has a history and a vitality all its own.

It is these two threads drawn together into our common purpose that have enabled JHC to progress as it has done. These shared commitments enable us to deal with the issues that management brings to the table and will continue to support the sustainability of the company.

Even when the social housing sector hit a rocky patch, around the mid-2000s – when a number of cooperative housing ventures failed, the City of Joburg's Better Buildings Programme began to lose momentum, hijacked buildings became a seemingly intractable problem, and

changing rental housing policy saw shifting support and declining government subsidies for social housing – JHC sustained its growth path. Over latter years, it has done so largely without recourse to government subsidies.

We have seen JHC succeed through the difficult economic conditions that followed the 2008 global financial crisis. We are facing difficult economic times again now. I strongly believe that JHC has the resilience to pull through again, even under the current economic pressures.

Over the past financial year, the company's performance has once more been remarkable. Its achievements on all financial targets are impressive, particularly when one looks at the close to 100% occupancy levels reached and minimal bad debt on rent payments. These achievements confirm management's focus and the company's ability to meet performance targets in a difficult economic environment. They also confirm tenants' recognition of the value that JHC offers them. In a market where everyone is facing growing price pressures, tenants still value a place to come home to in a stable, orderly, safe environment.

I would especially like to congratulate management on the innovative thinking that went into tackling arrears on rent due. This evidenced, once again, JHC's social awareness and its consistently fair but firm approach in managing rent payments. Where many other landlords might automatically take the legal route to deal with defaulting tenants, without considering the social consequences, JHC's approach is considerate of the difficulties tenants are facing and, where possible, finds a creative way to engage with them to prioritise regular rent payment.

It is also important to highlight again JHC's social investment in the tenant community it serves and in a number of inner city neighbourhoods, through the work of its community development wing Makhulong A Matala. If we just take one example: there are at present just more than 1 000 children living in JHC buildings. Of these, some 740 are registered to participate in the playgroups that Makhulong facilitates in the buildings and on average, over the past year, more than 500 children attended the playgroups every day! This surely stands out as a sound social investment – for the greater good – for the people living in JHC buildings, for the city and for the country. It is just one demonstration of JHC's social conscience and the way in which this is integrated

into the service it provides. This is a key factor that differentiates JHC from other social housing landlords.

The country's recent local government elections, in August 2016, have brought a new government to the City of Johannesburg. It remains to be seen if it will pursue the vision developed for the city by the previous city government in its 2040 Growth and Development Strategy, how it might change the city's administrative structures, and how it will address some of the critical urban management issues facing the city.

As a significant stakeholder in the inner city, JHC needs to maintain and strengthen its relationships with the city authorities, engaging them to deal with problematic buildings and to address the city's aging infrastructure, among other concerns.

Looking ahead, I am pleased to note that JHC has consolidated the process of long-term planning into its operational framework. The CEO presented the company's next five-year strategic plan, 2017-2021, to the Board in April and it was approved at that Board meeting. It presents clear deliverables on key performance indicators and incorporates, among other elements, a specific focus on i) the interests of JHC staff and ii) ensuring JHC's continuing financial sustainability. These are two critical factors that, in my view, will see JHC through the tough years ahead, building on its sound foundation of stable assets, management capabilities, people and systems.

Before closing, it is important to note a few changes made to the Board over the past financial year. In September 2015 we welcomed JHC's newly appointed CFO, Prosper Mpofu, as a director of JHC, and at the November 2015 Board meeting, we welcomed Mzomhle Nyenjana as the new representative on the Board for Kagiso Trust, one of JHC's founding members. We appreciate the specialised skills and knowledge that they bring to the company.

I would also like to convey my congratulations to JHC management and all staff for their excellent performance over a difficult year.



Patrick Lephunya
Chairman

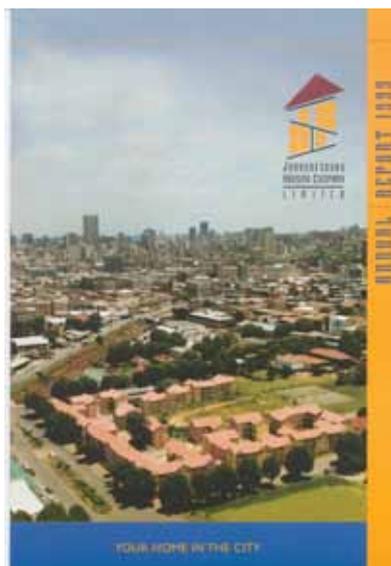
FUNDING AND FINANCE

There are many funders and financial institutions, local and international and from the private, public and non-governmental sectors, that have supported JHC and Makhulong A Matala over the years. Our thanks go to each of them for the faith they have shown in the company and in the people of Johannesburg and for enabling JHC to be where it is today.

The European Union and Kagiso Trust
 The Flemish Regional Government and NewHco
 National Housing Finance Corporation (NHFC)
 Gauteng Department of Housing
 Gauteng Partnership Fund (GPF)
 Public Investment Corporation (PIC)

Absa
 Anglo American Corporation
 AngloGold Ashanti
 ApexHi Property Group
 JPMorgan

Cordaid (Dutch Development Bank)
 Rooftops Canada
 USAID



“It is appropriate and fitting that the Johannesburg Housing Company be heartily congratulated for its achievements over the first 21 years of its existence. From the initiators way back in 1993 when the seeds were originally planted, the various directors and staff over all these years have been exemplary in their hard work and unwavering commitment to the growth of this unprecedented success story. I was president of the Building Industries Federation of South Africa, now called Master Builders South Africa, at the time, and it is also fitting to thank the then BIFSA executive for the foresight, and wholehearted support given for the initiative, as one of the main parties to the formation of JHC. For a short while in the ‘50s I lived in San Martin, which was the first building bought by JHC in 1996, and it is gratifying to see the upgrading improvements, and how well the building is being maintained. The upward improved career path of the staff who came with the building at that time has, through training, resulted in an upliftment of their living standards and that of their families. We can only hope that over the next 21 years JHC will continue its momentum, and that by the end of that period, together with other likeminded property companies, we will see all the residential buildings in the inner city and greater surrounds returned to their former glory for the benefit of the occupants and the city as a whole.”

Robert Giuricich

CEO's Report

The 2015/16 year brought JHC's five-year growth plan to a close. Over this period, 2011 to 2016, JHC has increased the number of buildings in its portfolio from 27 to 34, increased the number of units under management by close to 1 000, from 3 322 to 4 293, and grown its total assets from R727.2 million to more than R1.5 billion, with the value of its investment properties increasing from R578.8m to R1.3 billion (inclusive of fair value adjustments). At the same time, through improved operating efficiencies and economies of scale, the company has reduced its cost-to-income ratio by some 8%, from 54% to 46%, over the five-year period. As a result, it has increased its surplus reserves to fund further investment in housing developments and to strengthen its sustainability going forward. Through the 2011 to 2016 term, JHC succeeded in meeting and exceeding its key financial targets, despite the deteriorating economic environment.

The operating environment

The South African economy is struggling to lift itself out of a low-growth slump which impacts on all players across the board: employers and employees, consumers and businesses alike. For the country, this is exacerbated by slower global growth and continuing financial volatility in global markets as well as rising policy uncertainty and declining business and consumer confidence at home.

In its latest Monetary Policy Committee (MPC) meeting, September 2016, the South African Reserve Bank (SARB) revised its forecast for the country's growth marginally upward to 0.4% for 2016, from 0% at mid-year. This followed a surprise upturn in annualised growth to 3.3% in the second quarter, although the rebound was seen as short-term. The domestic economy remains weak and forecast figures of 1.2% and 1.6% for 2017 and 2018 anticipate continuing subdued growth.

The year-on-year inflation rate, measured by the consumer price index (CPI), declined from 6.3% in June to 6.0% in July and 5.9% in August, just within the 3% to 6% range targeted by the SARB. Nevertheless, higher inflation levels are forecast in the short-term before a sustained return to within the target range from the second quarter of 2017. Food prices remain a significant driver of inflation – largely due to the persistent widespread drought. Food price inflation accelerated to 11.6% in August and is expected to peak at around 12.3% in the fourth quarter of this year. Increases in utilities tariffs at rates well above the targeted inflation limit have also had a hard-hitting impact on JHC's tenants.



Elize Stroebel - CEO

The MPC expects the overall inflation rate to reach 6.7% in the fourth quarter of 2016, forecasting an average 6.4% for the year, 5.8% for 2017 and 5.5% for 2018.

Considering these pressures against the backdrop of constrained growth, the MPC held the repurchase rate at 7% in September 2016, after increasing it by 75 basis points already over the past year. This means that the benchmark cost of borrowing remains at 10.5%. Although the repurchase rate stays unchanged for now, looking forward JHC has budgeted for possible further interest rate increases in 2016/17 and following years.

Performance on key financial indicators

JHC, like most other businesses and individual consumers, has felt the impact of these constraining operating conditions. Nonetheless, the company has managed to keep key indicators at excellent levels and has achieved critical targets over the past financial year.

Targeted outcomes

Through 2015/16 JHC continued measuring its impact in terms of the Theory of Change process, tracking its performance against strategic targets in key outcome areas aligned with its five-year growth plan.

Outcome 1: to grow the JHC portfolio to 4500 units and a value of R1 billion by 2016

The aim for the 2015/16 financial year was to deliver an additional 164 lettable units with the completion of the planned Brickfields North development by end June 2016. However, following the heritage impact assessment process undertaken in the previous financial year and submission of the HIA Report to the Provincial Heritage Resources Authority of Gauteng (PHRA-G), this project was stalled by delays in the finalisation of approval from the provincial authority. JHC received approval finally in February this year. The construction programme has been revised to a projected completion date at the beginning of the 2017/18 financial year.

While these detours pushed out the delivery of additional units in the Brickfields North development, JHC continued with smaller projects. These included the successful redevelopment of Sylvadale and the start of the extensive upgrade of Jeppe Oval, which is already nearing completion.

The company has also seen its balance sheet strengthening, with investment properties now valued at R1.312 billion, versus R1.148 billion in 2015. Growth in total assets, from R1.356 billion a year ago to R1.543 billion at end June 2016, results mainly from higher interest earnings on JHC's higher cash reserves; the cash reserves are on hold for the development of Brickfields North.

Outcome 2: to increase equity to fund JHC growth

Although total rental income came in below budget for the year, as a result of higher vacancies in specific buildings, careful management of operational costs as well as building expenditure and the monitoring of cost-to-income ratios per building across the total portfolio enabled JHC to grow its reserves. As noted above, the benefit of higher interest earnings also contributed to JHC's net surplus after tax reaching R55.2 million.

Outcome 3: to establish JHC as the landlord of choice, providing value for money accommodation

The target supporting this outcome is linked to maximising occupancy levels across JHC's portfolio of buildings and managing vacancies at less than 4% of total units.

The December quarter of 2015 proved particularly challenging in this regard. However, the Revenue and Property Management teams, with support from Makhulong A Matala, have worked especially hard through the first six months of 2016, driving strategically targeted promotions and other supportive activities to manage vacancy levels down to a record low of just 0.5% at end June 2016 (2.03% in June 2015), from 3.25% in December 2015. This resulted in an average vacancy level of 3.18% over the year, bettering the 3.8% achieved through the 2014/15 financial year. Arrears on rent payments have also been closely managed and stood at just 1.43% at end June 2016 (1.76% a year ago).

Our congratulations go to the teams for these achievements.

Where longer-term solutions are required to address persistently higher vacancies in particular buildings, Revenue and Property Management are already implementing remedial responses.

Overall JHC's rent rates remain competitive and in most cases better than market rent rates on all unit types and across all areas of the inner city. This was confirmed by JHC's 2016 annual rental survey and the generally close to 100% occupancy levels across most JHC buildings present a further endorsement – from the market – of the value that JHC offers in its accommodation and services.

Outcome 4: to offer tenants attractive communities that are safe, clean and well-managed with a sound social infrastructure in place

JHC's Housing Supervisors (HSVs), who live in the buildings, play a critical role in interacting with tenants and managing the buildings, with the support of their respective Portfolio Officers and the Property Management team at head office. They work closely with Makhulong and it is Makhulong's ongoing work with tenants, through its various programmes – such as the holiday programmes for children, the soccer development programme, playgroups, food gardens and focused campaigns on issues like electricity savings, combatting litter and supporting recycling – that is key to sustaining the social infrastructure that supports the stability and well-being of JHC's tenant communities.

Makhulong is also active in a number of city improvement districts and neighbourhood development programmes in inner city precincts around JHC's buildings.

In respect of Outcome 4, one of the key targets for the 2015/16 year was to restore momentum to the

development of the Ekhaya North Neighbourhood and this has been successfully implemented. A Trainee Neighbourhood Coordinator was appointed in September 2015. With training and guidance from Makhulong and the Ekhaya North Board, she has made valuable progress, engaging the neighbourhood network of stakeholders and addressing identified concerns to make Ekhaya North a safe, clean and well-managed neighbourhood.

A further key focus over the past financial year has been the Parks Regeneration Project – a collaborative project aimed at upgrading and maintaining a number of inner city parks. It involves Joburg City Parks and Zoo (JCPZ), the Johannesburg Development Agency (JDA) as well as property owners in the vicinity of the identified parks. Makhulong has contributed to the project and is playing a role in seeing to the upgrading of parks in JHC neighbourhoods or close to JHC buildings.

In another neighbourhood initiative, Makhulong secured funding and connected with various neighbourhood stakeholders and community groups, to establish a food garden in what had become a derelict and dangerous lane running between JHC's Sylvadale and the neighbouring Sunnyhoek building, in Ekhaya South in Hillbrow. As a pilot project this could lead to the development of other community food gardens in the neighbourhood.

Looking ahead

JHC ended the past five-year growth period in a strong position, despite the stagnating economy and the challenges of the operating environment.

The pilot testing of the proposed new Archibus property management system, which was approved by the Board in the 2014/15 year, is progressing well. The planned switch to this new system – to improve and advance efficiencies across JHC's operations – represents a significant shift for the company. In order to support this transition, and further changes planned through the next five years, JHC has initiated an internal change management process. This is aimed at keeping all staff on board, informed of progress and well prepared for new ways of working, ahead of the changes that will be implemented through progressive phases.

JHC began planning for the next five years early in 2015. Preliminary discussions among senior and middle management teams identified opportunities for growth

and outlined the broad aims going forward, but also pointed to the need for more information to provide clearer insights into the inner city housing market. This market has evolved over the years. While demand for good value rental housing in the inner city continues to grow, on the supply side, the sector has become increasingly competitive – attracting more players, most pitching to the same broad market, than was the case when JHC began its pioneering work. On the demand side, we are seeing different market sectors emerging, different types of customers with different priorities and different lifestyle preferences.

In the latter half of 2015, JHC commissioned a marketing and research agency to look more closely at the inner city housing market, in order to gain a better understanding of its customers' needs, preferences and aspirations, and to strengthen its own competitive positioning in the sector. The research revealed valuable insights and served to inform the company's next five-year plan supporting its broad strategic aims for the period.

JHC's 2017-2021 Strategic Plan was approved by the Board in April 2016. It sets clear targets for the company going forward and marks a new phase in JHC's evolution. We are excited about putting the plan into action.

Reflecting on JHC's 21st year in the industry and the inner city of Johannesburg, it is important that we remember – and carry with us – the very real and valuable difference that JHC has made and continues to make in the lives of thousands of people, and the impact we have made and continue to make in the transformation and renewal of the inner city.

Before closing here, I would like to thank everyone at JHC for the hard work they have put in over what has been a very demanding past year and for their continuing commitment to JHC's success and to the market we serve.

I would also like to thank my colleagues on the Board for their steadfast support and guidance and the experience and insight that they share with JHC.



Elize Stroebel
Chief Executive Officer

BHC Board of Directors



From left:
Len Kline (Chairperson), Paul Jackson, Elize Stroebel

“Many dreams vanish in human thoughts, many journeys are never taken, but yours has not just been a dream come true nor just a journey well-travelled, it has been more than that. Happy 21st birthday JHC. Unparalleled premium accommodation provider in the inner city!!!”

Paballo Makosholo

“21 years of making a difference, of innovation and development and mostly, of providing homes in our city.

Congratulations JHC!”

Paul Jackson

Property Management

The Property Management team performed well through the 2015/16 year, in managing and maintaining all JHC's buildings and tackling the challenges that the year presented. Although total rental income dipped below budget for the year, as a result of higher vacancies in some buildings, Property Management continues to work closely with Revenue Management as well as Makhulong A Matala to remedy identified problems that have contributed to vacancies at specific buildings. In addition, careful management of building costs across the whole portfolio remained a priority.

Addressing identified concerns

By the 2015/16 year-end substantial progress had been made in addressing some of the concerns expressed by tenants' and prospective tenants' relating to specific buildings. These included, for example: the modification of internal layouts and formal division and enclosure of rooms in flats at Lethabong Mansions and in loft units at Elangeni Gardens; resolving water pressure problems at some of JHC's high-rise buildings in Hillbrow; restoring reliable service to problematic lifts in some of the older buildings in the portfolio; upgrading security surveillance systems and implementing biometric access control at targeted buildings. These interventions have assisted in overcoming obstacles to the take up of leases in specific buildings, supporting Revenue to restore occupancies to a much healthier level over the first six months of 2016.

Other projects in progress include major upgrades at Jeppe Oval in Jeppestown and New Developments has started looking at the potential for redevelopment of the Douglas Village precinct in Troyeville.

The comprehensive redevelopment of Sylvadale Mansions which was completed on schedule in December 2015 saw the building opened to new tenants from the start of 2016. It was fully let within three months of opening.

Managing buildings costs

JHC's Portfolio Officers have been watchful in monitoring expenditure at their respective buildings and the Maintenance Call Centre remains vigilant in controlling maintenance costs. At the 2015/16 financial year-end, the cost-to-income ratio for buildings was in line with budget at 46%, despite a higher average maintenance cost per unit.

One of the cost pressures for JHC arises from aging buildings and aging services infrastructure in the buildings, which increase the demand for maintenance.



Boyce Maritz - Property Manager

Although this is pre-empted to a large degree by ongoing long-term maintenance across the total JHC portfolio, additional steps have been taken where possible to counteract this trend.

During the past year, for example, Property Management instituted a system of infrared scanning of distribution boards in all buildings in order to identify 'hot spots' in the electrical reticulation system. Hot spots can be caused by overloading of a circuit or the loosening of connections over time and can present serious risks. The scanning of the distribution boards enables the building management team to remedy these risks immediately, before they escalate into more hazardous and costly issues. The scanning audit will be implemented annually, to provide a regular check on electrical systems in the buildings.

Utilities costs and recoveries

Through the past financial year Property Management sought to improve recovery levels on costs of water and electricity usage across all buildings. This has included improving efficiencies in lighting and water management in common areas of the buildings. Where significant shortfalls arise in specific buildings these are quickly investigated and addressed.

A programme to address longstanding queries on utilities accounts with the City of Joburg has also been developed with the aim of finding final resolution on these issues.

Engaging with tenants

One of the highlights of the past year was the work done with Makhulong to assist the Recycling Club at Landrost in the collection of 50 000 plastic bottle tops. Portfolio Officers helped to spread the word to other buildings, inviting more tenants to contribute to the collection, and JHC’s head office staff got involved as well. This enabled the Recycling Club to obtain a wheelchair – in exchange for the collection of bottle tops for recycling – which they donated to one of JHC’s elderly tenants at Legae Gardens.

Another step supporting JHC’s interactions with the tenant community and the strengthening of communications with tenants was the launch in early 2016 of JHC’s tenant engagement programme, under the banner ‘JHC Cares’. This sees the operations team – including management and staff from Property Management and Revenue Management, together with Makhulong – meeting with tenants at their buildings to address issues that are concerning them and to answer their questions directly. The meetings also give the operations team an opportunity to share JHC’s plans and priorities with tenants – particularly relating to their building. The first organised meetings have been well received by tenants and the face-to-face engagement is proving valuable. The programme is ongoing and over time will extend to all JHC buildings.

A final highlight

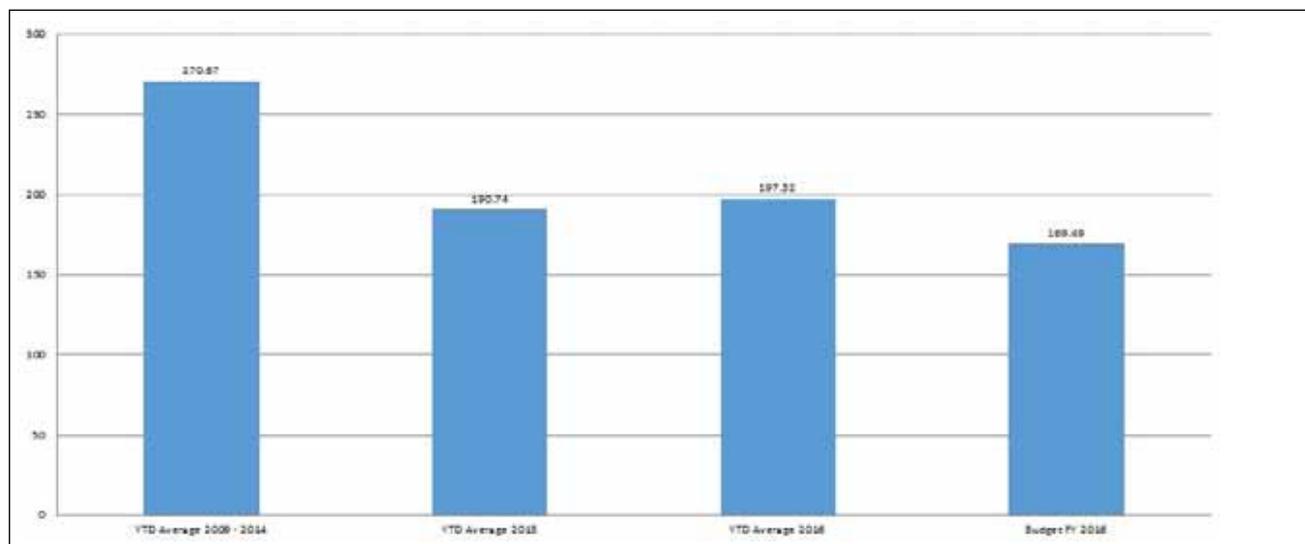
A final highlight of the past year was NASHO’s (the National Social Housing Organisation) selection of Bongani Makhoba, JHC’s Kopano Portfolio Officer, to attend a two-week Operations Management workshop in the Netherlands in September 2016. Bongani is sure to return with new lessons and experiences to share with the team at JHC.

Managing maintenance

Costs of day-to-day maintenance in buildings and individual units increased over the past financial year with the average cost per unit per month pushing above budget by year-end, to R170.34 against the budget figure of R169.49. However, this still remains well below comparative costs over years prior to JHC’s establishing the Maintenance Call Centre. The continuing savings achieved on day-to-day maintenance, when compared to historical costs, result from careful cost management through the systems and controls implemented by the Call Centre, as well as from the effective work being done by JHC’s in-house Maintenance Technicians.

On the other hand, and in addition to inflation-linked cost increases, aging infrastructure in some of JHC’s older buildings is increasing cost pressures – pushing up the demand for maintenance and repairs on older lifts in high-rise buildings, for example, as well as for repairs of plumbing pipes. Plumbing remains the highest cost component of day-to-day maintenance in JHC buildings and steps are being taken to contain these costs where possible.

Average monthly maintenance cost per unit, 2015 and 2016 versus prior years



In-house maintenance

The work done by JHC's two in-house Maintenance Technicians, who are handling a growing number of jobs each year, has demonstrated several benefits. The cost savings achieved are reflected in maintenance costs being contained within budget in the buildings where they work and more efficient turnaround times deliver an improved service to tenants. JHC has now appointed a third in-house Maintenance Technician who started with the company in June 2016. He will take on the maintenance role in the third portfolio of buildings.

Pilot testing of new IT systems

The Maintenance Call Centre, together with Property Management's Project Management Office, was identified as one of the pilot sites to provide an operational platform for the implementation and testing of JHC's proposed new IT-driven property management system. The pilot programme is confined to the Brickfields group of buildings.

Over the past year a lot of time has gone into preparing the required templates and providing information and workflow processes for the pilot project as well as testing of specific modules and custom changes made to align with JHC processes. The Maintenance Officer has also compiled manuals covering key work processes to train users on the new system and customised reports have been created to provide for the extraction of valuable information.

The pilot programme is progressing well, with adjustments being implemented as required. For now both JHC's existing system and the new system are operating in parallel. It is expected that some modules will go live early in the current financial year.

The new automated systems are expected to deliver improved efficiencies, easier communication between the Housing Supervisors (HSVs) and the Call Centre, improved service levels and better reporting ability, among other benefits.

Planned long-term maintenance

The Project Management Office continued with the implementation of JHC's planned, preventive maintenance and related projects as programmed over the past financial year. These included repainting and re-waterproofing at scheduled buildings as well as the installation of new lifts at Uno-Roseneath Mansions, the upgrading of security systems at specific buildings, and the installation of biometric access control systems

at the buildings targeted for the year. This latter project is led by JHC's Records and Information Management Office and is carried out in collaboration with the Property Management team to coordinate the capturing and registration of tenants' biometric data into the system.

JHC's ongoing programme of refurbishing the interiors of units also continued through the past year. The Project Management Office once again exceeded target on this programme in completing the refurbishment of more than 370 units across 10 buildings.

All these projects are planned and budgeted for in JHC's rolling programme of long-term maintenance which is aimed at ensuring that all JHC's buildings are kept in good condition and sound working order. The programme serves to safeguard JHC's primary assets, the company's buildings, to support a well-maintained home environment for all JHC tenants, and to minimise random, short-term quick-fix maintenance demands and related costs as far as possible.

Capital projects

Other projects undertaken through the past year included the installation of a prefabricated building to accommodate the children's playgroup at Tribunal Gardens in Fordsburg. The building was completed and handed over to Makhulong in August last year.

Work has also begun on construction of an outdoor play facility at Tribunal Gardens. This project has been delayed by problematic ground conditions but is due for completion in the current financial year. It will be the ninth outdoor play facility within the JHC portfolio of buildings.

Construction has started on an additional 11 residential units on the previously untenanted and unused 1st floor of JHC's Dorchester Mansions in Hillbrow. Following the preparatory planning, tendering and procurement processes, the contractor was appointed in May this year. The project is due for completion by October 2016 when the additional units will be made available for new tenants.

The major upgrades in progress at Jeppe Oval (as reported in New Developments, below) are being overseen by the Project Management Office. With the first three phases of this nine-phase programme completed by end June 2016, the project is going well. Tenants who have already gone through the process of moving out and moving back into their now refurbished units are pleased with the improvements made.

New Developments

Sylvadale Mansions

The redevelopment of Sylvadale Mansions in Hillbrow, approved by the Board in November 2014, was completed on schedule in December last year. The building was opened to returning tenants and new tenants from the beginning of 2016. Comprehensively upgraded and transformed to deliver a new configuration of larger apartments, Sylvadale was fully let within the first three months of its reopening.

When JHC purchased the building originally in 2000 it was, at that time, cleaned up and refurbished to provide 108 residential units, mostly rooms with shared kitchen and bathroom facilities. The recent redevelopment converted all the former rooms into bigger flats and replaced the outworn services infrastructure with new plumbing and electrical systems and a new lift. Although this reduced the number of units – Sylvadale now provides a total of 64 units, including bachelor, one-bedroom and two-bedroom flats – these are in line with the changing market preferences in the area. The building now offers a more hospitable home environment and can be maintained cost-effectively through many more years of operation.

Jeppé Oval

The comprehensive upgrading and renewal of Jeppé Oval started on site in April this year and the project is progressing well.

Jeppé Oval was JHC’s first new-build development to deliver social housing in the inner city and was completed in 1997. It is an extensive complex of some 240 units, built in 16 blocks of three-storey walk-up buildings, bordering the Bertha Solomon Oval in Jeppéstown. The renewal project currently under way was initiated towards the end of 2015 to address issues that had been raised by tenants and that were contributing to persistently high vacancies at the complex as well as to bring the individual units into line with JHC’s current standards.

The project includes external refurbishment of the buildings and the common property, the provision of additional parking space, upgraded security and access controls and fresh landscaping alongside the refurbishment and upgrading of all units.

A phased approach was adopted to allow for adequate construction time and space while minimising disruption to tenants as far as possible.



Plan of the phased upgrading of Jeppé Oval

This requires that about 30 units at the complex are held 'vacant' so that groups of tenants from units undergoing refurbishment can be temporarily relocated to the vacant units while work is completed and then move back to their units. Property Management, including the Project Management Office and New Developments, together with the Revenue Department and Makhulong, met with tenants in March this year to explain the logistics of this process and to answer questions.

The project is being undertaken over nine phases – working progressively through the units by block so that tenants can be transferred sequentially. Once construction work began, project supervision was taken on by JHC's Project Management Officer and the upgrade is proceeding to schedule. External works are also in progress, with improved landscaping, walkways and parking areas taking shape. The entire upgrade is planned for completion by March 2017.

Douglas Village precinct

JHC has also initiated a comprehensive review of the Douglas Village precinct to look at the potential redevelopment of this cluster of buildings.

Douglas Village, in Troyeville on the eastern edge of the inner city, includes Douglas Rooms and the neighbouring Op de Bergen property as well as Parkzicht Mansions and Garden Mansions – all low to mid-rise buildings. The upgrading of Douglas Rooms was one of JHC's very early projects, undertaken in 1998, and the neighbouring buildings were acquired and refurbished over subsequent years to create what came to be known as Douglas Village.

In May 2016, following a series of meetings with tenants at Douglas Village where tenants put forward their concerns about the buildings, New Developments appointed a professional team to conduct an exploratory feasibility study for the possible redevelopment of the precinct.

This will investigate all potential accommodation options, taking account of existing zoning restrictions and heritage considerations where they may apply, and the existing buildings across all eight even. For JHC, the intention is to create a more sustainable and value-adding group of units, to achieve optimal use of the space it owns within the precinct and potentially to catalyse further urban regeneration in the area.

Once the feasibility study is completed, a comprehensive project proposal will be developed to be presented to the JHC Board for approval.

Brickfields North

JHC's Brickfields North development is finally moving ahead. The requirement, raised last year, for a formal heritage impact assessment (HIA) for the proposed development entailed a lengthy public participation process. Interactions with the various interested and affected parties were concluded in August 2015 and a complete HIA Report was submitted to the Provincial Heritage Resources Authority of Gauteng (PHRA-G) in September 2015. However, further bureaucratic delays within the PHRA-G prevented JHC from proceeding. Final approval from the provincial authority came through in February this year.

The minor design changes which were called for through the HIA process and cost escalations arising from the delays encountered were incorporated into a revised project proposal which was approved by the BHC Board in May 2016. The main contractor was then appointed and began work on site in the same month.

Various administrative issues are currently being addressed, relating to registration of the property with the Deeds Office and setting up accounts for it with the City of Joburg to secure water and electricity supplies to the site. The development is designed to deliver 164 new housing units on this prime site in Newtown, across the road from JHC's established Brickfields complex. Brickfields North is now scheduled for completion at the start of the 2017/18 year.

Extra parking for Brickfields

In August 2015 JHC acquired a 790 m² piece of land opposite Brickfields on Gwigwi Mrwebi Street, to provide an additional 37 parking bays for tenants at Phumulani, Legae and Brickfields. Over the past several years JHC has noted increasing car ownership among tenants – and a corresponding demand for more parking space at its buildings; hence the development of this extra parking area. The facility is access controlled and the automated gate and all lighting is run entirely from solar energy.



*Kopano Portfolio Housing Supervisors
From left: Nkanyiso Gwala, Benson Mabasa, Obrey Makamu, Harriet Phasha, Zweli Gasu, Bongani Makhoba - Portfolio Officer, Cyril Midaka
(Absent: Albert Shilombane, Jacob Bezula)*



Greenfields Portfolio Housing Supervisors
From top, left to right: William Mamiala, Simon Mbulawa, Steven Dube, Pitsi Nkosi - Portfolio Officer,
Vincent Mbatha, Tshepo Noko, Timothy Nekokwane
(Absent: Elvis Baloyi, Thulani Luthuli)



Mpumalanga Portfolio Housing Supervisors
From left: Edward Mokwinda, Promise Gcwabaza, Emmanuel Kubeka, Annah Moholoagae, Johannes Makananise, Patrick Mabogo,
Samuel Madzivani, Sifiso Ginindza - Portfolio Officer
(Absent: Jas Matela, Peter Moloto)

SOME OF JHC's LANDMARK BUILDINGS

Douglas Rooms, Troyeville

Douglas Rooms, built in 1906, was originally a miners' hostel. A double-storey building of single rooms with communal washing and ablution facilities, it presented JHC's first engagement with a community who were living in appalling conditions, without water, electricity or sanitation and in massively overcrowded space.

JHC was approached to purchase the building by a delegation of tenants, the bondholder, local councillors and concerned residents. Following protracted negotiations, the company finally bought Douglas Rooms in 1998, two years after discussions had started. The restoration period took almost as long – a slow process of closing down illegal shebeens and brothels, amid ongoing negotiations with residents, and turning what had become a slum into a completely upgraded, safe and well managed building.

Landrost, CBD

JHC's conversion of the former Landrost Hotel in 2000 was one of its most ambitious projects at that time. Once a five-star hotel, the Landrost had lost its shine. When JHC bought the building, it was being used as a police barracks.

This 18-storey tower block stands at the gritty edge between central Joburg and Joubert Park, in a densely congested part of the city, neighbouring one of the city's busiest taxi ranks and close to the railway lines. The area had become sadly neglected, derelict buildings crowded together and the street space was contested by taxis and traders, the homeless and the well-heeled, all trying to make their way in the city.

For JHC, the Landrost marked its first conversion of a hotel to provide residential units. It was also the company's first high-rise undertaking. The Landrost's original 400 rooms were converted into about 240 flats. A lot of care was taken to preserve the original finishes of the building and the original marble basins and wood panelling still exist in the units.

Elangeni, CBD

Elangeni, JHC's fourth new-build townhouse complex, was the first ever to be built within the Central Business District. Significantly too, Elangeni is located on the site formerly occupied by the old Albert Street Pass Office, the heart of the influx control system which once denied black people their place in the city.



From left:

Pitsi Nkosi - Portfolio Officer: Greenfields, Bongani Makhoba - Portfolio Officer: Kopano,
Sabelo Makhaye - Property Management Specialist, Sifiso Ginindza - Portfolio Officer: Mpumalanga

Elangeni was the first building in which JHC introduced live-and-work units, with a commercial shopfront on the ground floor of a unit and residential space on the first floor. Elangeni also represented a breakthrough in the banks' redlining of the inner city that had prevailed since the turmoil of the mid-1990s. For the first time, a commercial bank, Absa, agreed to provide funding for a social housing project in the inner city. JPMorgan Bank also supported the project. Elangeni was opened in 2002.

Stanhope, CBD

Stanhope is a near neighbour of the Landrost in downtown Johannesburg. It is a wonderful example of a 1930s Johannesburg Art Deco building, although it was in poor repair when JHC acquired it in 2003 – and it proved to be one of JHC's most challenging projects.

The story of Stanhope Mansions reflects a tragic chapter in the inner city's regeneration. In 1996 it was one of the first buildings in Johannesburg to be bought by the tenants. However, lack of management capacity, increasing affordability problems, mounting debt, internal conflict and autocratic management by cabal turned the early optimism about tenant-owned and -managed buildings into a financial, legal and residential saga.

JHC bought the building on auction, after the residents had failed to meet their financial obligations to the City and the financier, the Inner City Housing Upgrading Trust (ICHUT). Tenants were notified of JHC's intention to refurbish the building and were offered alternative accommodation or assistance with transport to move their belongings and were asked to vacate the building. However, a small number of tenants stayed on at the building illegally and notified JHC of their intention to purchase it. The intended purchase did not materialise and led JHC into a two-year legal battle as it sought to effect its legitimate ownership of the building in the face of the self-appointed landlords.

This battle saw a series of often violent illegal occupations of the building, attempted reinvasions and protracted legal proceedings before JHC was finally able to gain control of the building and the contractor appointed to handle the refurbishment could move onto the site.

Once the refurbishment began, it proceeded unhindered and was completed within six months. Stanhope was opened to new tenants in December 2005. Interestingly, a number of people who had lived there previously took up new leases with JHC and returned to the transformed building. The Stanhope tenant community remains an active and engaged community. Together with the tenants at JHC's Landrost and nearby New Hampstead, Stanhope tenants play a positive role in reinforcing individual and civic rights and effective civic governance in this particularly difficult part of the city.



From left:

Themba Mtembu - Maintenance Technician: Kopano, Jabulani Libimbi - Maintenance Technician: Mpumalanga, Tsumbedzo Masindi - Maintenance Technician: Greenfields

SOME OF JHC's LANDMARK BUILDINGS

Brickfields, Newtown

Through 2005 and 2006, JHC's new-build development of the Brickfields complex, comprising three separate properties – Brickfields, Legae and Phumulani, created the space for a new residential community to take root in this northwest quadrant of the inner city, in Newtown. It brought more than 2 000 new residents to the Newtown precinct and made a significant impact in the regeneration of this inner city neighbourhood.

Brickfields was the first high-rise residential development in downtown Johannesburg in some 30 years. For JHC, it was a landmark development on a number of fronts.

At the time, it represented JHC's largest single investment to date and, for the first time, brought together a consortium of government, financial institutions and corporate businesses to invest in social housing development. The financing structure for the development, combining debt, equity and subsidy finance, saw the establishment of Brickfields Housing Company (Pty) Ltd within the JHC Group.

Brickfields is built on land that was made available to JHC by the City of Johannesburg under its social housing policy, which allows JHC, as a social housing institution, to hold the land at no cost as long as it is used for social housing.

The overall complex delivered some 740 residential units in a mix of low and high-rise buildings. This was JHC's first exposure to high-rise construction. The company's New Developments Department worked with a dedicated team of building professionals, contractors, subcontractors, suppliers and local government officials to bring the project to fruition.



From left:

Kholi Mogotsi - Property Assistant Administrator, Nothando Mthembu - Property Administrator, Jerrilee Jegels - Property Assistant Administrator, Lefa Ncala - Junior Project Coordinator, Pule Bosiu - Project Management Officer

The scale of the development tested all departments within JHC, from building management to leasing, debtors control and community development. The tenant intake over the first weekend of Brickfields opening saw some 1 300 people moving in to their new homes. JHC staff managed these processes with remarkable efficiency.

In 2006, JHC was presented with the United Nations World Habitat Award for its Brickfields development. The award recognises projects, internationally, that, among other things, provide practical, innovative and sustainable solutions to current housing needs.

Growing the JHC portfolio

Through its past five-year growth focus, JHC has added seven buildings to its portfolio, including Smitshof Extension, Uno Court, Roseneath Mansions, Taylors Mansions, Lethabong, Ukhamba and Umndeni Gardens.

Through these refurbishment projects, it has brought more than 1 000 freshly upgraded units to the market, increasing the number of units under management by some 30% and adding substantially to the availability of good value rental accommodation in well-managed buildings in the inner city.

Each of these projects has brought its own share of challenges, successes and lessons learnt, which JHC will take forward as it moves into the next phase in its evolution.



From left:
 Silvia Cele - Maintenance Administrator, Jasmine Sibley - Maintenance Administrator,
 Faith Shabalala - Maintenance Administrator, Debbie Johnson - Maintenance Officer

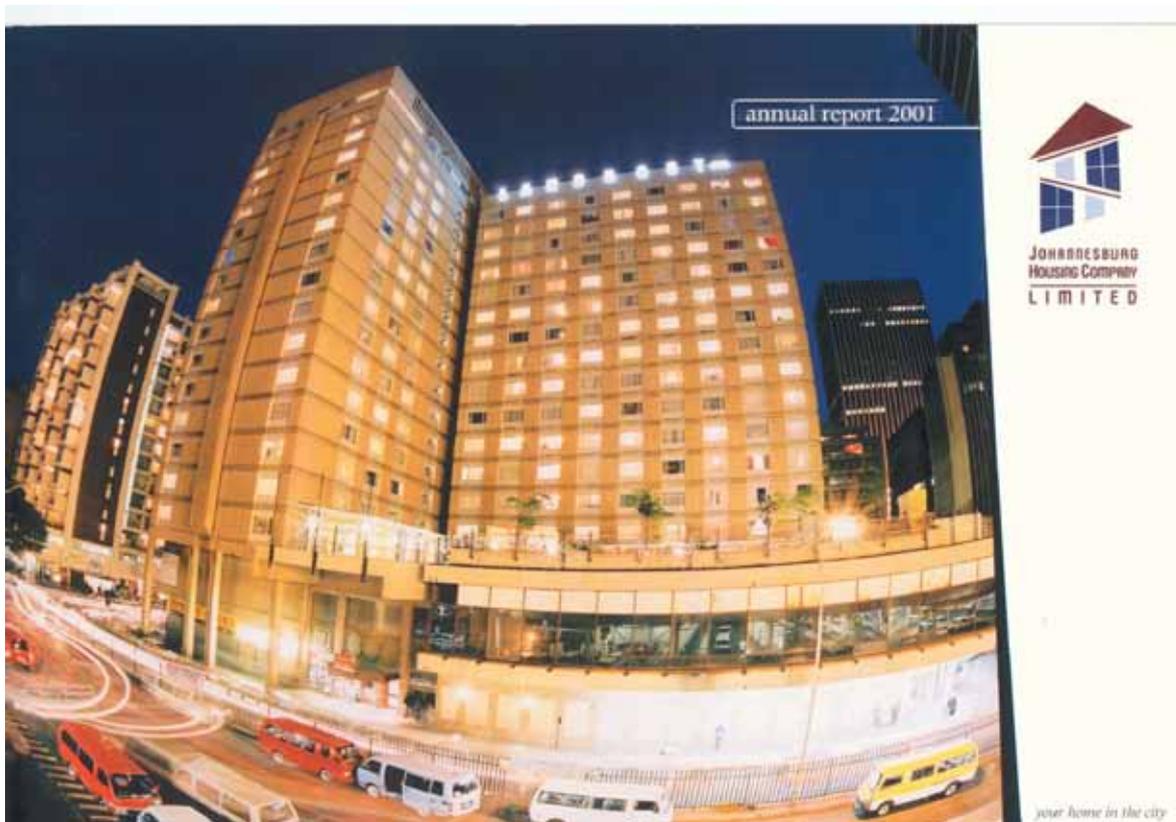
TENANTS AT JHC

Landrost – a cohesive and committed community

The tenant community at JHC’s Landrost has, over the past several years, come to the fore as a well organised community, committed to playing their part in keeping their building smart and in good order and to supporting their fellow tenants. This is evident not only in the anti-littering and recycling programme that the tenants run themselves, but also in the support that parents and other tenants give to their young soccer teams in the Junior Soccer Development Programme and their readiness to assist the coach and kids at coaching clinics and tournament games.

In addition, the Men’s Forum at Landrost plays a valuable role in the tenant community. The Men’s Forum was established some years ago, originally facilitated by Makhulong at the request of some tenants at the building, to provide a forum where the men can gather together to discuss issues that are concerning them as men. Since then, the members themselves have taken on the running of the forum and they continue to meet regularly. During the past year they were invited to share their approach with the men at some other buildings in the JHC portfolio – at neighbouring Stanhope Mansions as well as at Umndeni in Fordsburg and the Brickfields group of buildings in Newtown. Similar forums are now also being facilitated in these buildings where the tenants are keen to establish them.

Many of the other activities that Makhulong facilitates for tenants at Landrost – as at other buildings – are always well attended by Landrost tenants. They are ready to take up the opportunities presented to them. Makhulong recognises the tenant community at Landrost as a positive example of how community building works: while it may be facilitated and supported by Makhulong, it is driven by the tenants themselves.



Message from the Gauteng Partnership Fund

On behalf of the Gauteng Partnership Fund (GPF), I would like to congratulate the Johannesburg Housing Company (JHC) for achieving a significant milestone of 21 years in the social housing business.

At the GPF our objective amongst others is to facilitate social housing units through partnerships with social housing institutions and funders. JHC has contributed significantly towards social housing in Gauteng and continues to set standards for social housing companies.

JHC has changed the lives of thousands of ordinary South Africans by not only responding to the growing demand for housing in Gauteng, but also delivering quality accommodation for communities. JHC can be proud of the solid reputation that has been built in the market and communities.

The GPF remains a committed funding partner of choice and we are proud to be associated with JHC over the past 14 years.

Best wishes for the future.

Boni Muvevi
Chief Executive Officer
Gauteng Partnership Fund



*From left:
Thandi Binda - Office Assistant, Joan Stow - Executive Secretary*

Revenue Management

The Revenue Department met the close of the 2015/16 year with vacancies at a record low of just 0.5% of all residential units for the month of June 2016. This is equivalent to only 21 units vacant out of a possible 4 236 units available to let across JHC’s entire portfolio. After vacancies peaked at 5.86% in January 2016, this turnaround reduced the average vacancy level over the year to 3.18% from a previous 3.80% in the 2014/15 financial year.

Arrears on rent payments were also effectively managed down from a high of 3.25% in December 2015 to just 1.43% of total billings at the year-end.

However, these positive year-end indicators came after a very tough period from September through December 2015 when vacancy levels climbed in some JHC buildings. Furthermore, keeping arrears at minimum levels demanded unflagging commitment from the Debtors Administration team over the full 12 months of the year.

Managing vacancies

It is evident that the economic pressures weighing on the market generally have affected many tenants. While JHC is always careful to keep its annual rent increases within the limits of official inflation, steep increases in food prices as well as above-inflation increases in the City of Joburg’s water and electricity tariffs have had a serious impact on affordability levels in the social housing market.

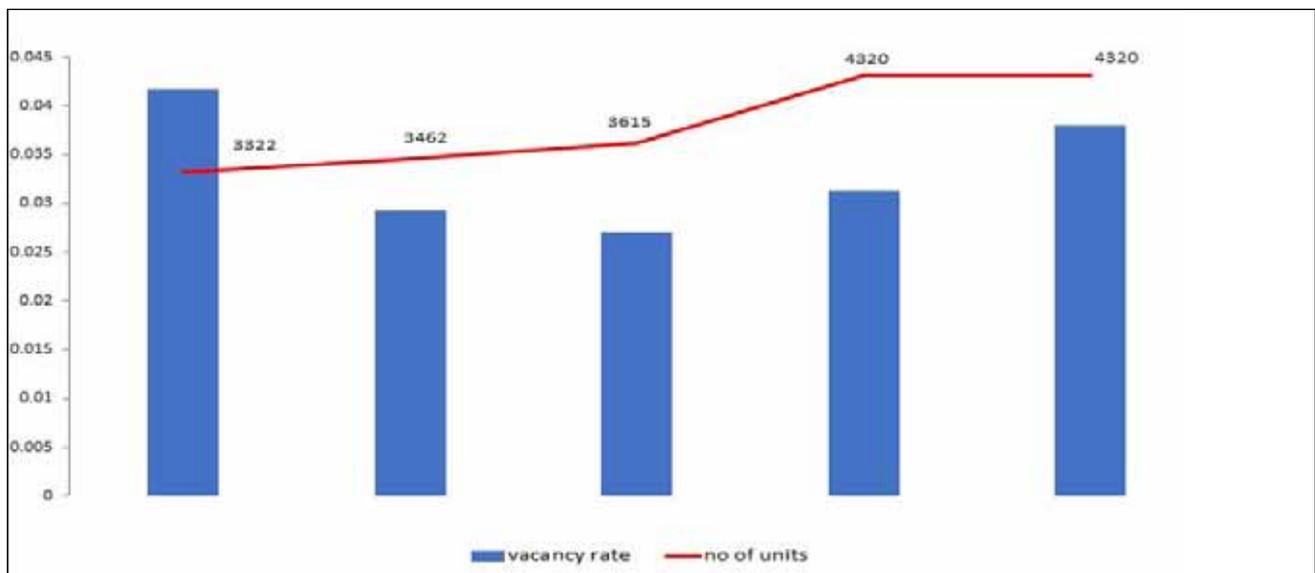
JHC’s exit interviews, which are conducted with all tenants vacating JHC buildings and capture, in broad

terms, tenants’ reasons for leaving the building, confirm that affordability is increasingly a key factor. Leasing also noted, during the past year, tenants downsizing to smaller units, leaving a higher proportion of two-bedroom units vacant.



Karabelo Poole - Revenue Manager

Total residential units and average annual vacancy levels, 2012 to 2016



Historical trends show that, for JHC, vacancies tend to increase each year in the December quarter of the year, following the rent and utilities increases effective from 1 July annually. Hence, an upturn in vacancy levels at JHC buildings was anticipated from September, but in the past year it proved to be sharper than before.

This required a quick response and concerted collaborative action – with Property Management and Makhulong A Matala – to manage it back to better levels. Some firsts for JHC were also introduced in this period to help turn the tide against escalating vacancies. These included:

- The introduction of contracting letting agents to help rent out JHC units and relieve Housing Supervisors in this duty. Three letting agents were appointed from October 2015 and between January and June 2016 they managed to rent out 113 units.
- A change in JHC’s rental deposit policy to make it more competitive and affordable. This makes it easier for tenants to move into a JHC building.

Team work

Higher vacancy levels over the past year have been restricted mainly to a few specific buildings. Revenue and Property Management spent time investigating the reasons for this at each of these buildings in order to address the real cause. Strategically targeted promotions and activities were developed and implemented

accordingly.

At some buildings, for example, rent promotions offering discounts or incentives to referring tenants and/or new tenants responded to concerns around affordability or the high upfront costs of deposits.

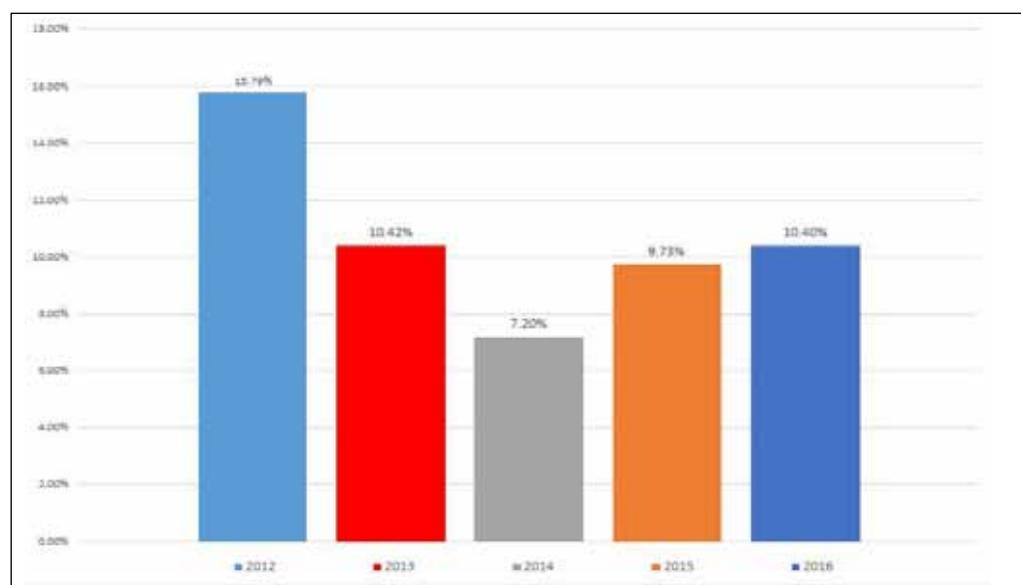
In other buildings, where electricity charges were a particular concern for tenants, Revenue, including the Leasing Department and Marketing, worked with Property Management and Makhulong to implement campaigns around electricity savings, or to meet with tenants one-on-one to talk through actions they can take to reduce their electricity usage and save costs.

At other buildings, the real cause sometimes needs a longer-term solution. This has been the case at Jeppe Oval where Property Management is currently working on an extensive upgrade of the property, responding directly to concerns raised by tenants and implementing changes where necessary to better meet the needs of the market.

Trend-lines

Historical trends also show us that the signing of new leases and higher occupancy levels tend to pick up from January each year. JHC’s performance in terms of managing vacancies is consistently stronger through the second half of the financial year than through the first half. The past financial year saw the same trend-line unfolding.

Commercial vacancies annual average, 2012 to 2016



It must be acknowledged though, that most JHC buildings were 100% or close to 100% occupied throughout the past year. This is partly attributable to JHC's well established presence and profile in the market. It is also in large part a credit to the work done by the Leasing team and, importantly, the work of JHC's Housing Supervisors (HSVs) who play a fundamental role in maintaining stable communities in JHC buildings.

Commercial vacancies

Vacancies across JHC's commercial units have fluctuated over the past year – from a high of 14.85% in July 2015 to 8.91% for June 2016.

These ups and downs are mainly a reflection of the difficult trading environment for most retail businesses. Going forward JHC is looking at recruiting commercial tenants that will more closely meet the needs not only of its residential tenants but also of the neighbourhood community around buildings where it has commercial leases available.

Managing arrears

Keeping arrears below the upside limit of 4% of rent billings through the past financial year has required

consistent hard work from the Debtors Administration team. In addition, some innovative interventions were introduced to motivate regular rent payments and to settle low arrears amounts directly with tenants. These steps assisted in reducing arrears to the 1.43% achieved at the year-end, in comparison to 1.76% at June 2015, and well below JHC's target limit of 4%.

Payment options

Over the past two years Revenue has introduced alternative payment options to make it easier for tenants to pay their rent without having to go to the bank to make a direct deposit. The EasyPay option, first included to accounts for tenants in the Brickfields Housing Company group of buildings, was extended to tenants in all JHC buildings by the end of the financial year. A total of 6 887 transactions were processed via EasyPay representing 8% of collectable income.

A further payment option is provided by the speedpoint card transaction terminals that have been rolled out at key strategic buildings in the JHC portfolio in addition to the terminals available at head office. In total JHC has 10 speed point terminals available to tenants which processed approximately 4% of collectable income.

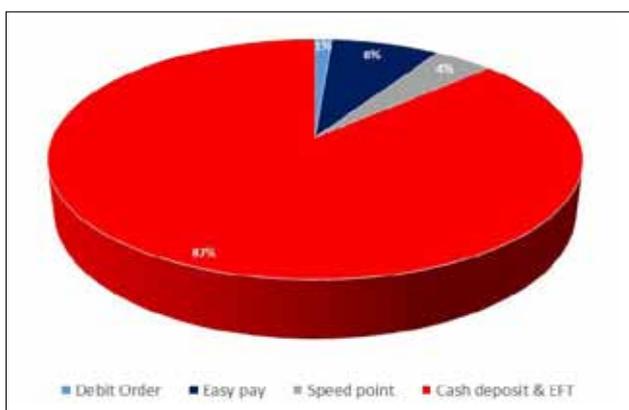


From left:

Arnold Peters - Debtors Administrator, Mahlodi Malane - Debtors Administrator, Tebogo Lebetho - Debtors Administrator, Phumi Jali - Debtors Administrator, Shahida Nabi - Debtors Controller

Payment by debit order is still the least popular payment method with tenants, representing one percent of total collectable income. Cash and electronic fund transfers remain the most popular payment methods, although, as more payment channels are introduced across more buildings, there has been a significant reduction in the popularity of cash, especially considering that in the previous financial year the only two methods available to tenants to pay rent were by cash deposit at bank branches or debit order.

Tenants' preferences on rent payment methods, 2016



Settling debts

Early in 2016 Debtors Administration initiated a programme of visiting buildings where there is a relatively higher number of tenants owing relatively low sums in arrears. The building visits are organised to meet with tenants with arrears at below R200 and talk to them – one-on-one – addressing any queries they have directly and encouraging them to settle the outstanding amount on the spot, making payment via speedpoint.

While this involved considerable time, communication and coordination with other departments – the relevant HSVs and Community Development Coordinators – as well as with tenants, it has proven beneficial. The results are evident in the reduced arrears numbers and low levels of bad debt at the year-end.

Pay by the 1st

Working with Property Management and Makhulong, the Revenue team also implemented the ‘Pay by the 1st’ campaign. This ran over three months, April to June, and was aimed at encouraging tenants to make regular monthly rent payment a timely and consistent habit. At the end of the three months, fifteen winners – five from each portfolio – were drawn from all the tenants who



From left:
 Mbali Shezi - Revenue Analyst, Jackie Tyobeka - Front Desk Administrator,
 Mpolokeng Pooe - Marketing Officer

had met the requirement and each received a shopping voucher. This campaign further assisted in reducing arrears and the achievement of a stronger year-end position in rental income.

Marketing

Within the Revenue Department the Marketing Office plays a key role in the development and delivery of campaigns and promotions aimed at reducing vacancies and supporting high occupancy levels. As well as producing required materials for specific promotions – posters or information pamphlets, as the case may be – marketing manages the distribution of flyers or pamphlets at busy hubs in the vicinity of targeted buildings where units are available to lease, the production and set-up of street-side banners at the buildings, and locally focused advertising where appropriate. These promotional activities are implemented alongside ongoing advertising of flats to let at JHC buildings across a number of online channels, including JHC’s own website, as well as in local community newspapers or other locally focused media.

Marketing gets involved similarly in the campaigns developed to reduce arrears, arranging the production of supporting materials and communications to tenants as required.

At a more general level, Marketing also takes responsibility for building signage and JHC branding at the buildings, and for producing JHC’s quarterly tenants’ newsletter, among other activities.

In addition, the Marketing Office provides support to other departments when required. One of the high-profile events for JHC in the past year was the 10th anniversary of the Taffy Cup Tournament.

The tournament is organised annually by Makhulong as the closing tournament in its Junior Soccer Development Programme (JSDP). The 10th anniversary of the event, staged in May 2016, presented an opportunity for JHC to honour its loyal tenants, some of them having been JHC tenants for 10 or more years, and marketing assisted with the arrangements for this as well for the tournament.



From left:

Lebo Mathata - Leasing Administrator, Penrose Moyana - Leasing Administrator, Jonas Ramatsetse - Leasing Administrator, Thabo Koma - Leasing Administrator, Lisa Smith - Leasing Officer

31 JANUARY 2016

THE MANAGEMENT
c/o CARETAKER
JOHANNESBURG HOUSING COMPANY

It is with great sadness that I tender my termination of lease as tenant of unit 417 at Elangeni Gardens.

My stay has been a blissful stay and I truly appreciate the cordial relationship I had with all in your employ.

I thank the current caretaker for being an exemplary employee in your company. He is a great catalyst between the tenants & your company

Thanks for everything & wishing you all the best.

Kind Regards

TERRENCE NKUNA
~~SR~~
FLAT 417 ELANGENI GARDENS

Makhulong A Matala



Lindi Malinga - General Manager, Makhulong A Matala

The 2015/16 year has been a busy and successful year for Makhulong A Matala (Makhulong). Although progress was slower starting than intended in some cases, Makhulong successfully completed all its projects planned for the year and continued to sustain and develop its established social programmes within the JHC tenant community. The continuity of these programmes – such as the Junior Soccer Development Programme, the Food Gardens Programme and the Recycling Programme, among others – in itself contributes to the generally high level of stability and wellbeing of the JHC tenant community.

Over the year Makhulong has managed, once again, close to 200 activities, engaging with tenants directly through its ongoing programmes. On average, it connects with some 4 300 tenants each month.

It also continues to work closely with JHC's Property Management and Revenue Management Departments to handle specific social issues that arise in the buildings and to assist in developing campaigns to counteract higher vacancies, for example, or to motivate consistent rent payments.

All Makhulong's programmes as well as its ongoing interactions with tenants in JHC buildings and a broader

range of stakeholders in JHC neighbourhoods, are geared towards supporting JHC's achievement of its strategic goals.

Investing in the children

The playrooms and playgroups organised by Makhulong and supported by the Community Development Facilitators (CDFs) in the buildings continue to be well attended. Playrooms or playgroups are operating at 22 JHC buildings and provide a safe place where children can go when they come home from school and their parents may still be at work. They are open to children from all JHC buildings as some are shared among clusters of nearby buildings. The facilitators organise various games and activities for the children and the play centres are equipped with toys, puzzles and young reading books that the children can enjoy.

Over the past year, between 400 and 500 young children attended the playrooms or playgroups daily through the weekday afternoons that they are open. This is from a total of just more than 1 000 children, as a running average, living in JHC buildings. Attendance numbers fluctuate, tending to fall through the winter months when some of the play centres are cold – a concern that Makhulong is addressing – or when some of the children are engaged in exams or if their families move out of the buildings. However, the play centres attract a generally steady attendance and, like the children, most parents appreciate the facility being available to them.

The CDFs who supervise the playrooms and playgroups are recruited from the tenant community in the buildings where they operate, so they get to know the children and their families. During the past year, Makhulong instituted a more formal contractual arrangement with all the CDFs in terms of their contracted hours and conditions of service. Providing a point of contact between Makhulong staff at head office and JHC tenants, the facilitators assist with a range of Makhulong activities in the buildings. They are managed and mentored by Makhulong's Community Development Officers to ensure that they have the skills to supervise the play centres effectively and to fulfil their other duties. They are also supported with in-service training where appropriate.

The CDFs assisted, for example, with the holiday programmes that Makhulong organised for all children in the buildings during the school holidays in September 2015 and March 2016. These programmes proved very popular and involved hundreds of children in a range of fun and educational activities.

As well as being an investment in the JHC tenant community and the children themselves, the playrooms and playgroups and the holiday programmes similarly, deliver a key benefit for JHC in that they keep children occupied and away from the distractions that can lead them into misbehaving or causing conflict with other tenants. The programme has demonstrated over the years since it was initiated, that there are fewer incidents of young children misbehaving in the buildings when there is a playroom or a playgroup that they attend.

Celebrating 10 years of the Taffy Cup Tournament

Always a highlight in the annual calendar of Makhulong's Junior Soccer Development Programme (JSDP), this year's Taffy Cup Tournament, staged in May, was an especially celebratory event, marking the 10th anniversary of the tournament.

After all the Saturday coaching clinics – 22 in total through the past year – the inter-building matches and mini-tournaments that the players enjoy, the Taffy Cup Tournament is the final knockout tournament of the JSDP season. The occasion brought together more than 400 young players, boys and girls in their five-a-side teams across under-10, under-12 and under-15 age groups, each representing the buildings where they live.

For the second year running Makhulong partnered with Joburg City Parks and Zoo (JCPZ) to host the tournament at JCPZ's Metro Park in Newtown. Additional sponsorships came through from the tournament's now annual sponsors, Total Newtown and Steers Newtown, as well as new sponsors, all community-driven organisations, endorsing the tournament's status as a recognised inner-city event.

Families and friends of the players and a lot of other supporters from the JHC tenant community also came to enjoy the event.

Makhulong took the opportunity of this 10th anniversary tournament to invite 100 loyal tenants, who have been staying with JHC for 10 years or more, to come and enjoy the games as VIP guests. Some of the older players who were involved in the original JHC Soccer League and are still staying with JHC were among the guests. They were hosted by Makhulong and JHC and all enjoyed a VIP lunch. This constituted another element of the ongoing tenant engagement programme that JHC and Makhulong initiated during the past year as a way of connecting and communicating with tenants more directly.

Learning life skills through sport

All the young players who participated in the Taffy Cup Tournament have learned and developed their soccer skills through the JSDP coaching clinics. The clinics are conducted by Makhulong's appointed service provider and are organised on the small-scale outdoor playing fields now established at eight JHC buildings, or on the inflatable soccer pitches that are set up in the parking areas at other buildings which do not have their own outdoor playing fields. The clinics are organised for clusters of buildings, so that the coaching sessions can be shared by all the JSDP participants from the nearby buildings.

Life skills are also an important component of the programme. While the children learn about sports and team play, they also learn about listening and communicating, discipline and the value of practice, among other skills that they can use on the field and day-to-day in their interactions with their peers and others in their communities.

Over the past year Makhulong noted a growing number of young girls participating in the JSDP, from 23 in 2014/15 to 34 in 2015/16. There has also been a greater level of parental involvement, which Makhulong encourages, with more parents taking the time to support their children and assist the coaches. Both these points are encouraging indicators for the programme going forward.



Taffy Adler pictured at the Annual Taffy Cup 2016 with MC for the occasion, Zabalaza Mchunu

Home-grown harvests

The food gardens at JHC buildings are flourishing thanks to fresh input and some inspiring innovations from Jozi Food Farmers, the new service provider contracted by Makhulong during the past year to support this programme.

During the first quarter of the past financial year, when the previous service provider went through a change of management that led to steep cost increases, impacting negatively on Makhulong, the process of identifying and appointing an alternative service provider got under way. The decision to appoint Jozi Food Farmers in November 2015 proved to be a positive step.

Jozi Food Farmers is an inner-city enterprise which started as a one-man show. It is led by a young man who is a tenant at JHC's Brickfields. Ashleigh Machete had been instrumental in developing the food garden at Brickfields almost single-handedly. He is now sharing his knowledge and skills in organic gardening with tenants in the other food gardening teams and getting the children and youth involved too.

Market Days and Harvest Brunches

In March 2016 Market Days were held at Carr Gardens and New Hampstead. The response from tenants was overwhelming as they came out to buy the home-grown fresh produce that was laid out on market tables at the buildings. As sales were made and money changed hands, the food garden members from Carr and New Hampstead were thrilled to see the real value of their food gardens and all the work they put into them – over and above the fresh vegetables they take home for themselves and their families.

Further successful Market Days followed at Douglas Village, Lake Success, Towerhill and Brickfields. All the food gardening teams also celebrated the season with Harvest Brunches which were hosted at their buildings. They learned new ways to enjoy their home-grown vegetables and herbs in healthy teas, nourishing juices, tasty soups and other meals.

The Sprouts Club

Makhulong and Jozi Food Farmers have worked together to establish the 'Sprouts Club' specifically for children at the buildings. A lot of children had already shown their curiosity about the food gardens and Jozi Food Farmers has been teaching the youngsters about the different plants and involving them in planting and watering the seedlings at the garden sites.

They are also learning about organic gardening and looking after the environment. By the June 2016 year-end, 45 children at three of the buildings had joined the Sprouts Club. They are all enthusiastic, keen to participate and to learn.

Involving the wider tenant community

The programme is also being effectively extended into the wider tenant community, involving more tenants either directly or indirectly. While some tenants are involved hands-on in the food gardens, others are participating by purchasing fresh produce on Market Days, or ordering ahead for the next harvest, or by giving their organic waste to the food gardening teams to make compost. In this way the food gardens are also serving to build broader interaction among tenants and strengthen community cohesion.

Through the past year Makhulong, together with JHC's Property Management team, has established two new food gardens, at Uno-Roseneath and Cresthill, so there are now food gardens at eight JHC buildings. Another is planned for Jeppe Oval, but this project is on hold until the current upgrades at Jeppe Oval are completed and a site can be set out for the food garden.

Sylvadale Lane community food garden

In another initiative, in the neighbourhood development sphere, Makhulong has successfully negotiated the setting up of a community food garden on the lane that runs between JHC's Sylvadale Mansions and the neighbouring building, Sunnyhoek. This falls within the Ekhaya South Neighbourhood in Hillbrow and the project has been approved by the Ekhaya South Board as well as the relevant city authorities. Makhulong engaged the owner of Sunnyhoek and the caretaker at that building, together with the Ekhaya South Coordinator, in discussions around the project and it is being supported by all parties.

In June 2016 interested tenants from both Sylvadale and Sunnyhoek attended the first training session which was conducted by Jozi Food Farmers. They learned about the technical aspects of setting up the garden, maintaining it and about organic gardening methods. On the same day they planted their first vegetables. They are keen to see their garden growing and to develop it further as they all will benefit.

The Sylvadale Lane community food garden marks another first for JHC and Makhulong, being the first such initiative in this area of the inner city.



The Zoji Food Farmers team has brought fresh inspiration to JHC's food gardening tenants.



As well as providing the tenants involved with new skills and a way of supplementing their income by growing their own vegetables, the food garden is intended to curb littering on the lane and keep it clean, since it is now an organised and used space rather than an empty alleyway where people tend to discard their rubbish.

By introducing this food garden in Ekhaya South, Makhulong is anticipating that it will create a new focus to bring the neighbourhood community together – particularly when it reaches a point of being able to host market days in the neighbourhood. It will also serve as a demonstration project – encouraging other landlords in the neighbourhood to establish similar community food gardens on other lanes in Hillbrow.

Safer, cleaner buildings

As part of the work that it does to support JHC's Property Management Department in maintaining safe and clean buildings that provide a well-kept and welcoming home environment for tenants, Makhulong continued its anti-littering and recycling campaign across six JHC buildings. While this programme is well established in some of the targeted buildings, such as Landrost, it is being continued at others to encourage all tenants to play their part in keeping their buildings free of litter – especially at weekends when JHC's regular cleaning service providers are not operating – and to support the recycling initiatives where these are gaining momentum.

The targeted buildings include: Brickfields, Carr Gardens, Cresthill and Rondebosch, Lake Success, Landrost and Tribunal Gardens. Makhulong has facilitated sustained anti-littering days at those buildings where tenants themselves have recognised the problem and are rising to the challenge of keeping their buildings clean. At some of the other buildings it has dealt with specific littering issues, involving the city's health inspectors to address tenants where necessary.

At Landrost the anti-littering and recycling programme has been actively supported by all the tenants since it was launched in 2013. They are committed to keeping their building clean and host regular monthly clean-up days. The programme is championed by the Recycling Ambassadors who help to identify the floors and areas that need cleaning each month and all the tenants get involved.

Collecting bottle tops

The Landrost Recycling Club, an organised group of young boys, took their project to a new level during the past year when they initiated a campaign to collect 50 000 plastic bottle tops (150kg) for recycling. They had learned from Interwaste that they could receive a wheelchair in exchange for the collection of bottle tops and they set about the task in earnest. They wanted to donate the wheelchair to a child who was living at Landrost at the time and who played with them, even though he couldn't walk.

The campaign began in August 2015 and the recycling team invited all the tenants at Landrost and at nearby JHC buildings to participate. JHC and Makhulong staff also contributed their saved bottle tops. As the collection grew the children became very excited and began competing with each other to see who could bring the most bottle tops. In March this year, the Recycling Club met the target of 50 000 bottle tops which they delivered to Interwaste.

However, when they received the wheelchair, they found that the child it was intended for had moved out of the building with his parents. All efforts to locate the family did not meet with any success. The Recycling Club then decided that the wheelchair should be given to another worthy recipient in the JHC community and the children identified an elderly grandmother, living at Legae Gardens, who would be a most deserving beneficiary. The Landrost Recycling Club hosted the handover ceremony in mid-June 2016 and children from neighbouring Stanhope Mansions entertained the guests with song and dance. The grandmother from Legae was very proud to receive the brand new wheelchair and very grateful to the recyclers who had initiated the collection.



Safer, cleaner neighbourhoods

Makhulong continues to participate actively in a number of neighbourhood development programmes and related inner city forums in the neighbourhoods around JHC buildings, working with property owners, tenants and other inner city stakeholders, including the City of Joburg and various City agencies.

Progress in Ekhaya North

Substantial progress has been achieved in the Ekhaya North Neighbourhood in Hillbrow. After the delays encountered in the preceding year, the appointment of the Trainee Neighbourhood Coordinator was finalised and she started working on the programme from September 2015. Through the first few months following her appointment Makhulong undertook the training of the new coordinator, using the Neighbourhood Development Training Manual it has developed. At the same time, it guided her through the practical implementation of the starting steps outlined and the month-by-month work plan agreed with the Ekhaya North Board.

By November 2015, the Trainee Coordinator had got to grips with the neighbourhood and met with a number of stakeholders. She connected with the building managers in the buildings of participating members, engaging them on the challenges they face in the area. She was ready to move forward in implementing improvements and quickly took to the role. During her walkabout in the neighbourhood, she recorded specific city services issues, such as leaking pipes and blocked drains, and logged these with the city for attention, subsequently following up if no action was taken. With support from Makhulong, she also organised her first community event, an end-of-the-year Children's Day, which was held successfully at the end of November last year.

The Ekhaya North Coordinator has since raised issues of bylaw transgressions in the neighbourhood with the JMPD and various infringements have been addressed. The motor mechanics who had established a practice of fixing cars on the pavements outside some of the buildings, for example, have been moved, and the long-distance and local taxis that were parking illegally and causing congestion at the entrances to other buildings have been ordered into allocated ranking, loading and offloading zones.

During the Pikitup strike in the early months of 2016, the coordinator worked hard to keep the areas around members' buildings clean. The Ekhaya North Board

enlisted support from the neighbourhood security team to assist with the clearing of rubbish.

She continues to attend the meetings of the local crime prevention forum, keeping track of security concerns in the neighbourhood and raising other issues that need attention.

Improvements are already evident in Ekhaya North and with the ongoing, on-the-ground work of the Neighbourhood Coordinator, the sense that this is an organised and managed neighbourhood will grow.



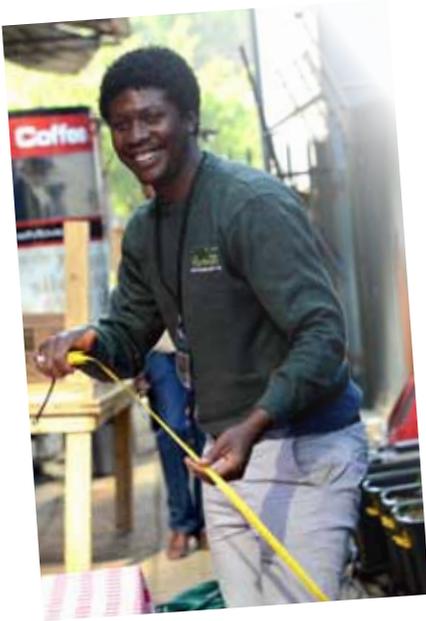
Ntombi Mamabolo - Ekhaya North Coordinator

Combatting crime in Ekhaya South

Another significant success in the past year – in the Ekhaya South Neighbourhood – resulted from the sound working relationship that Makhulong has developed with the JMPD through its ongoing involvement and attendance at the meetings of the local Crime Prevention Forum.

When the incidence of street muggings and robberies suddenly spiked in the area around JHC's newly renovated Sylvadale Mansions, Makhulong convened an urgent meeting with the Ekhaya security service provider, the Ekhaya South Neighbourhood Coordinator, JMPD and JHC Property Management to address the issue. Makhulong subsequently escalated the matter to the JMPD Crime Prevention Forum and the police took action. Nine suspects, whom the police had been watching, were arrested in one of the abandoned buildings in the neighbourhood. Unfortunately, there was not enough evidence to link them to the crimes committed, but the intervention by JMPD proved immediately effective in reducing street crimes in the area. Tenants at Sylvadale and other neighbourhood buildings feel safer knowing that they are living in an organised neighbourhood, driven by the community.

TENANTS AT JHC



Jozi Food Farmers – sharing the skills of organic gardening

Ashleigh Machete is a young entrepreneur living at JHC’s Brickfields in Newtown. He is the founder and leader of Jozi Food Farmers.

As a tenant at Brickfields, Ashleigh first came to Makhulong’s attention in December 2014 when he got involved in the food garden at the building. He clearly knew about organic food gardening and over the following year Ashleigh, almost single-handedly, cultivated that garden to become a shining example of what could be achieved in a small urban gardening space.

“It was my late grandmother who introduced me to food farming when I was a very young boy,” he explains. “We used to cultivate a small piece of unused municipal land in Protea South, Soweto. That’s where I learned the fundamentals of food farming and the value of growing your own food.”

After his success with the Brickfields food garden – and when Makhulong was looking to appoint a new service provider to take its food gardening programme



From left:

*Sally Makaane - Receptionist, Patricia Msebele - Community Development Officer,
Ntombi Swelinkomo - Community Development Coordinator, Grenda Ngwarai - Community Development Coordinator,
(Absent: Ayanda Cele - Community Development Coordinator)*

forward – Ashleigh was invited to submit a proposal. He was awarded the contract in November 2015 and soon got to work to put his proposal into action.

“It’s great to have the opportunity now to work with the other teams at all the Makhulong food gardens. We have a vision for what we call Makhulong Urban Farms, building on the concepts of self-reliance, sustainability and agro-ecology. I have built up my own team of enthusiasts and, as Jozi Food Farmers, we have a programme of weekly support visits. We meet each of the food gardening groups once a week at their garden and we work on whatever needs to be done.”

Sharing his passion for food gardening with tenants in the other gardening teams, Ashleigh is encouraging the children to get involved as well and engaging the wider tenant community. At some buildings, parents urge their children to go to the garden whenever Jozi Food Farmers is on site. Through the newly formed Sprouts Club, the youngsters are learning about different plants and how to identify them by their leaves or fruit and they help with watering the seedlings and tending the gardens.

More tenants are now supporting the gardens too, donating organic household waste to the gardening teams for compost and buying fresh produce on Market Days hosted at the buildings. This outreach to the wider tenant community boosts the benefits for everyone involved and the food gardens, now at eight JHC buildings, are flourishing.



From left:
Michael Tlala - Community Development Officer, Phumzile Sibaya - Programme Administrator,
Lungisani Ntuli - Community Development Officer

Makhulong A Matala, Board of Directors



From top, left to right:
Lindi Malinga, Shirley Moulder (Chairperson), Samuel Mokorosi, Taffy Adler,
Elize Stroebel, Xola Stock, Peter Lekgoathi, Len Kline
(Absent: Sarah Maphoto-Papi)

IN 2016

For the greater good

Patrick Lephunya, current Chairman of the JHC Board, has long-championed the community development work done by Makhulong A Matala within the JHC tenant community and in JHC neighbourhoods. In this 2016 annual report, he cites just one example of Makhulong's work.

“There are at present just more than 1 000 children living in JHC buildings. Of these, some 740 are registered to participate in the playgroups that Makhulong facilitates in the buildings and on average, over the past year, more than 500 children attended the playgroups every day! This surely stands out as a sound social investment – for the greater good – for the people living in JHC buildings, for the city and for the country. It is just one demonstration of JHC’s social conscience and the way in which this is integrated into the service it provides. This is a key factor that differentiates JHC from other social housing landlords.”

PEOPLE AT JHC

Mama Sally – 20 years with JHC

For Salome Makaane, or Mama Sally as she is known among all at JHC, 2016 marks her 20th year of service with the company.

Mama Sally joined JHC as a receptionist in November 1996, when the company was just a year old and the full staff complement totalled just five people, including herself. She has seen JHC grow from a small start-up enterprise to become the successful and respected institution it is today.

Sally has been involved one way or another in almost every aspect of the business and she has grown herself, she says, learning much along the way. When she first joined JHC, all the leasing and rental administration was outsourced. A year later, these functions were brought in-house “and then we saw the people flocking to JHC’s premises and we realised how enormous the need for housing in the city was,” she says.

Sally then took on the role of Leasing Administrator for a number of years; she assisted in debtors control in the Finance Department; and she worked in maintenance too, liaising with the Housing Supervisors at the buildings and calling in service providers to attend to maintenance tasks. She also worked with one of JHC’s work exchange visitors to prepare the framework for what has become JHC’s Maintenance Call Centre.



In 2003, Sally was recognised as one of JHC’s Employees of the Year, winning a work exchange trip to London in the UK where she spent two weeks working with the Notting Hill Housing Trust. “This was a thrilling experience,” she says, “to visit London for one thing, but also to learn how another social housing organisation functions in another country with different social support structures.

“During my years with JHC I’ve learned a lot about the business,” she says, “but mostly I’ve learned about people. I’ve learned how important it is to listen to people and I have come to understand more and more the principle of *ubuntu*, which recognises that as human beings, we are all interconnected in our common humanity and that each of us is a person only through and with other people.”

Today Sally administers JHC’s main switchboard handling all head office lines. And she continues to help out on various other administrative matters when required.

Her advice to anyone new to JHC: “The JHC values – teamwork, commitment, integrity and sustainability – have always been a guiding beacon for me. They have helped me day-by-day in my work and in my own life as well.

“I am so thankful to work for JHC which is one of those rare companies that looks after its people. We are like a family. JHC is a second home for me. When I have faced hardships in my life, the management and staff have helped me. We have been through the good and bad times together. I wish that JHC may grow from strength to strength and I hope that I may be with the company for many more years to come.”

In 2015, Sally was honoured with the CEO’s Discretionary Award in recognition of her long and loyal service to the company.

Compliance

Through the past financial year, the Compliance Office has continued its work of monitoring JHC's operational compliance with internal policies and procedures, monitoring and managing risk, ensuring the company's compliance with statutory legislation and supporting the administration of company secretarial services where required.

Internal audit and risk management

A number of internal audits were completed during the year, including, among others: audits of JHC's maintenance processes, payments to creditors, and leasing administration.

The Compliance Office is currently assisting in an extensive investigation and analysis of JHC's utilities and municipal services accounts (including water, electricity, rates and taxes, sewerage and refuse removal accounts). The aim of this process is to appeal to the City of Joburg to rectify identified historical and current billing errors and prevent future billing errors, all of which impact negatively on JHC and its tenants.

JHC's risk register, which covers strategic and operational risks that could affect JHC's business, is reviewed on a regular basis and serves as a standing reference to support JHC's day-to-day risk management.

Updating of JHC policies and procedures

Various internal policies and procedures were reviewed over the course of the year and revised where necessary, to incorporate changes in business processes and new or amended legislation requirements.

Amendments to sections of JHC's Building Management Policy and Occupational Health and Safety Policy were completed in the latter half of 2015. The review and revision of JHC's Maintenance Policy and further amendments to the Human Resources Policy followed in early 2016. Policies currently under review and being updated include the Tenant Lifecycle Policy, Finance Policy and Procurement Policy. In addition, a new Utilities Policy is being drafted.

Statutory and regulatory compliance

With regard to JHC's statutory compliance, the Protection of Personal Information (POPI) Act (2013) was reviewed and compliance reports relating to affected JHC operations were completed.



Juanita Prinsloo - Compliance Officer

In order to incorporate the requirements of the Act into JHC's internal policies and procedures, in as far as they affect JHC's business, it was agreed with management that the company's existing Records Management and Electronic Communications and Network Policies should be combined and the POPI policy accommodated in this combined policy. The redrafted combined policy has been developed. With final inputs from the management review, it is expected to be finalised soon.

Importantly, all managers were briefed regarding the POPI Act and its relevance to JHC's operations in February 2016. A first phase of training on the POPI Act has been conducted and further training for all staff will be undertaken once the revised Information, Records and Network Management Policy and Procedures document has been finalised and released.

With JHC's introduction of speedpoint machines to handle card payments at head office and several JHC buildings, the company's compliance with the Payment Card Industry Data Security Standard had to be taken into account. Amendments have been made where applicable to the affected JHC policies and training has been conducted internally so that all affected staff understand the requirements of the standard.

Another development during the past year, in support of ensuring JHC’s compliance across all operations in relation to internal policies as well as relevant legislation, was the decision to establish a Fraud and Ethics Hotline for the company. A suitable service provider has been identified and the new hotline will be launched early in the 2016/2017 financial year.

JHC’s first Board evaluation

The King Code of Governance Principles, 2009 (King III), one of the guiding documents for JHC’s compliance and governance policies and procedures, recommends that the performance of the Board and its committees and the individual directors should be evaluated annually, with the aim of improving Board performance and effectiveness over time. Although the Board evaluation is not strictly a regulatory requirement for JHC (as a privately owned non-profit company), the concept is well respected internationally in terms of good governance and it was considered by the JHC Board itself to be a sound step.

The Compliance Office facilitated JHC’s first Board evaluation which was conducted through the latter half of 2015, employing the services of an independent, external agency to undertake the evaluation. All the Board directors participated in the evaluation, completing the questionnaire that was developed for the process and making themselves available for one-on-one telephonic interviews as well. The full report detailing the results of the evaluation was released to the Board members in November 2015. The report includes potential areas for individual and collective development that the Board may consider further.

Educational exchange

JHC’s Compliance Officer, Juanita Prinsloo, was one of the winners of the company’s Middle Management Award for 2015, for excellent performance through the previous year. Juanita and fellow award winner, Michael Tlala, Community Development Officer with Makhulong A Matala, were given the opportunity to travel to Japan in May 2016 on an educational exchange visit. As well as the broadly educational experience of spending time in a foreign country, with an entirely different language and culture, the visit included attendance at the 2nd EAI International Conference on the Internet of Things (IoT) in Urban Space.



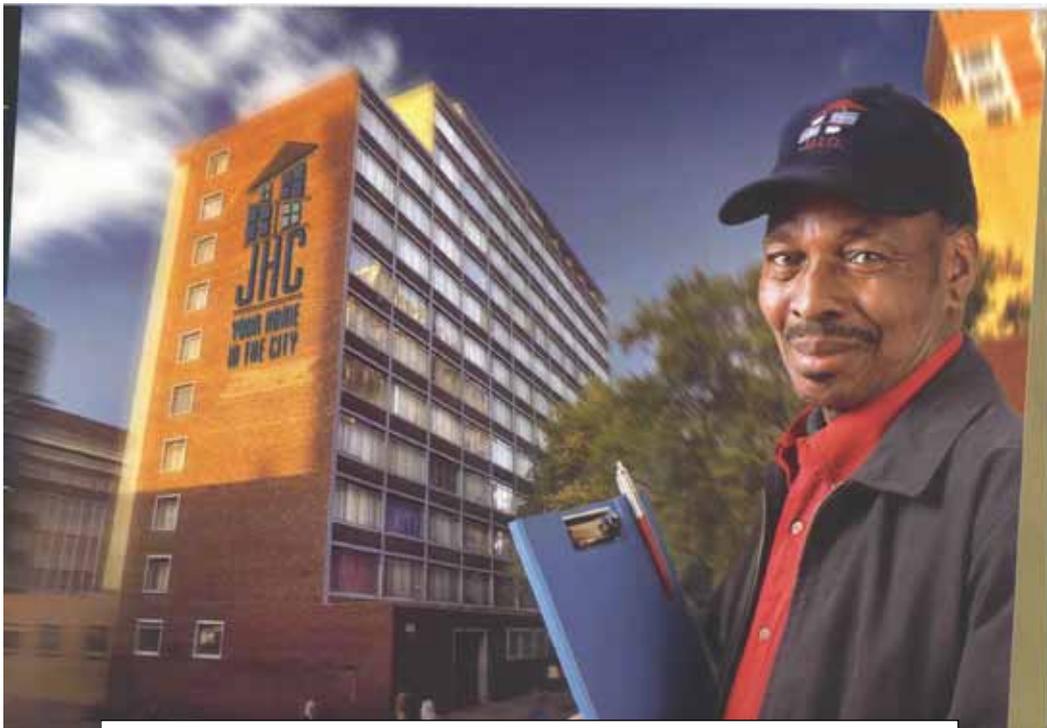
PEOPLE AT JHC

Charles Gcwabaza – a senior among JHC’s Housing Supervisors, teacher, mentor and grandfather

Charles Gcwabaza, who was known to all at JHC as Charlie, though at times he preferred the more formal “Charles”, joined the company at the very beginning, when JHC purchased its first building – San Martin in Joubert Park (in 1996). The building was well looked after and Charles was the building caretaker at the time. He had been the caretaker at San Martin since 1950. He knew the building and the tenants well and JHC took him on to continue in the role of Housing Supervisor at San Martin.

With his experience and seniority, Charlie proved to be an excellent mentor to the many housing supervisors who joined JHC subsequently, including his own son Promise, who is still with the company and one of JHC’s most experienced housing supervisors. Charlie shared his knowledge and his insights on tenants and people with all those he mentored. He shared his gentle manner and quiet wisdom with everyone at JHC and was regarded by many as a grandfather.

Charlie retired from the company in 2008. Sadly, it was not long after that, in March 2009, that he passed away. He is well remembered still by many at JHC.



Charles Gcwabaza pictured on the cover of the JHC Annual Report 2003

PEOPLE AT JHC

John Gololo and Johannes Makananisa – Making a neighbourhood

Making a neighbourhood takes organising, making connections and building relationships within the neighbourhood community.

Housing Supervisors John Gololo and Johannes Makananisa were among the first members of staff of JHC to get involved in the groundwork of setting up the first Ekhaya Neighbourhood Development initiative in the Pietersen Street precinct of Hillbrow. They worked with Josie Adler, who was the Ekhaya Coordinator when JHC launched this programme in 2004.

Sadly, John is no longer with us as he passed away in 2013. Johannes still works with JHC and remembers the first intrepid steps that they took to form a neighbourhood network.

Getting involved meant working longer hours and sometimes late at night when, together with Josie, John and Johannes visited all the buildings in the area to engage with the owners, landlords, building managers or caretakers. This was quite a daunting challenge. At the time, there were a number of unsafe buildings on Pietersen Street and everyone was wary of those self-appointed landlords and their gatekeepers. Nevertheless, John, Johannes and Josie began to forge connections with legitimate property owners and committed building managers in the neighbourhood. The Ekhaya network began to grow and the first Ekhaya Neighbourhood Association, made up of neighbourhood property owners, was formally established.

John and Johannes met with other housing supervisors and building managers from members' buildings in a regular HSVs' Forum, to discuss neighbourhood problems and find solutions. They worked with the city agencies responsible for infrastructure and services, with JMPD or SAPS where law enforcement was needed, and with a range of other stakeholders and service providers. They campaigned in the community for the Ekhaya Safe New Year and engaged with neighbouring property owners for the cleaning and management of the lanes between buildings, both programmes that have continued largely successfully.

Josie particularly remembers that it was John's idea to start the Street Soccer games for children living in the neighbourhood. It was a way of reclaiming the street space – which had been fenced off in some areas around hijacked buildings – and restoring it to the neighbourhood community. Street Soccer is still played today in the Ekhaya Neighbourhood, with children from 20 to 30 buildings participating.

The first Ekhaya Neighbourhood served as a model for the more recent development of Ekhaya North and has guided JHC and Makhulong A Matala in their involvement in other neighbourhood development programmes and city improvement districts within the inner city.



John Gololo (right) pictured here with Johannes Makananisa and Janet Mzizi Constantine in the early days

IT, Records & Information Management

Information management

During the 2015/16 year, the Records and Information Management Department tackled the sorting and clearing of JHC's older paper records – a first in JHC's 21 years of operation. An external service provider was appointed in October 2015 and has assisted with the archiving and offsite storage of the company's paper records and destruction of records where applicable.

The destruction and safe disposal of electronic waste – another first in 21 years for the company – was handled by the same service provider.

Other projects undertaken by the Records and Information Management Department during the past year included the commissioning of JHC's annual Customer Service Survey. The results were presented internally in May 2016. This was the last time that the Customer Service Survey would be undertaken in this format. The further market research conducted for JHC through the past year will inform the direction of future research.

The compilation of information required by the Social Housing Regulatory Authority (SHRA) for its annual assessment of JHC was also completed and submitted. Once again the company received full SHRA accreditation status for 2016.

Biometric access control at JHC buildings

Another significant milestone was reached with the further rollout of biometric access control to another six buildings in the JHC portfolio. After five years of design, development, implementation and training of JHC staff who work with the system – including Portfolio Officers, Housing Supervisors and Leasing staff – this process is now nearing conclusion. All the buildings that were scheduled for integration during the past year are now on the system. Only three further buildings remain to be integrated in the 2016/17 financial year.

The switch to biometric access control at the buildings has been a lengthy process, requiring complex coordination: from the starting point of establishing functional Telkom infrastructure to support the data link between the buildings and head office; setting up the hardware at the buildings; updating the records of all tenants at each building and registering tenants' fingerprints on the system. This data then has to be integrated with tenants' records held on the Leasing database at head office.

Despite these time demands, the switch to biometric access control, from the tag system JHC used previously, has delivered a number of advantages – the key benefit being improved security for tenants at JHC buildings and for JHC in terms of monitoring and securing access to its buildings.



From left:
Kgaugelo Mnisi - Records Administrator, Pasana Mbonane - IT Building Administrator,
Noma Moyo - Records and Information Officer

Piloting the new property management system

Following the Board's approval at the end of the 2014/15 year on JHC's investment in a proposed new ICT system to advance efficiencies across the company's core operations, considerable progress has been made in piloting the new system. The pilot project is confined to the Brickfields group of buildings, working with data relating to these three buildings only, and testing selected modules. The test modules relate to the work of the Maintenance Call Centre and the Project Management Office within JHC's Property Management Department.

Through the first six months of the pilot project, some significant successes were chalked up. The new system was successfully integrated with JHC's existing IT system. This enabled the automated migration of data from the existing to the new system, obviating the need for manual capture of the data. Wi-Fi infrastructure was set up at the three pilot buildings and virtual servers were installed for both the test and live environment for the new system.

At the same time, a lot of work has gone into the change process:

- Reviewing documented work for each department
- Designing workflows based on the processes for different functions within departments and setting up templates for process-specific data requirements
- Adapting these workflows to the new system and customisation of the system to accommodate JHC's ways of working.

Various demonstrations of the selected pilot modules as well as other components of the broader integrated system have been presented at head office and training

of the staff involved in the pilot project, including the HSVs from the respective buildings, is ongoing. All staff in the Maintenance Call Centre and the Project Management Office have worked hard in developing the required workflow processes and through the progressive testing of the pilot modules.

Live runs of these modules have been conducted, alongside JHC's existing system, and some further fine-tuning of the new system is in progress before a clean changeover can be made. For the short-term the aim is to establish stable operations on the pilot modules before progressing to testing of the other components of the new system.

Over the longer term, the broader aims of switching to this new ICT platform are, among others:

- To improve efficiencies in JHC's operations by reducing paper-based processes
- To facilitate real-time communications between the buildings and head office
- To speed up response times
- To support access to real-time information and the integration of information across departmental operations
- To reduce costs, and
- To improve customer service.

Updates on progress are presented to the JHC Board on a quarterly basis.

"I feel privileged to be a Board Director of the Johannesburg Housing Company. It is rare to find a company where the management and staff create such a wonderful mix of passion and professionalism. And the beneficiaries of this mix are families who can rent decent quality accommodation at affordable prices."

Jill Strelitz

Human Resources



Itumeleng Mokonyama - HR Officer

Managing change

In the latter half of 2015 JHC initiated a change management process. Taking account of the organisational changes already in progress and further significant changes indicated in JHC's next five-year strategy, it was seen as important, at a strategic level, to ensure that all staff are alert to, engaged in and supported through the change process.

The decision was taken to invest in a focused change management programme and a change management consultant was appointed to guide this process and provide training direction and support through the course of its implementation.

In October 2015 a team of 10 change agents was selected. All staff that were selected had to complete a series of assessments and had to have been previously involved in change at JHC. The change agents range across all levels and operations of the business and each is responsible for a group of 'stakeholders' within the organisation. Their role is to guide and support their respective groups through the change process.

Specific skills training for the change agents started towards the end of 2015 and continued into early 2016. Through this training they have learned about themselves and how they individually respond to change as well as various change management techniques that they can

use to take the process forward. A coaching approach has now been adopted to support the change agents in implementing their plans and managing change with their stakeholder groups.

The process is ongoing and will unfold further through the year ahead as the business grows and as various changes and innovations are introduced.

Middle management team development

Another significant investment initiated in the past financial year is focused on the development of JHC's middle management team, specifically with a view to strengthening communication and collaboration among JHC's managers at this level within a broader personal development perspective.

The development programme explores different modes of communication. In profiling each individual manager, it offers them insights into themselves and provides a way of better understanding and valuing their own and others' differences and appreciating their respective strengths and weaknesses and preferred ways of working. Through a series of workshops the middle management team has learned to identify and recognise, for example, how different people choose to communicate and to be communicated to, how they choose to manage others and how they prefer to be managed. As the programme continues, they are working with their colleagues on the basis of the insights they have gained, to strengthen collaboration within the team, share ideas and share their skills in what each does best. The same principles and insights can then be taken forward into further management development and how each manager manages their own teams and other collaborative interactions within the company.

Staff training & development

JHC continues to invest in staff training and development across all levels of the organisation, through both internal and external courses and programmes.

IT training

The IT Records and Information Management Department provides internal training for staff on all JHC's IT systems as and when needed, when new operations processes are introduced, for example, and for all new staff joining the company.

The Knowledge Race

During the past financial year JHC relaunched its Knowledge Race – first introduced in 2014. This serves as

an incentive, encouraging all staff to participate in the learning opportunities available to them through JHC's ABET programme, other internal or external training courses and JHC's bursary scheme. The Knowledge Race provides a framework in which, at the end of each year, a winner is selected based on the learning certificates and/or qualifications they have achieved over the year

The adult basic education and training (ABET) programme offers staff an in-house learning platform which they can take up voluntarily and, partially, in their own time to improve their skills in numeracy or literacy or both.

JHC's bursary scheme supports staff to pursue tertiary studies that are aligned to their areas of work, whether at management level or in vocational training. In the past financial year, a total of ten employees were awarded bursaries to pursue tertiary studies.

Learning exchanges

JHC's annual Performance Awards, which recognise excellent performance at all levels of the organisation, also afford staff valuable learning opportunities through international exchanges and conferences. This year's Middle Management Award winners attended a conference in Tokyo, Japan.

Pension fund savings

In the 2015/16 financial year JHC introduced an internal Pension Fund Update. This is intended to be an annual newsletter, offering all employees an annual update on the JHC Pension Fund. It serves as a way of keeping all employees informed on what they need to know about the Pension Fund, how it works, the benefits it provides for staff, and answering some of the basic frequently asked questions that employees raise. The newsletter also provides details on who to contact if they want to know more.

As an annual newsletter, it is also intended to encourage all JHC staff to save, even beyond the pension fund provisions, and to keep savings in mind as an ongoing consideration rather than a one-day retirement concern.

Employment equity

Recruitment over the past year has seen a number of new staff joining the company as well as several internal appointments and promotions to new or vacated positions.

In terms of employment equity and the current Broad-Based Black Economic Empowerment (B-BBEE) requirements relating to employment demographics, JHC holds specific employment equity targets for its full workforce. These targets are broadly aligned with the national demographic profile in terms of race and gender and are always taken into consideration in the recruitment and appointment of new staff. JHC's current staff profile is in line with the targets it has set.

The company's total staff complement now numbers 83 people (2015: 80 people). At the June 2016 year-end, the broad demographic profile across the organisation reflects a ratio of 94% black to 6% white; and 44% men to 56% women.

Performance Awards

Through its annual performance awards JHC recognises excellent performance from staff and management. The award winners for 2015 are noted below.

- The UK Staff Exchange Award - Emmanuel Kubeka, Housing Supervisor, and Thembi Gamede, Creditors Clerk.
- The Middle Management Award - Juanita Prinsloo, Compliance Officer, and Michael Tlala, Community Development Officer.
- The Consistent Performer Award - Jacob Bezula, Housing Supervisor.
- The Portfolio Performers' Awards - Tsumbedzo Masindi, Maintenance Technician, Ntombi Swelinkomo, Community Development Coordinator, and Samuel Madzivani, Housing Supervisor.
- The CEO's Discretionary Award - Salome Makaane, Receptionist.



JHC's 2015 Performance Award winners

PEOPLE AT JHC

Patricia Msebele – a journey with JHC and Makhulong

Patricia Msebele is a Community Development Officer with Makhulong A Matala. She was promoted to this position at the beginning of 2016, having worked with Makhulong as a Community Development Coordinator since 2010.

But Patricia's journey with JHC and Makhulong began when she was a tenant living at JHC's Carr Gardens in Fordsburg. At a time when she was going through a very difficult period in her life, Makhulong assisted her in moving to accommodation at Lake Success in Hillbrow and assisted with an arrangement to stagger her rent payments until she could get back on her feet.

Soon afterwards, Patricia joined the tenants' committee at Lake Success. She became an active participant and the housing supervisor encouraged her to apply for the post of community development facilitator, a voluntary role, liaising between Makhulong and the tenants.

At the same time, working towards rebuilding her life as an independent young woman, Patricia took advantage of one of the training opportunities that Makhulong facilitated for tenants to assist them in developing skills to gain better employment. She completed the accredited Early Childhood Development training course and, with her new ECD qualification, she found employment at a crèche in Bezuidenhout Valley. She also continued to serve as facilitator at Lake Success. Patricia was very good at what she did, working with the housing supervisor at the building and assisting the tenants – children and adults – who came to her with their concerns.

In 2008, Patricia won the Best Community Builder of the Year award, presented by Makhulong. She had found her vocation! And she continued to progress as a community builder. She was invited to apply for the position of Ekhaya Trainee Coordinator, a year-long contract position funded by Cordaid, to work with then Ekhaya Coordinator Josie Adler as mentor, to build capacity in the neighbourhood development programme and take it forward.

"I really didn't think I had a chance," says Patricia, but her doubts proved unfounded and she was appointed to the post in February 2009.

In terms of JHC policy, as an employee of Makhulong, Patricia could not stay on in a JHC building, so she moved to another building nearby – still staying in the Ekhaya precinct. Working with Josie, Patricia soon demonstrated her natural aptitude and enthusiasm for the work she was doing with the neighbourhood community and took on the responsibility of managing community events on her own – the Ekhaya Kidz Day, for example, and Street Soccer tournaments.

After completing her year's learning with Ekhaya, Patricia secured a position as a Community Development Coordinator at Makhulong's head office. That was in 2010 and she continued to do well. In 2015, Patricia was a winner in JHC's annual UK Staff Exchange Award – based on her exceptional performance through the year – and had the chance to travel to the UK, together with fellow award winner Cyril Midaka, Housing Supervisor at JHC. On this learning exchange visit the winners spent two weeks with JHC's exchange partner, the Mears Foundation, in London.

With her promotion at the beginning of 2016, Patricia took another successful step on her journey with Makhulong. "I am a very different person to the Patricia I was those years ago when I first met Makhulong. I have learned a lot. I have much more confidence than before and I am doing the work that I love. I am happy staying in the Ekhaya precinct. It is a well-managed neighbourhood and my daughter is now attending school nearby. She too is learning and growing day by day."



PEOPLE AT JHC

Lindi Malinga – empowering people, building communities

Lindi Malinga is the General Manager of JHC's Makhulong A Matala Community Development Services. She is also a member of JHC's Senior Management team and an Executive Director on the Board of Makhulong.

When Lindi joined JHC in 1999 with her qualifications and experience as a social worker, she was the sole Community Development Officer in the company. Makhulong had not yet come into being. Indeed it was Lindi's role to establish and structure the community development wing of JHC. Although the scale of the challenge was almost overwhelming – and continued to grow as JHC did – Lindi's achievements in reaching out to the JHC tenant community, responding to social issues and finding ways to build a sense of community in JHC buildings – led, over time, to the formation of Makhulong.

Makhulong A Matala was established as a subsidiary of JHC in 2003, with the specific aim of building the company's long-term social sustainability. Over the years, the team of Community Development Officers, Coordinators and Facilitators has grown. Leading the team, Lindi has been instrumental in managing Makhulong's focus to support JHC's strategic objectives and keeping to the path that supports and empowers people and communities, without inviting their dependency. Through all her years of experience, Lindi has learned that this is a fine line to follow. Together with her colleagues, she has shared the trials and successes of Makhulong's now well-established community development programmes. She also plays a key role in driving its involvement in wider neighbourhood development initiatives across the inner city.

For Sis Lindi, the reward is always in seeing people and communities learn and grow. "It's really about the people," says Lindi. "When people recognise their own strengths and take charge of their own lives to make the changes they want to make, they shine."



Finance & Administration

The JHC Group has performed well through the 2015/16 year and succeeded in meeting or exceeding all targeted financial indicators, despite a difficult operating environment. The company has seen its property assets continue to increase in value and although rental income came in slightly below budget, building expenditure and head office costs have been closely managed. In addition, higher interest returns on cash reserves, which are on hold for the Brickfields North development and other projects, kept overall net income before tax in line with budget.

At the 2015/16 financial year-end, the balance sheet reflects JHC's strong net position with total assets valued at R1.5 billion (2015: R1.4 billion) and property assets accounting for R1.3 billion of this (2015: R1.1 billion).

Total revenue to the year-end June 2016 increased to R226.3 million (2015: R204.5 million) and arrears on rent payments were managed to minimal levels with bad debts close to nil. Expenditure on buildings increased to R93.2 million (2015: R86.1 million), largely as a result of increases in municipal costs for rates and utilities, plus increases in costs for contracted security and cleaning service providers.

Costs for routine maintenance also increased, to R11.2 million (2015: R10.7 million). Investments in long-term

maintenance – which is planned and implemented to ensure all JHC buildings are kept in good condition – were sustained at R7.3 million (2015: R7.7 million).

Although JHC did not bring any additional units to the market through the past financial year, the company successfully completed the redevelopment of Sylvadale and substantial property improvements are currently in progress at Jeppe Oval. The development of Brickfields North is now under way on site and is due to deliver an additional 164 units to the inner city by the start of the 2017/18 financial year.

JHC's head office costs increased to R53.3 million over the past financial year (2015: R42.3 million), equivalent to about 23% of total rental turnover (2015: 20%). Investments spend committed to the implementation of JHC's new ICT operating system as well as staff training and development and the change management process will strengthen JHC's operating efficiencies further as the company continues to grow.

The 2017-2021 budget was presented at JHC's June Board Meeting and approved. It is aligned to JHC's financial strategy and the company's next five-year strategic plan, supporting JHC's further growth and a stronger focus on meeting the market's preferences within its defined competitive positioning.



From left:
Prosper Mpopu - CFO, Simangele Nzimande - Creditors Clerk,
Fathima Goolam Hoosen - Bookkeeper

IN THE BEGINNING

JHC's founding partners

When JHC was conceived in 1993, it was born out of an initial request from what was then the Building Industries Federation of South Africa (BIFSA) to the European Union for financial support for a job creation programme linked to construction of houses. This request was channelled across to the Kagiso Trust, then the major development funding agency in the country. The Kagiso Trust developed the initial idea into a longer-term sustainable social housing programme. Following an 18-month feasibility study to assess the validity of this concept, the EU agreed to invest R50 million through the Kagiso Trust for a joint venture involving: BIFSA, Kagiso Trust, the SA Black Contractors Association (SABCAP) and the Civic Association of Johannesburg. In October 1994, a press statement announced 'the formation of a major new rental housing initiative in the inner city areas of Johannesburg'. This was the first public notification of South Africa's pioneering social housing landlord.



*From left:
Nompumelelo Dube - Utilities Administrator, Fawzia Ballim - Accountant,
Thembi Gamede - Bookkeeper, Shivana Harilal - Creditors Clerk*

PEOPLE AT JHC

Manie Meyer – building homes

Manie Meyer, JHC's New Developments Officer up to end August 2016, has been the driving force in JHC's successfully bringing to the market an additional seven residential buildings through its past five-year growth focus. These projects increased JHC's property portfolio from 27 buildings in 2011 to 34 currently, adding just more than 1 000 units to the total number of units under JHC management.

Manie joined JHC as the New Developments Officer in the Property Management team in August 2011. His brief was to scope and manage a programme of building projects that would enable JHC to achieve its five-year growth targets. And he delivered: taking a hands-on approach in managing each project, dealing with the different contractors appointed, pushing for tough completion deadlines and ensuring JHC's standards of construction and finishing were met before handover to Leasing and Building Management.

Over this period of rapid growth, JHC's new development projects included the refurbishment of:

- Uno Court and Roseneath in Hillbrow, neighbouring buildings and now known together as Uno-Roseneath, in 2011/12;
- Smitshof Extension, next door to JHC's Smitshof Mansions on the western edge of Hillbrow, in 2011/12;
- Taylors Mansions on Pritchard Street downtown, completed in September 2012; and
- Lethabong Mansions, across the road from Taylors, opened to new tenants in July 2013.

The conversion and complete refurbishment of a high-rise former hotel in Berea saw the establishment of Ukhamba Mansions which was opened to tenants at the same time as Lethabong in July 2013.

The development of Umndeni Gardens in Fordsburg, which involved the upgrading of the former Newtown Urban Village, was a project long-delayed but finally completed, in phases, through the first half of 2014.

Each of these projects presented its own challenges and surprises. Manie was very thorough in documenting the respective project reviews, extracting the lessons learnt to be carried forward to future JHC developments.

At Umndeni, for example, although this was actually the first property purchased by JHC (in 2009) in its line-up of new developments – and the risks associated with taking on an occupied but dysfunctional building were recognised, the delays encountered proved more complicated and drawn out than anticipated. On the positive side, Umndeni demonstrated the benefits of phased refurbishment, especially on a project of this scale, and has proven a successful addition to JHC's cluster of buildings in the Fordsburg neighbourhood.

At Uno Court and Roseneath, by contrast, both purchased as tenanted buildings but generally well-maintained, the transfer to JHC ownership and management was uncontested. The progressive refurbishment of units while tenants remained in residence presented different challenges.

At Ukhamba, in addition to the complexities of working through a high-rise conversion, JHC was taken by surprise when within just a few days the vacant building was stripped of all copper cabling, pipes and other fittings before the refurbishment began. As well as adding to the cost of the project, with the required reinstatement of services, this meant the contractors initially had to work through 22 floors without lifts, electricity or running water!

Manie dealt with these and many other obstacles as they arose, always keeping completion in focus. For the most part, all projects were delivered on time and within budget – and in operation the buildings have measured up to JHC's performance indicators.

In other new development projects, Manie saw to the successful redesign and internal reconfiguration of Sylvadale Mansions in Hillbrow. The building was reopened to tenants from the start of 2016. He worked with a selected professional team in planning the comprehensive upgrading of Jeppe Oval, now nearing completion. And he has been

instrumental in bringing JHC's new-build Brickfields North development to site. Construction is currently under way. Brickfields North marks a further significant step in delivering on JHC's long-term vision for the greater Brickfields area. Although Manie would have liked very much to see this project through to completion, it will nonetheless carry his signature into JHC's continuing progress.

Alongside all his new developments work, while Manie was with the company he also made time to undertake and complete his MBA.

Manie understood JHC's social focus and recognised the importance of responding to tenants' needs, of making buildings that offer tenants a sense of welcome and wellbeing, a place they can proudly call home. He has been a great asset to the company and we are sorry to see him go. We wish him and his family every success going forward.

These farewell words from Manie show us how he valued his time with JHC.

Sala Kahle

Dear JHC family,

It is with a sad heart that I bid farewell. You have been an essential part of my (entire family's) happiness over the past 5 years! We have loved Joburg immensely.

As mentioned at my farewell, each one of you has had some sort of influence on me over the past 5 years. It really was like a family where I felt comfortable and welcomed from day one.

Keep burning the JHC light brightly.

Manie Meyer

New Developments Manager

JOHANNESBURG HOUSING COMPANY



JHC at a Glance

Group structure

JHC as a group incorporates:

- Johannesburg Housing Company NPC
- Brickfields Housing Company (Pty) Ltd
- Makhulong A Matala NPC

All subsidiary companies are 100% owned by JHC.

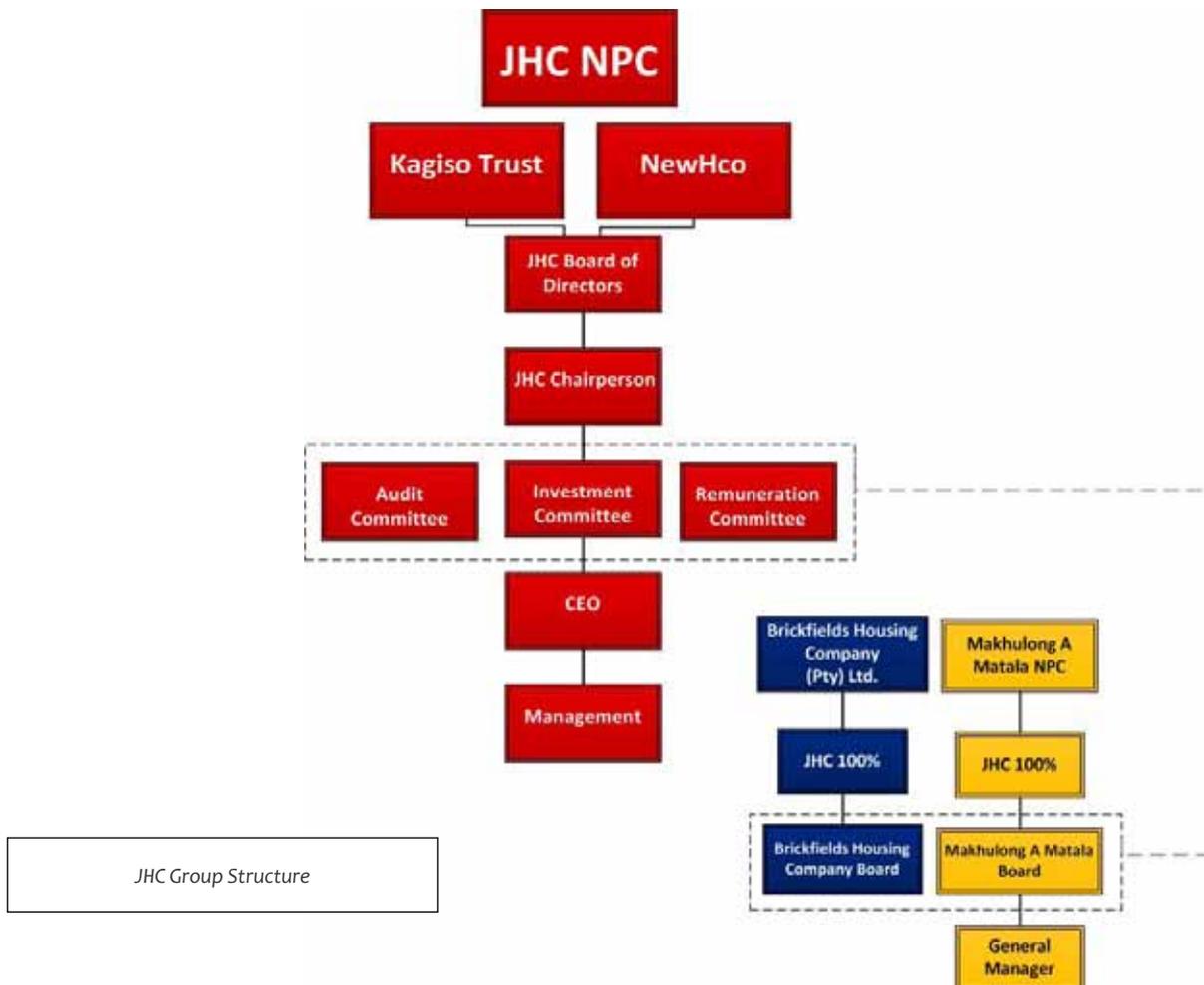
Property assets

At the 2016 year-end, JHC’s property assets are valued at R1.312 billion (2015: R1.148 billion).

Over its first 21 years in the Johannesburg inner city JHC has built up its property portfolio from a zero base. Today it owns and manages close to 4 300 rental accommodation units in 34 buildings, providing homes to more than 12 000 people across Johannesburg.

Revenue

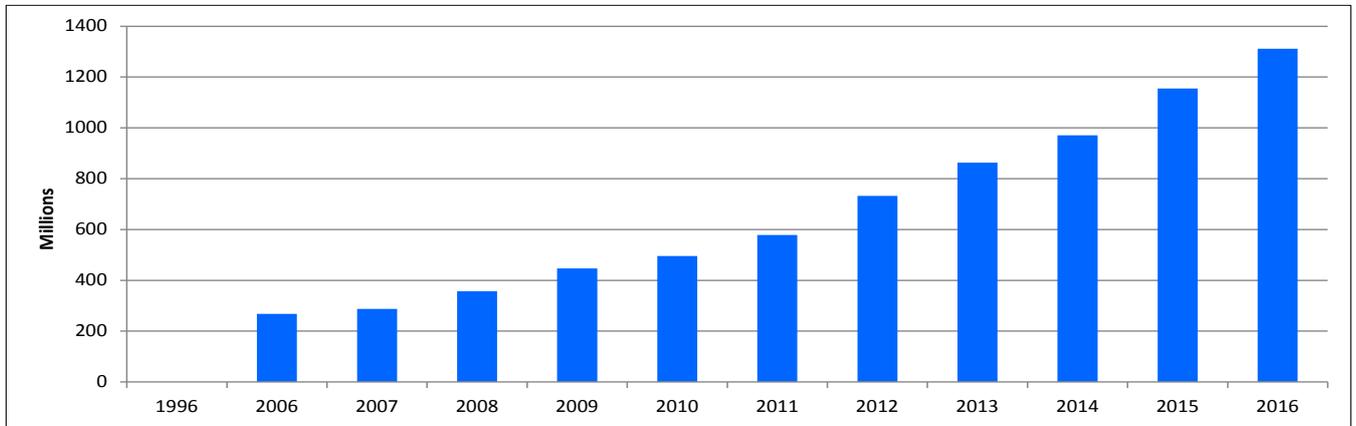
JHC’s revenue for the year to end June 2016 increased to R226.3 million (2015: R204.5 million) as a result of annual rent increases effected 1 July 2015 and with the redeveloped Sylvadale opened to new tenants from the start of the calendar year for 2016.



JHC Group Structure

Investment property

Rand value (millions) - 1996 and 2006-2016



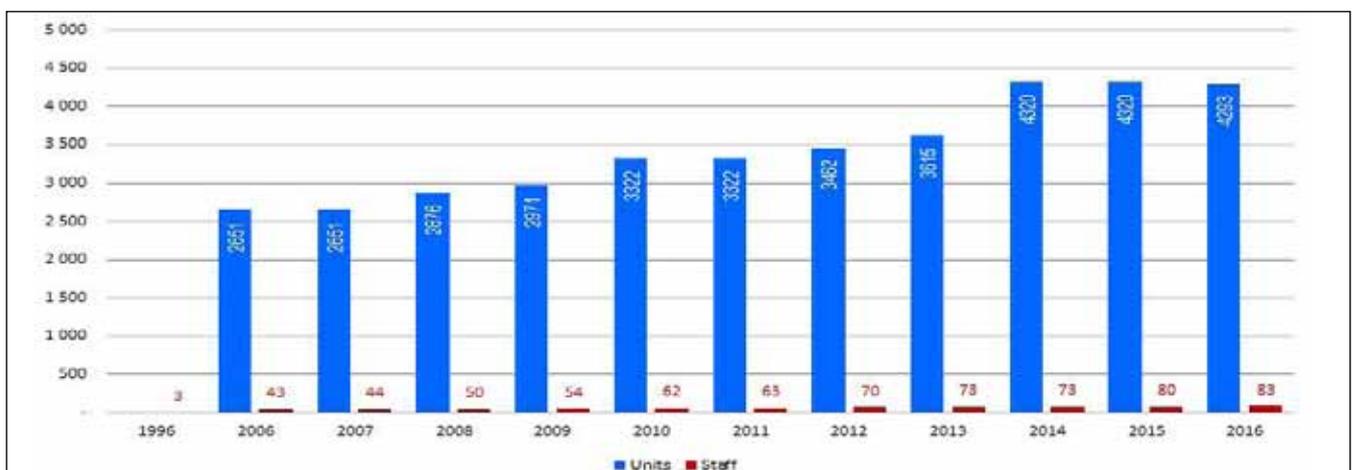
Operational Income versus Expenditure

Rand value (millions) - 1996 and 2006-2016



Housing units cumulatively & Staff numbers cumulatively

1996 and 2006-2016



* 2016: 4293 units - Sylvadale refurbishment resulted in unit typology changes

Success factors

• **Low levels of arrears**

JHC maintains strict default management practices taking a firm but fair approach and keeping arrears and bad debt at minimum levels. Although the tough economic environment increased pressure on rent collections through the 2015/16 year, arrears were kept below the target limit of 4% of total rent billings and bad debt close to nil. At end June 2016 arrears stood at just 1.43% of total rent billings (June 2015: 1.76%). Debtors outstanding at the year-end amounted to -0.02% of rent billings for the year (2015: -0.045%).

Debtors: 2012-2016
(% of total rent billings)

2012	2013	2014	2015	2016
-0.075%	-0.004%	-0.011%	-0.045%	-0.02%

• **Low levels of vacancies**

Vacancy levels are also carefully managed. Strategically targeted promotions are implemented to boost leasing where required and focused action has been taken to address identified reasons for persistently higher vacancies at a few specific buildings. Total residential vacancies were managed down to a record low of just 0.5% of all units at end June 2016, (June 2015: 2.03%) reducing the average vacancy level for the year to 3.18% (2015: 3.8%), within JHC's 4% limit.

Residential vacancies: 2012-2016
(% of total units, average for the year)

2012	2013	2014	2015	2016
2.93%	2.71%	3.13%	3.8%	3.18%
of 3 462 units	of 3 615 units	of 4 320 units	of 4 320 units	of 4 293 units

• **Building management & maintenance**

JHC's trained Housing Supervisors (HSVs) in each building liaise with tenants, administer rent and manage daily building services and day-to-day maintenance, ensuring that all buildings provide a well-managed home environment for tenants.

JHC's Portfolio Officers and HSVs work closely with Makhulong A Matala's Community Development Officers, Coordinators and the Facilitators in the buildings, to ensure that social issues and tenants' concerns are addressed.

JHC contracts external service providers to manage security, cleaning and some maintenance services at its buildings. Most of these companies are black owned and staffed and JHC's own growth has enabled these emerging enterprises to grow with it.

Payments to cleaning and security service providers for the 2016 financial year totalled R15.6 million (2015: R14.3 million).

Payments for day-to-day building maintenance services totalled R11.2 million (2015: R10.7 million). Maintenance costs are monitored and managed by JHC's central maintenance call centre. Over the past few years the company's in-house maintenance technicians have further assisted in containing the average maintenance cost per unit within budget limits.

Long-term preventive maintenance and property improvements are planned and budgeted in a rolling five-year programme to ensure all JHC's buildings are kept in good condition. Investments in planned maintenance through the 2016 financial year amounted to R7.3 million (2015: R7.7 million).

• **JHC as a corporate citizen**

JHC is one of the biggest residential clients of the City of Johannesburg.

Rates and utilities payments to the City for the 2016 financial year increased significantly to R45.2 million (2015: R36.4 million).

As well as developing new residential buildings, JHC has transformed once derelict non-paying properties into income-generating accounts for the City of Johannesburg, while also driving neighbourhood development and contributing to urban regeneration.

Taxation payments for the 2016 financial year totalled R18.9 million (2015: R10.2 million).

• **Community & neighbourhood development**

Makhulong A Matala Community Development Services is the community development subsidiary of JHC. It is a registered non-profit, public benefit organisation. Makhulong works with tenants in JHC buildings across a range of social issues and facilitates various support services and community-building programmes and events. It engages with individual tenants, groups of tenants and tenants' representative committees to address concerns that arise and to resolve these with the tenants, promoting a sense of self-reliance and empowerment within the JHC tenant community.

Makhulong also plays a leading role in building communities and developing social infrastructure in

the neighbourhoods around JHC buildings. Together with JHC, Makhulong is an active participant in the Ekhaya neighbourhoods in Hillbrow, as well as the Plein Street Precinct and Main and Marshall Improvement District (MMID) downtown, and the Newtown City Improvement District (NTCID). It works collaboratively with neighbourhood property owners and other inner city role-players and stakeholders to support the regeneration of the Johannesburg inner city.

• **Staff training & empowerment**

JHC continues to invest in staff training and development through specific skills training programmes as well as its bursary scheme which offers support for employees pursuing higher education qualifications that are aligned with the company’s skills needs.

Internally, JHC has created a working environment which ensures that lessons learnt through its operations are

recognised and carried forward. In addition, international work exchange programmes are ongoing and provide valuable learning experience for top performing employees. Staff at all levels of the organisation are encouraged to develop their skills and talents and to progress in their careers within the JHC environment.

• **Employment equity**

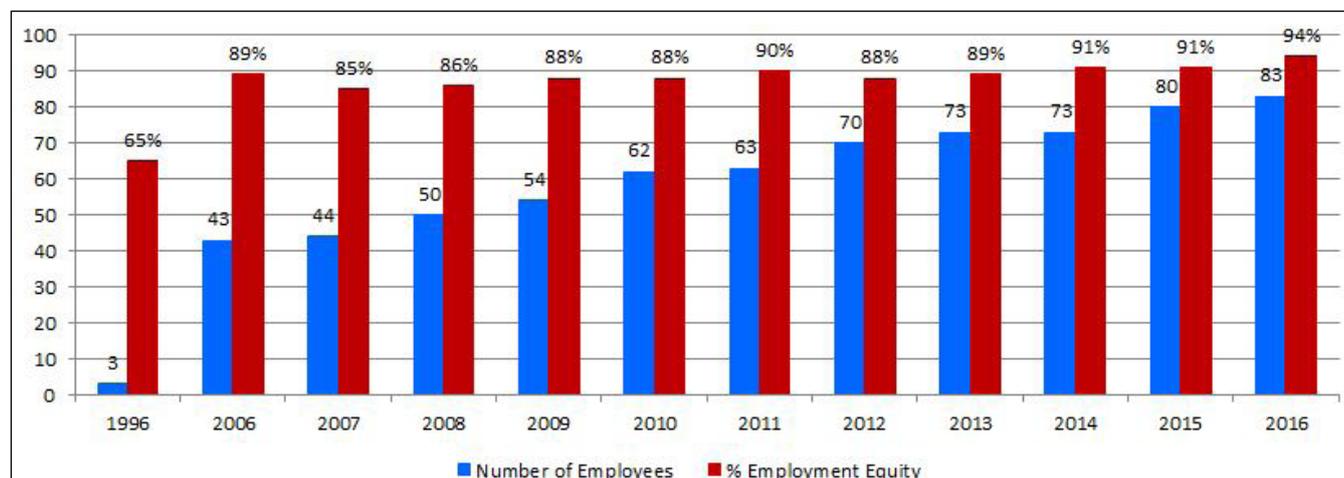
At June 2016 JHC’s staff numbered 83 people (2015: 80 people).

94% of staff are previously disadvantaged individuals (PDIs) (2015: 91%).

56% are women and 44% men, (2015: 47% women and 53% men).

Total number of employees and % employment equity

1996 and 2006-2016



Source: All figures sourced from JHC Management Accounts 2015/16

Corporate Governance

JHC's Corporate Governance Policy and Procedures comply with the Companies Act, 2008, the King Code of Governance Principles, 2009 (King III) and the Auditing Professions Act, 2005.

Broadly, the policy sets out the roles, responsibilities and powers of the Members, the Board, individual directors and the executives of JHC.

Group operating principles

Mission

The Johannesburg Housing Company is committed to urban regeneration through the provision of quality, value for money accommodation and service for all who choose to live in JHC projects and neighbourhoods, in a manner that is both sustainable and promotes growth.

Values

- Integrity
- Commitment
- Teamwork
- Sustainability

These values are interlinked. JHC understands the need for integrity, commitment and teamwork to achieve sustainability. JHC's mission and values apply to JHC and all its subsidiaries.

Group structure

The JHC Group incorporates:

- Johannesburg Housing Company (Non Profit Company)
- Brickfields Housing Company (Pty) Limited
- Makhulong a Matala Community Development Services (Non Profit Company and Public Benefit Organisation)

Johannesburg Housing Company NPC

JHC was set up in 1995 by its founding Members, Kagiso Trust and NewHco. It is a registered Non Profit Company (NPC). Control of the company and the group is exercised through the Board of Directors, drawn from and appointed by the Members.

JHC Board of Directors

Mr Pat Lephunya (Chairman)
Regional Director, Region D - Greater Soweto

Mr Kura Chihota (Vice Chairman and Chairman, Investment Committee)
Executive Director, Leap Frog Property Group

Mr Robert Giuricich (Chairman, Remuneration Committee)
Retired

Mr Len Kline
Managing Director, Len Kline & Associates

Mr Paballo Makosholo (Chairman, Audit Committee)
Chief Operations Officer, Kagiso Capital

Ms Nonkqubela Maliza
Executive Director, Corporate and Government Affairs, VWSA

Mr Prosper Mpofu*
Chief Financial Officer, Johannesburg Housing Company
Company Secretary
(appointed September 2015)

Mr Mzomhle Nyenjana
Chief Financial Officer, Kagiso Trust
(appointed November 2015)

Mr Benjamin Nokaneng
Financial Director, Thebe Property Asset Management

Ms Jill Strelitz
Executive Director, NewHco

Ms Elize Stroebel*
Chief Executive Officer, Johannesburg Housing Company

Mr Imraan Suleman
Chief Financial Officer, Arrowhead Properties

*Executive Directors

JHC Board: Role and responsibilities

The JHC Board of Directors comprises 12 directors of whom ten are independent non-executive directors and two are executive directors. The Board is presided over by an independent non-executive chairman, Mr Pat Lephunya, who has held the chair since 2006. The Board meets at least once a quarter.

The Board holds primacy in the governance of the JHC Group. It directs JHC's affairs in accordance with the group's goals, objectives and rules and its central role is to determine the group's strategic direction and policies.

Board Meetings 2015/16 – Register of Attendance

	Board Meeting 30 th Sept 2015	Board Meeting 25 th Nov 2015	20 th AGM 25 th Nov 2015	Board Meeting 21 st April 2016	Board Meeting 29 th June 2016
Mr Pat Lephunya	Y	Y	Y	Y	Y
Mr Kura Chihota	Y	Y	Y	Y	-
Mr Robert Giuricich	Y	Y	Y	Y	-
Mr Len Kline	Y	Y	Y	Y	Y
Mr Paballo Makosholo	-	Y	Y	Y	-
Ms Nonkqubela Maliza	Y	Y	Y	Y	-
Mr Prosper Mpofu	Appointed	Y	Y	Y	Y
Mr Mzomhle Nyenjana		Appointed	-	Y	-
Mr Benjamin Nokaneng	Y	Y	Y	Y	Y
Ms Jill Strelitz	-	Y	Y	Y	Y
Ms Elize Stroebeel	Y	Y	Y	Y	Y
Mr Imraan Suleman	Y	-	-	-	-

The Board operates from a basis that assumes that strategy, risk, performance, management and oversight are inseparable and all facilitate the development and maintenance of a sustainable company. From this basis the Board of Directors must always act in the best interests of the company.

The Board is responsible for:

- determining the group's strategic direction and overseeing its implementation;
- ensuring effective risk management;
- establishing a sound foundation and providing clear leadership for ethical and effective management and oversight;
- and encouraging optimum performance.

The Board acts as the custodian of corporate governance within the group.

The Board is further responsible for establishing a comprehensive and appropriate framework for the delegation of authority that empowers its subcommittees, the CEO and management of JHC to act on its behalf.

Board subcommittees

The Board delegates certain functions to appointed subcommittees with specific expertise. Each subcommittee is responsible for JHC and its subsidiaries.

Each is chaired by a non-executive director and operates within the mandate and delegated authority received from the Board.

Audit Committee

Mr Paballo Makosholo (Chair)

Mr Len Kline

Mr Benjamin Nokaneng

Mr Imraan Suleman

Mr Frank Vein (nominated by JPMorgan)

By invitation

Ms Elize Stroebeel (CEO)

Mr Prosper Mpofu (CFO)

Ms Fawzia Ballim (Accountant and Public Officer)

Ms Juanita Prinsloo (Compliance Officer)

The members of the Audit Committee are independent non-executive directors of the JHC Board, except Mr Vein who is nominated by JPMorgan. The Chief Executive Officer, Chief Financial Officer, Public Officer and Compliance Officer of JHC attend the committee meetings as invitees and not as members of the committee. The appointed auditors also attend the meetings as invitees and not as members. The Audit Committee has the right of access to all required information and to consult with the internal and external auditors directly. The committee meets at least twice a year and operates within the limits set down in the Memorandum of Incorporation and the Companies Act.

The Audit Committee is responsible for ensuring that:

- Adequate accounting records are maintained;
- An effective system of internal and risk management controls exists and is implemented;
- A risk governance strategy and policy is in place and the risk management process is monitored;
- The company is able to meet its present and future needs and obligations;
- Reporting by the company is comprehensive and reliable; and
- The company complies with the principles of good governance.

The Audit Committee is further responsible for:

- Nominating the auditors for appointment;
- Confirming the independence of the auditors;
- Recommending, appointing and overseeing the external audit process;
- Determining and approving the provision of any non-audit services to be conducted by the auditors;
- Providing comment on the company's financial statements, accounting practices and compliance with relevant legislation and on its internal financial management;
- Approving the annual financial statements and recommending their adoption to the Board.

In overseeing risk management within JHC the Audit Committee takes responsibility for reviewing risk management progress and effectiveness, for monitoring key risks and ensuring appropriate remedial action when necessary.

Remuneration Committee

Mr Robert Giuricich (Chair)
Ms Nonkqubela Maliza
(appointed November 2015)
Ms Jill Strelitz

All members of the Remuneration Committee are independent non-executive directors. The committee meets at least twice a year. Its mandate is limited by the Memorandum of Incorporation. All Board directors are entitled to access any of the information, documents and recorded discussions of the Remuneration Committee.

The Remuneration Committee is responsible for:

- Reviewing and making recommendations to the Board on remuneration and service contract issues;
- Ensuring the development and ratification of policies and documentation related to remuneration and conditions of service;

- Approving and authorising executive salary packages and changes, per individual;
- Authorising the annual salary budget;
- Authorising the annual incentive bonus;
- Balancing the mandates of the Board and the confidentiality of staff conditions of service; and
- Developing and motivating remuneration and conditions of service proposals that demonstrate the nature of the policy and the financial implications for the company to the Board for consideration and decisions.

Investment Committee

Mr Kura Chihota (Chair)
Mr Robert Giuricich
Mr Len Kline
Mr Benjamin Nokaneng
Ms Elize Stroebe^{*}

** Executive Director*

The Investment Committee has five members, including JHC's CEO and four independent non-executive directors. All Senior Managers are required to attend Investment Committee meetings as invitees. The committee meets ad hoc and its mandate is limited by the Memorandum of Incorporation.

The Investment Committee is responsible for:

- Approving new projects or programmes within the defined levels of authority prescribed in the Finance Policy;
- Approving capital expenditure within the defined levels of authority prescribed in the Finance Policy;
- Approving investments within the parameters of the Treasury Policy approved by the Board; and
- Examining all investment proposals and recommending decisions to the Board.

JHC Management

JHC Management is responsible for the implementation of the group's approved strategy in the daily operations of the business. The Senior Management team includes:

Ms Elize Stroebe^{*}, Chief Executive Officer
Ms Lindi Malinga, General Manager, Makhulong a Matala
Mr Boyce Maritz, Property Manager
Mr Prosper Mpofu, Chief Financial Officer
Mr Karabelo Poee, Revenue Manager

Their roles and responsibilities are defined in their role profiles.

Brickfields Housing Company (Pty) Ltd

Brickfields Housing Company (BHC) was set up within the JHC Group in 2002 as a special purpose vehicle to develop the Brickfields housing complex in Newtown – comprising Brickfields, Legae and Phumulani. BHC is a wholly owned subsidiary of JHC. It operates under its own Board of Directors who are appointed by the Board of JHC.

BHC Board of Directors

Mr Len Kline (Chairman)

Mr Paul Jackson

Ms Elize Stroebel*

Mr Prosper Mpofo (Company Secretary)

(appointed September 2015)

*Executive Director

Makhulong A Matala

Community Development Services NPC

Makhulong A Matala is a wholly owned subsidiary of JHC. It evolved out of JHC's Community Development Department and was established in 2003 to strengthen JHC's focus on social development and sustainability. Makhulong A Matala is a registered Non Profit Company and Public Benefit Organisation. This status enables donors who provide funding to Makhulong to deduct the sum of their donations from their taxable income.

Makhulong operates under its own Board of Directors who are appointed by the Board of JHC.

Makhulong A Matala Board of Directors

Ms Shirley Moulder (Chairman)

Mr Taffy Adler

Mr Len Kline

Mr Peter Lekgoathi

Ms Lindi Malinga*

Ms Sarah Mmabatho Maphoto-Papi

Mr Sam Mokorosi

Mr Xola Stock

Ms Elize Stroebel*

Mr Prosper Mpofo (Company Secretary)

(appointed September 2015)

* Executive Directors

FUNDING AND FINANCE

Achieving financial sustainability

From the start, the central challenge for JHC was to deliver on its social mandate within a framework that would ensure the company's long-term financial sustainability as an independent social housing institution.

A major milestone on this journey was its reaching the point of financial breakeven. That came only in 2003, eight years after JHC had set out. It was two years later, in 2005, that JHC passed the next critical milestone when, for the first time, rental turnover more than covered operating costs.

For this there are many thanks due, but it was essentially thanks to our founding funders – the European Union, through Kagiso Trust, and subsequently, the Flemish Regional Government, through NewHco – that JHC was able to reach this point and could continue to succeed and grow.

In the early 1990s there were not many investors willing to back the untested concept of social housing in what was widely seen as a high-risk environment. Housing development is inherently capital intensive and social housing, by its nature, does not offer a financial return to its investors but returns its yield to further development and investment in the communities it serves. JHC needed start-up capital at a level that would enable it to establish a footing in social housing delivery and development and to make an impact in the inner city.

It was the European Union (EU) that understood the vision behind this new venture, shared its aims and recognised its social value. The EU's commitment of R50 million in grant funding, directed through the Kagiso Trust, enabled JHC to establish itself. The Kagiso Trust became JHC's first founding member.

In 1996, further support came from NewHco, at the time a leading developer of housing for low income communities. It had received a grant of R5.1 million from the Flemish Regional Government and, with the funder's agreement, this was invested in JHC. NewHco became JHC's second founding member. Over the next five years the Flemish Regional Government increased its funding for JHC to some R13 million.

Through the early years JHC also received funding from the Gauteng Provincial Government in the form of institutional subsidies. At national level the post-1994 government introduced policy that provided subsidies for rental housing for the first time. Subsidies were restricted to households in prescribed income bands and the institutional subsidies, administered at provincial level, were based on the proven means of tenants per unit and were paid in the form of a capital grant directly to the housing provider. Initially, this could cover up to 25% of the capital cost of a housing unit. Over time however, the value of subsidies declined in real terms, and JHC sought other avenues to sustain the quality and good value it had developed in social housing.

At local government level, the Greater Johannesburg Metropolitan Council at the time, introduced policy that provided for council-owned land to be made available to social housing institutions at no cost, as long as it was used for social housing. In due course, this policy supported JHC's development of Elangeni in central Johannesburg and later, Brickfields, in Newtown.

By 2000, JHC had established a strong record of real delivery, sound financial management and good governance. For the first time, it was able to win the confidence of the commercial banking sector which, since the early 1990s, had redlined the inner city. JHC secured its first commercial loan from Absa for its new-build Elangeni development in a deal that was facilitated by JPMorgan.

By 2003, with a breakthrough capital grant from the Gauteng Department of Housing, the company was able to draw together further private and public sector investments for the development of Brickfields in Newtown, opened in 2005, with further phases opened in 2006. Significantly, the long-envisioned development of Brickfields North is now under way, a further marker of the successful growth and continuing financial sustainability that JHC has generated over its 21-year journey to date.

Abridged Annual Financial Statements

Johannesburg Housing Company NPC and its subsidiaries

(Registration number 1995/013843/08)

Group Financial Statements for the year ended 30 June 2016

Results for the Year

Audit opinion

Johannesburg Housing Company and its subsidiaries' annual financial statements have been audited by the independent auditors, Grant Thornton, Johannesburg. Their unqualified audit report is available for inspection at the company's registered office.

Accounting policies

The annual financial statements have been prepared in accordance with International Financial Reporting Standards.

The accounting policies used in the preparation of the annual financial statements are consistent with those used in the previous financial year.

**Johannesburg Housing Company NPC
and its subsidiaries**

(Registration number 1995/013843/08)

Group Financial Statements for the year ended 30 June 2016

Statement of Financial Position

Figures in Rands	2016	2015
Assets		
Non-current assets		
Investment property	1 311 500 000	1 147 631 145
Property, plant and equipment	3 492 582	2 983 602
Work in progress	10 511 396	11 175 952
	1 325 503 978	1 161 790 699
Current assets		
Current tax receivable	2 787 954	4 377 980
Trade and other receivables	8 446 713	6 641 760
Cash and cash equivalents	206 019 561	183 495 039
	217 254 228	194 514 779
Total assets	1 542 758 206	1 356 305 478
Equity and Liabilities		
Equity		
Members funds	74 419 636	74 419 636
Retained income	965 687 669	828 717 706
	1 040 107 305	903 137 342
Liabilities		
Non-current liabilities		
Financial liabilities	148 048 092	178 217 244
Conditional government grant	9 296 428	9 296 429
Deferred tax	214 487 261	152 375 494
	371 831 781	339 889 167
Current liabilities		
Financial liabilities	22 476 437	11 704 947
Current tax payable	525 981	4 868 677
Trade and other payables	104 046 251	96 705 345
Deferred income	3 770 451	
	130 819 120	113 278 969
Total liabilities	502 650 901	453 168 136
Total equity and liabilities	1 542 758 206	1 356 305 478

**Johannesburg Housing Company NPC
and its subsidiaries**

(Registration number 1995/013843/08)

Group Financial Statements for the year ended 30 June 2016

Statement of Comprehensive Income

Figures in Rands	2016	2015
Revenue	226 277 790	204 519 159
Cost of sales	(93 186 004)	(86 123 220)
Gross profit	133 091 786	118 395 939
Other income	1 203 123	287 170
Operating expenses	(53 281 776)	(42 320 810)
Operating profit	81 013 133	76 362 299
Investment revenue	13 028 437	9 676 688
Fair value adjustments	143 918 567	176 098 702
Finance costs	(19 957 667)	(16 029 448)
Profit before taxation	218 002 470	246 108 241
Taxation	(81 032 507)	(65 413 657)
Profit from continuing operations	136 969 963	180 694 584
Profit from discontinued operations	-	429 476
Profit for the year	136 969 963	181 124 060
Other comprehensive income	-	-
Total comprehensive income for the year	136 969 963	181 124 060
Profit attributable to:		
Owners of the parent		
From continuing operations	136 969 963	180 694 584
From discontinuing operations	-	429 476
	136 969 963	181 124 060

**Johannesburg Housing Company NPC
and its subsidiaries**

(Registration number 1995/013843/08)

Group Financial Statements for the year ended 30 June 2016

Statement of Changes In Equity

Figures in Rands	Members' Funds	Retained income	Total equity
Balance at 1 July 2014	74 419 636	647 593 646	722 013 282
Total comprehensive income for the year	-	181 124 060	181 124 060
Balance at 1 July 2015	74 419 636	828 717 706	903 137 342
Total comprehensive income for the year	-	136 969 963	136 969 963
Balance at 30 June 2016	74 419 636	965 687 669	1 040 107 305

**Johannesburg Housing Company NPC
and its subsidiaries**

(Registration number 1995/013843/08)

Group Financial Statements for the year ended 30 June 2016

Statement of Cash Flows

Figures in Rands	2016	2015
Cash flows from operating activities		
Cash generated from operations	96 447 410	87 073 855
Interest income	13 028 437	9 676 688
Finance costs	(19 957 667)	(16 029 448)
Tax paid	(21 673 411)	(21 039 257)
Net cash from operating activities	67 844 769	59 681 838
Cash flows from investing activities		
Purchase of property, plant and equipment	(1 447 816)	(982 431)
Sale of property, plant and equipment	42	41
Purchase of investment property	(19 950 288)	(5 065 239)
Additions to work in progress	(4 524 523)	(5 986 873)
Net cash from investing activities	(25 922 585)	(12 034 502)
Cash flows from financing activities		
Proceeds from financial liabilities	-	31 583 223
Repayment of financial liabilities	(19 397 662)	(13 013 843)
Net cash from financing activities	(19 397 662)	18 569 380
Total cash movement for the year	22 524 522	66 216 716
Cash at the beginning of the year	183 495 039	117 278 323
Total cash at the end of the year	206 019 561	183 495 039

Directorate & Administration

Johannesburg Housing Company NPC

Company registration number: 1995/013843/08

NPO registration number: 026-005-NPO

Brickfields Housing Company (Pty) Ltd

Company registration number: 2002/026972/07

Makhulong A Matala

Community Development Services NPC

Company registration number: 2003/029904/08

NPO registration number: 041-748-NPO

PBO registration number: 930011472

Business address

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Attorneys

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Louis Gishen & Associates

Bull & Bear House, 58 Lyme Place, Lyme Park,
Sandton, 2196

Shepstone & Wylie

Ground Floor, The Lodge, 38 Wierda Road West,
Wierda Valley, Sandton, 2132

Bankers

Absa Bank Limited

ABSA Business Centre, Palazzo Towers West,
Montecasino Boulevard, Fourways, 2055

Nedbank Limited

100 Main Street, Johannesburg, 2001

The Standard Bank of South Africa

88 Commissioner Street, Johannesburg, 2001

Auditors

For Johannesburg Housing Company and
Makhulong A Matala:

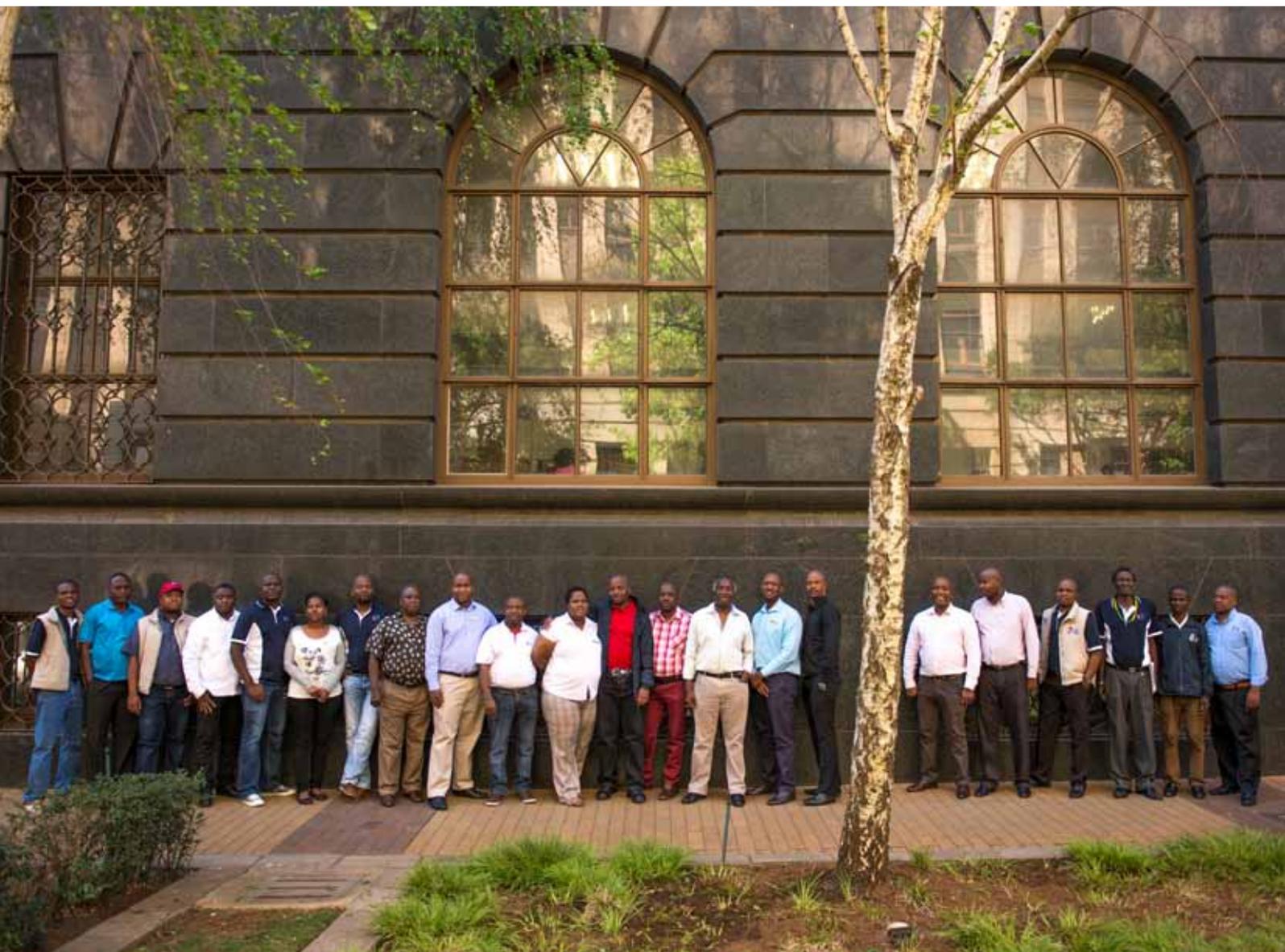
Grant Thornton, Johannesburg

Wanderers Office Park, 52 Corlett Drive, Illovo, 2196

For Brickfields Housing Company:

Karolia Jeena

30 Jellicoe Avenue, Rosebank, 2132



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