

2019

JHC ANNUAL REPORT



#JHCCares



KEY PERFORMANCE FIGURES (JHC GROUP)

	2019	2018	2017	2016	2015
FINANCIAL PERFORMANCE					
TOTAL ASSETS	R1.783 billion	R1.752 billion	R1.612 billion	R1.543 billion	R1.356 billion
TOTAL INVESTMENT PROPERTIES	R1.582 billion	R1.493 billion	R1.368 billion	R1.312 billion	R1.148 billion
TOTAL RENTAL INCOME	R274.7 million	R261 million	R240.5 million	R226.3 million	R204.5 million
TOTAL EXPENDITURE	R197.4 million	R162.5 million	R151.6 million	R146.5 million	R123.6 million
OPERATING PROFIT AFTER TAX ¹	R61.7 million	R83.9 million	R67 million	R55.2 million	R49.7 million
YIELD ON BUILDINGS	17%	20%	25%	22%	20%
COST: INCOME RATIO	49%	44%	43%	46%	45%
DEBTORS (% OF TOTAL RENT BILLING)	0.066%	-0.153%	-0.004%	-0.02%	-0.045%
VACANCIES (AVERAGE FOR THE YEAR)	3.84%	2.46%	2.23%	3.18%	3.8%
SOCIAL PERFORMANCE					
TOTAL SOCIAL HOUSING UNITS DELIVERED ²	46	164	10	–	–
TOTAL SOCIAL HOUSING UNITS PROVIDED ³	4 513	4 467	4 303	4 293*	4 320
TOTAL TENANTS ACCOMMODATED	>12 650	>12 500	>12 000	>12 000	>12 000
PLAYROOMS/PLAYGROUPS AT PROVIDING ACCESS FOR CHILDREN AT	26 buildings All buildings	25 buildings All buildings	24 buildings All buildings	22 buildings All buildings	23 buildings All buildings
REFURBISHED PLAYROOMS ⁴	6 (rubber mats)	1	7	–	–
OUTDOOR PLAY FACILITIES AT BUILDINGS	27	21	16	8	8
REFURBISHED OUTDOOR PLAY FACILITIES ⁴	2	3	2	–	–
JUNIOR SOCCER DEVELOPMENT	All buildings				
NEIGHBOURHOOD DEVELOPMENT	6 precincts	6 precincts	6 precincts	4 precincts	5 precincts
COMMUNITY DEVELOPMENT PROGRAMMES AND EVENTS	665	562	367	184	190
CORPORATE SOCIAL INVESTMENT (MAKHULONG A MATALA)	R6.7 million	R5.8 million	R5.4 million	R5.1 million	R4.7 million
EMPLOYMENT EQUITY	92%	93%	93%	94%	91%
STAFF WELLNESS EVENTS	5	4	3	1	1
STAFF TRAINING	R0.63 million	R0.49 million	R1.3 million	R0.6 million	R0.4 million
STAFF BURSARIES	R0.69 million	R0.47 million	R0.2 million	R0.2 million	R0.2 million
ENVIRONMENTAL PERFORMANCE					
TOTAL BUILDINGS ⁵	36	35	34	34	34
TOTAL NEW BUILD	10	10	9	9	9
TOTAL REFURBISHED/RECYCLED	26	25	25	25	25
WASTE RECYCLING AT BUILDINGS	7	8	7	3	3
FOOD GARDENS AT BUILDINGS	7	12	10	8	6
PREPAID ELECTRICITY METERS INSTALLED	13 buildings	13 buildings	8 buildings	5 buildings	5 buildings
ELECTRICITY RECOVERIES	84%	79%	98%	98%	114%
WATER RECOVERIES	65%	66%	73%	94%	86%

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

² New units delivered

³ Income generating units under management

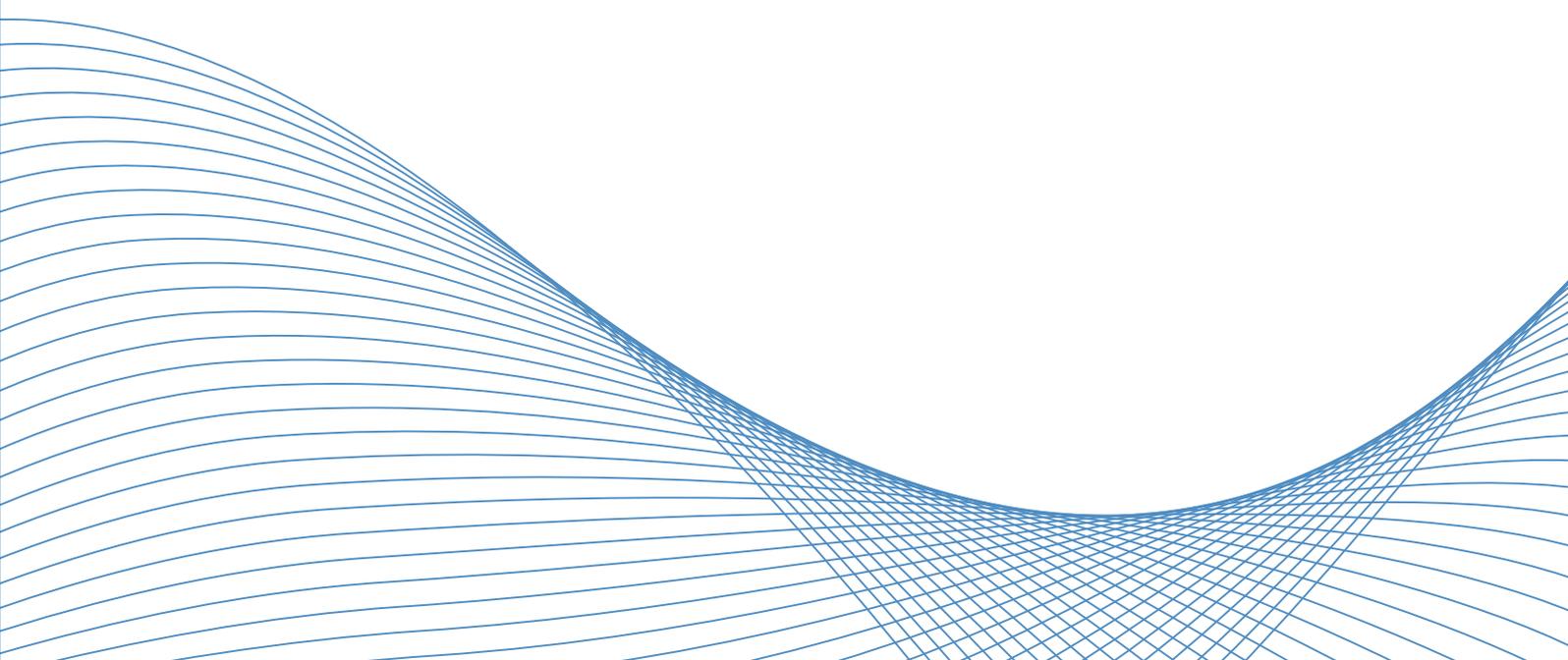
⁴ Refurbished playrooms and outdoor facilities added

⁵ Income generating buildings

*Sylvadale refurbishment resulted in unit typology changes

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#JHCCares 

CHAIRPERSON'S REPORT

The 2018/2019 financial year was indeed challenging, as can be seen in the key performance indicators.

“In my inaugural year as JHC Chairperson, I can report that the company experienced a tough year, which is reflective of really difficult trading and operating conditions given the state of the economy. We met these challenges head-on, with precision planning and the execution of a number of strategic changes to ensure the company remains relevant in a competitive rental market. Undeterred by any setbacks, JHC’s team of dedicated staff worked diligently to try and meet our targets, and more importantly, to create a better customer experience for our tenants. To that, as Chairperson of the Board and as the Board, we extend our gratitude to the team for their unyielding diligence and commitment.”

– **Benjamin Nokaneng**, Chairperson

Positively, the successful take-on of **Clarence Court**, which JHC acquired during 2018, provided a welcome boost to revenue.

OVERVIEW OF THE BUSINESS ENVIRONMENT

In the first quarter of 2019, the South African economy was shaken by a 3.2% contraction, with manufacturing, mining and trade experiencing the sharpest declines. This was the biggest quarterly slump since the first quarter of 2009, when the economy fell by 6.1% during the global financial crisis.

As a result of the economic downturn, millions of unemployed South Africans would have to wait longer for the elusive growth that leads to employment opportunities. To make matters worse, the unwelcome return of load-shedding during 2019 further slowed the growth rate of the local economy.

South Africa is also feeling the effects of a slowdown in global growth, most recently evident in the US economy, which is cooling down after a period of sustained strength. The Trump administration's trade war with China has slowed demand for products with higher import prices for both countries, and the effects of this are being felt globally.

Our local currency weakened against the US dollar during the 2018/2019 financial year, driving up the cost of imports as well as fuel prices, which had a knock-on effect on tenant affordability and consumer spending.

Hotels and restaurants experienced the strongest growth year-on-year at 4.3%, while Transport had the sharpest decline at -4.1% compared to the previous year. In the context of low annual salary and wage increases and high consumer debt levels, household spending grew by just 0.4%, which is a concern for South Africans and the local economy going forward.

In the property sector, particularly in the affordable housing market, we can see the impact of the challenging macroeconomic environment on our society. For the year under review, higher vacancy rates and arrears are evident in our key performance figures, as tenants are under pressure with less disposable income in their

households. Tenants in our market have had to bear the weight of rising food prices, record high fuel prices and utilities, and in many cases, this has been compounded by flat salary and wages growth.

EXECUTING AGAINST OUR STRATEGY

The 2018/2019 financial year was indeed challenging, as can be seen in the key performance indicators table on the inside front cover, notably in our vacancies and arrears numbers, after high electricity and utility costs impacted on our tenants' ability to pay their rentals.

Positively, the successful take-on of Clarence Court, which JHC acquired during 2018, provided a welcome boost to revenue.

JHC's five-year strategy is entering its fourth year and comprises the following strategic priorities: getting the basics right; systems to drive efficiencies; appropriate customer segment solutions; and doing more with the same. I am pleased to see progress in each of these areas, as outlined in the CEO's report on page 7 and unpacked in the various departmental reports.

Improving our customer experience for tenants was a key focus for the year under review and will continue to be important for the business going forward.

Despite the economy and other obstacles to growth, the team worked hard towards achieving our goal of "doing more with the same". This included closely monitoring costs and implementing smart technologies, such as pre-paid installations at some of our buildings. We also improved our water security at certain buildings with the drilling of boreholes in a successful pilot project.

Notably, our social impact performance improved during the year, with an increased corporate social investment. The Makhulong A Matala Report on pages 25 and 26 captures all the initiatives succinctly.

As we value our staff, we continue to increase our spending on training and offer study bursaries.

We will continue to invest in our people in order to improve our customer experience and to ensure the company's future remains in good hands, please refer to the HR Report on page 31 for further detail.

HIGHLIGHTS AND MILESTONES OF 2018/2019

We understand that property assets are long-term investments, requiring maintenance and capital expenditure to deliver decent, clean and secure accommodation for our tenants. In this vein, we continued with our crucial maintenance and asset preservation programme to enhance the company's sustainability, to retain our existing tenants and to attract potential tenants.

Furthermore, we proceeded with three major building refurbishments during the 2018/2019 year, despite the economic downturn. Two of these projects were completed, with the third at Douglas Village well underway. These investments show our long-term commitment to both our tenants and the portfolio's assets by enhancing the quality, safety and longevity of our buildings.

As mentioned above, we were pleased with the successful take-on of Clarence Court, which was acquired during the 2018/2019 financial year. The property is expected to continue delivering a positive contribution in the coming financial year.

Makhulong a Matala has numerous, tenant programmes in place that made a notable, positive contribution during the year. Makhulong's remarkable work through tailor-made programmes that address specific needs and issues, continued to show tenants that we care for them. In addition, the extensive efforts of the customer experience department aim to ensure that our tenants "love where they live".

CHAIRPERSON'S REPORT continued

As discussed throughout this report, the “JHC Cares” programme, which involves staff from all JHC departments, gives our tenants a platform and the opportunity with which to engage with the company and raise any concerns they might have. I am pleased to report that the team has received a good response to these engagements, with positive feedback from tenants.

A significant milestone was achieved when we completed the relocation of our head office post the 2018/2019 financial year-end. With the establishment of the Newtown and Park Station customer hubs, we have two conveniently located options for tenants, who now enjoy improved accessibility to our team.

Our Compliance Office's IT team overcame numerous challenges and made good progress in implementing the MRI management system, which will be concluded during the 2019/2020 financial year. The system will enable the two customer hubs to operate more efficiently and improve the customer experience.

Kindly refer to the CEO's report commencing on page 6, and the various departmental reports for further details regarding the highlights mentioned in my report.

GOOD CORPORATE GOVERNANCE

In the previous financial year, JHC's Board of Directors bolstered the company's ethical culture with the implementation of the Social and Ethics Committee. The committee assists the Board in ensuring that good corporate governance and ethics are embedded within the business.

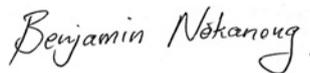
This committee has a mandate to monitor JHC's social and ethics activities according to legislation and best practice. The committee's focus during the year under review has

been on improving JHC's B-BBEE scorecard and the implementation of POPI. For more information, kindly refer to the corporate governance section of the report, commencing on page 40.

APPRECIATION AND CHANGES TO THE BOARD OF DIRECTORS

On behalf of the Board of Directors, the Executive Committee, management and staff of JHC, I would like to extend our most sincere appreciation to Patrick Lephunya, JHC's outgoing Chairperson. Patrick was part of JHC from its very inception, and his name can be found in the attendance record of the company's first Board meeting, dated 18 May 1995. He was a devoted member of the Board and served as Chairperson from November 2001. On his retirement, we wish Patrick well as he starts a new chapter in his life.

We also bid a fond farewell to Paballo Makosholo, a valued member of the team who retired from the Board after being appointed in November 2006 and serving diligently for 12 years. Paballo was also appointed as a member of the Audit Committee from April 2009 and was elected as Chairperson of this committee in May 2014. On behalf of the Board and everyone at JHC, I wish him well in his future endeavours.



Benjamin Nokaneng
Chairperson

TARGETS FOR 2019/2020

- › **IMPROVING** customer experience to make it easier for tenants to “do business” with JHC. This includes enabling a more convenient digital environment where tenants can lease, pay and submit queries online.
- › **DEVELOPING** or adding further units to our property portfolio to increase our social housing delivery.
- › **FACILITATING** cost savings with smart technology, benefits which can be passed on to our tenants.
- › **ROLL-OUT** of alternative revenue streams to boost our financial performance and make our offering more affordable and attractive to tenants and potential tenants.

OUR DIRECTORS



JHC BOARD



BENJAMIN NOKANENG (CHAIR)



ELIZE STROEBEL



PROSPER MPOFU



SILINDOKUHLE CHAMANE



ROBERT GIURICICH



LEN KLINE



BISHNEN KUMALO



NONKUBELA MALIZA



SAM MKOROSI



MZOMHLE NYENJANA



JILL STRELITZ



BHC BOARD



LEN KLINE (CHAIR)



ELIZE STROEBEL



PROSPER MPOFU



ROBERT GIURICICH



PAUL JACKSON



BENJAMIN NOKANENG



MZOMHLE NYENJANA



MAM BOARD



SHIRLEY MOULDER (CHAIR)



LINDI MALINGA



TAFFY ADLER



LEN KLINE



NOMPUMELELO MABECE



SARAH MAPHOTO-PAPI



SAM MKOROSI



ELIZE STROEBEL



CEO'S REPORT

Despite the highly challenging economic conditions and their effects on our tenants, we managed to make some progress during the past year in terms of the four strategic priorities that guide our five-year strategy.

“Since 1995, JHC has provided housing in the city to people in the low- to moderate-income brackets. JHC has developed more than 4 500 homes through innovative solutions, slum clean-ups, building upgrades, refurbishments and conversions, as well as new-build projects. The company owns 36 buildings, which provide homes for more than 12 650 people.”

– **Elize Stroebe**, Chief Executive Officer

JHC Cares is a wide-reaching programme, underpinning many vital and interrelated activities that span the company's different functions and departments.

TENANTS SHOULD LOVE WHERE THEY LIVE

At JHC, we are committed to providing smart and simple rental housing solutions, a great living experience and value for money for those who choose to live in our buildings and neighbourhoods, all within an environment that simply works.

Our objective is for tenants to "love where they live". To make this happen, we must first be cognisant of their needs and find workable solutions that can be put into practice. To this end, the Board of Directors drafted a five-year customer-centric service strategy, as discussed throughout this report.

LIVING OUR VALUES

"JHC Cares" is a wide-reaching programme, underpinning many vital and interrelated activities that span the company's different functions and departments.

The programme not only provides solutions for our tenants, but also ensures that we care for our staff, which together enhances the long-term sustainability of JHC.

In the programme, we live our values by reaching out to tenants to help resolve any issues they may have. We care for our buildings through our asset preservation programme. Through Makhulong, we care for our communities with numerous tenant programmes. To be more efficient, we have implemented a new property management system. For added convenience and to be closer to our tenants, we have relocated our head office to two new customer hubs.

RISING COSTS

We do our best to keep costs down in order to offer tenants the best accommodation and the most affordable rentals possible, while remaining sustainable to ensure the longevity of our organisation.

The financial pressures stemming from the country's poor economic performance have had an impact on our tenants, potential tenants, as well as some suppliers. With less spending power in the market, some businesses have struggled to find growth, or scaled down their operations, meaning job cuts or retrenchments

for employees, some of whom could be tenants in our buildings.

Tenants also face the knock-on effects of higher electricity, utilities and other costs, making it more difficult to pay rent. We are not insulated from these conditions, as evident in our higher vacancy rates and higher arrears rates for the year under review. This trend is confirmed and supported by TPN Rental Monitor statistics, which show higher vacancies for this year, both in Gauteng and nationally.

SUSTAINABLE GROWTH

To counteract the challenges and to ensure sustainable growth for JHC, we are entering year four of our tenant-focused strategy that has been formulated for a period of five years.

We define our strategy as "Grounded in deep customer insights, differentiated from what competitors are saying, credibly based on strengths, and responsive to the market and industry dynamics".

The following are fundamental to positioning JHC competitively in this tenant-focused market:

- › Address the basics of maintenance, access control and pest control — the environment must "just work".
- › Efficiencies are essential within an economies of scale environment.
- › Doing business with JHC must be easy across all tenant segments.
- › Each service offering needs to speak to specific customer segments, such as: building designs need to consider the requirements of the extended family.

STRATEGIC PROGRESS

Despite the highly challenging economic conditions and their effects on our tenants, we managed to make some progress during the past year in terms of the four strategic priorities that guide our five-year strategy:

Getting the basics right

By engaging with tenants via different methods and platforms, we have gained a better understanding of what really matters to our customers. We research what our tenants realistically look for in terms of their accommodation

requirements, and deliver our product and service offering accordingly. Simply put, getting the basics right means that things must work and run smoothly. Tenants want decent, clean and safe accommodation, and we always strive to exceed their expectations within our property portfolio.

Systems to drive efficiencies

With operating profit after tax of R61.7 million, our financial performance for the year was commendable. This was achieved despite the constraints of the economy and after our investments in major refurbishments at Douglas Village and Cresthill Mansions, and the new parking deck at Elangeni. For further details, please refer to the Finance Report and the Property Report on pages 35 and 11 respectively.

To enhance the customer experience, we made progress regarding the implementation of MRI Platform X, which is our new property management system. Please refer to the Compliance Office Report on page 23 for more information. During the year, we started a smart metering pilot project with installations at Cresthill Mansions and further rollout plans for this solution are in place.

Appropriate customer segment solutions

In a challenging year, we managed to achieve an average vacancy rate of 3.84% despite tough conditions that impacted on tenant affordability, as discussed in the Property Report on pages 11 and 12.

We were pleased to complete our commercial tenant strategy research, which will greatly assist the work of the Property department. To improve our water security, we completed the feasibility assessment for the water source management pilot project, which is discussed in the Revenue Report on page 19.

Significant strides were also made in the development of our Customer Experience Strategy blueprint. Likewise, our customer support systems are being improved in collaboration with the MRI Platform X and Customer Hubs. These systems support our customer experience strategy, as discussed in the Makhulong a Matala Report on page 26.

CEO'S REPORT continued



3.84

AVERAGE VACANCY
RATE (%)



49

COST-TO-INCOME
RATIO (%)



24

YEARS' EXPERIENCE
IN PROPERTY
MANAGEMENT

Doing more with the same

In our fourth strategic priority, we seek to do more for our tenants, and for JHC, by making the most of the resources we have available. This includes, wherever practical, keeping strict control over our costs. Our management team was able to restrict our cost-to-income ratio to 49%, which was higher than our target range but a worthy effort in the context of the business environment.

OPPORTUNITIES IN THE MARKET

JHC is a well-established business with 24 years of property management experience. As much of this experience was gained under challenging conditions, we have identified an opportunity for growth. To provide an alternative source of revenue for the company, we hope to roll out third party property management services to property funds and other landlords in the near future.

Despite the constraints of the business environment, demand for good quality affordable accommodation remains robust, and to meet this demand, we will continue to develop additional new units for the property portfolio during the next few years.

LOOKING AHEAD

For the 2019/2020 financial year, we will look to make further inroads in terms of entering year four of our five-year strategy, with a focus on differentiating JHC in the market. Broadly, our objectives for the coming year include:

- › **IMPROVING** our customer experience
- › **LEVERAGING** the benefits of digital technology
- › **USING** smart technologies to save on costs
- › **PROVIDING** differentiated building offerings to the market
- › **CREATING** multiple touch points for tenant communication
- › **DEVELOPING** our tenant reward programme
- › **ASSISTING** tenants with work opportunities

ACKNOWLEDGEMENTS

On behalf of the company, I extend my heartfelt gratitude to our Board of Directors. We deeply appreciate the expertise and experience they bring to the various board committees, as well as the invaluable direction and industry advice they generously provide.

I would also like give a special word of thanks to our EXCO team and members of staff, who work tirelessly to achieve our objective — to help tenants love where they live. The commitment you show on a daily basis is an inspiration for others to follow.

Elize Stroebel
CEO

CEO OFFICE TEAM



JOAN STOW
EXECUTIVE SECRETARY



ITUMELENG MOKONYAMA
HR OFFICER



SAMKELISIWE NGUBANE
HR INTERN

INTERNAL COMMUNICATIONS AND CHANGE

THE AIM OF OUR INTERNAL COMMUNICATION AND CHANGE MANAGEMENT PROGRAMME IS TO SUPPORT JHC AND MEMBERS OF STAFF AS THE COMPANY IMPLEMENTS ORGANISATIONAL CHANGES IN LINE WITH THE STRATEGIC PLAN.

As these changes impact on staff, a service provider was appointed to support the company in this process. The service provider's role was to:

- › Review the internal communications structure;
- › Draft an internal communication and change strategy and implementation plan;
- › Encourage employee engagement using effective internal and change communication with message creation and channel selection; and
- › Transfer skills and build capacity within JHC.

CHANGE MANAGEMENT STRATEGY

An important part of JHC's communications and change management strategy is caring for "internal customers" — our employees. One of JHC's values is "Together, We Win", which places an emphasis on supporting staff members to work together and making sure all staff walk the change journey with the organisation.

The aim of the change management strategy is to:

- › Inform by showing the road map as far as possible;
- › Be transparent by sharing information on successes and challenges along the way;
- › Be available by creating opportunities for staff to provide input and raise concerns; and
- › Celebrate by acknowledging milestones and achievements along the way.

To determine the company's "internal temperature", a sample group of employees were selected for one-on-one interviews with the service provider. In addition, a JHC WhatsApp group was created to keep all members of staff informed about the changes taking place at the company.

These changes formed the focus areas of our March *bosberaad*, a gathering where we invited the service provider to encourage conversations and analyse the concerns of our staff. The communications and change strategy was developed in April 2019. This was followed by the roll-out phase, which spanned the 2018/2019 and 2019/2020 financial years.

#BuildOurHome

Improving JHC's customer experience has been both a strategic focus area and a catalyst of the changes taking place in the company. Change, like growth, is sometimes a painful process, but the end result will ensure that JHC effectively adopts the new ways of working and changed operating model.

Capturing the essence of the internal review is the internal branding message we developed: "Build our home — it starts with you". This captured our call to action for all staff members to play an active role in embracing the change and assisting in building JHC.

KEY HIGHLIGHTS OF THE PROGRAMME

We were pleased with the positive outcome of the internal communication and change management programme. The following are highlights of this programme:

- › Simple and effective communications channels were set up — the WhatsApp groups were both widely accepted and well used by staff.
- › A set of master classes were created using "JHC masters", which demonstrate the resilience of our employees. JHC made videos to tell their personal stories of surviving and thriving in change and shared them across the business using the various communication channels.

› We reviewed the structure, impact and efficiency of our meetings, which serve as working structures and communication platforms. To achieve greater impact, a range of guidelines were created to restructure key meetings.

OBJECTIVES FOR THE YEAR AHEAD

In the coming year, SharePoint will be implemented to establish JHC's new intranet, where internal messages, videos and other communications can be shared among staff.

We will continue to review our current meetings and implement changes in our meeting practices, with a focus being to establish the purpose of meetings to drive improved efficiency.

We aim to establish the JHC Employee Annual Report, which will be a collection of the year's messages. This will document JHC's change journey.

In the year ahead, we plan to launch JHC Talks — a staff-led initiative to facilitate peer-to-peer conversations within the company.



PROPERTY MANAGEMENT REPORT

Our property management team made a concerted effort to promote JHC's new customer experience philosophy, with highly positive results to report.

"The role of the property management department is to manage the company's assets, which are its physical buildings and the individual units within the buildings, in order to optimise customer service levels and financial returns."

– **Boyce Maritz**, Property Manager

It was a **busy year for our team**, with multiple refurbishment projects to manage and relocating JHC offices closer to our tenants – all while managing our buildings and maintaining high levels of service.

OUR TENANTS ARE IMPORTANT TO US

The property management department undertook extensive tenant engagement sessions during the past year. Led by our Portfolio Officers, these highly informative sessions formed part of the broader JHC Cares campaign and were held after hours at our respective buildings.

Our property management team made a concerted effort to promote JHC's new customer experience philosophy, with highly positive results to report. Members of staff embraced the new philosophy and responded with full attendance at the brand warrior training sessions, with over 20 housing supervisors present. The purpose of this initiative is to train our staff to be more agile and adept, in order to standardise and improve the customer experience for our tenants.

HIGHLIGHTS FOR THE YEAR Cresthill Mansions: refurbishment

The refurbishment was done in collaboration with the Developments Team. The project included scoping and specifications development, local community engagement sessions, the inclusion of certain local SMMEs, as well as quality control by way of snag lists for completed work.

The objective of this refurbishment was to improve the building and extend its life by 20 years in its current form. To reduce utility costs, we aim to optimise the building's efficiencies in terms of energy and water consumption. As a result, both JHC and our tenants will benefit from this project.

We overcame the limitations of the building's age by retrofitting it with modern fixtures. These included central water heat pumps, smart electricity prepaid bulk check and sub-meters, LED lighting throughout. In addition, large one-bedroom units were subdivided into two-bedroom units.

Running in tandem with the completion of the refurbishment project was the successful and

timeous installation of new, energy efficient lifts. The building work was well executed by the Developments Team and subsequently, good progress has been made in leasing to new tenants, with occupancy currently at 78%.

Ukhamba Mansions: central gas water heating

Successfully completed in time for winter, this project saw the replacement of an obsolete heat pump system with a new central gas water heating plant at Ukhamba Mansions. Having waited patiently, tenants welcomed the return of hot water after a complete shut-down of the heat pumps interrupted the supply during the construction of the gas plant. In addition to the new installation, we are pleased to report that an improved rate was negotiated with Egoli Gas, and these benefits have been passed on to our tenants.

To ease the inconvenience of the hot water supply disruption, we proactively engaged with tenants via extensive pre-construction meetings, as well as regular progress updates during the installation. We are satisfied with the outcome of this project and extend our gratitude to our tenant community in Ukhamba Mansions for their understanding and patience.

Elangeni: parking upgrade

In this successful project, tenants' parking at Elangeni was temporarily relocated to a warehouse, while the parking deck was being constructed by the Developments Team. Following an incident-free completion, tenants were pleased to be allocated their "new" parking spaces.

The rationale for the construction was to address a shortage of parking inside the complex. Previously, street parking served as overflow for tenants and unfortunately, some vehicles parked outside the complex were exposed to criminal activity. Sadly, these incidents impacted on our relations with tenants, but after the upgrade, our tenants at Elangeni have improved parking facilities.

Douglas Village: refurbishment in progress

Currently underway, this is another refurbishment being done in collaboration with the Development Team. It involves the scoping and development of specifications, engaging with the local community, sourcing local labour for the project, and quality control by snag listing work that has been completed. The building will be available for reoccupation by tenants from October 2019 onwards.

The plan is to extend the life of the building in its current form by 20 years, while also improving its resource efficiency to reduce costs, benefiting JHC and our tenants. Despite the building's age, we were able to retrofit a range of modern, efficient equipment. This includes individual gas hot water burners and gas stoves for cooking in each unit, LED lighting throughout, and new smart electricity prepaid bulk check and sub-meters. We are also in the process of converting rooms into self-sufficient bachelor units and subdividing large bachelor units to one-bedroom units.

CHALLENGES DURING THE YEAR

Our challenges for the year included the unexpected resignation of the Project Management Officer, which was followed by the termination of the Project Coordinator. As a result, we as the property management team had to re-prioritise and double our efforts in order to complete the planned and preventative maintenance projects before the financial year-end.

Another challenge during the year saw poor economic conditions impact on tenant affordability. This led to some of our tenants receiving sub-inflation salary increases, having to work fewer days, or even becoming unemployed. These conditions translated to higher vacancy levels, reduced revenue, and increasing bad debts and arrears as tenants

PROPERTY MANAGEMENT
REPORT continued

in financial distress vacated their units. Having vacated before their leases became profitable, additional repairs and housekeeping were necessary, which increased our expenditure.

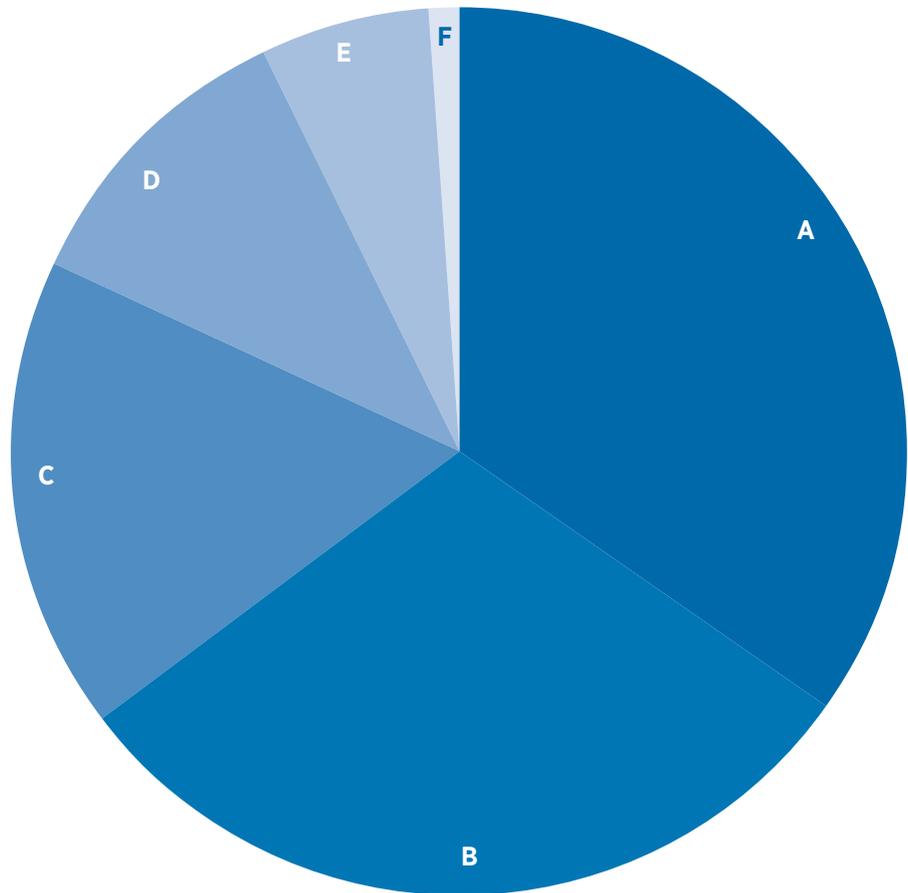
In a busy year, we had to simultaneously manage multiple refurbishments, the scoping, designing and testing of the new MRI IT system, relocating JHC to a new head office, restructuring of some of the business units, and participating in the scoping of the new customer experience framework.

LOOKING AHEAD TO 2020

During the year ahead, we hope to complete an overhaul of reception areas in our buildings and improve the access control experience for tenants, visitors and service providers. We also aim to provide customer experience training for security guards at our buildings.

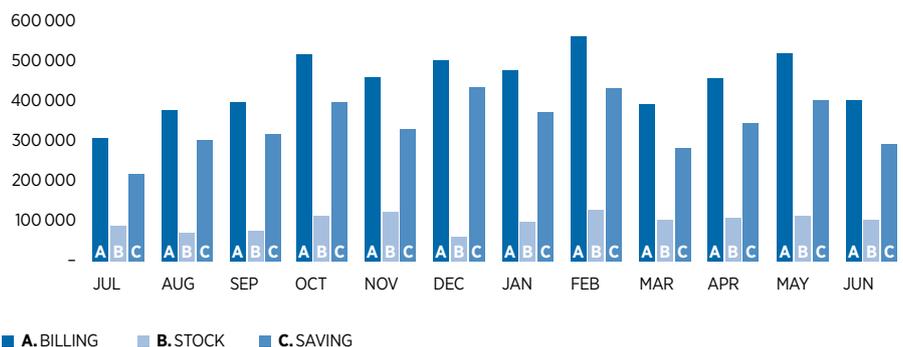
In terms of expenditure, we will look to reduce the costs of security by 10%, cleaning by 5%, and fumigation by 25%.

Ad-hoc maintenance expenditure per category
July 2018 – June 2019



- **A. PLUMBING REPAIRS:**
R6 607 947
- **B. GENERAL REPAIRS:**
R5 728 413
- **C. PAINTING:**
R3 251 719
- **D. ELECTRICAL REPAIRS:**
R2 099 448
- **E. FUMIGATION:**
R1 125 936
- **F. FIRE EQUIPMENT SERVICING:**
R202 409

Internal maintenance
July 2018 – June 2019



PROPERTY MANAGEMENT REPORT continued

MAINTENANCE WORK TEAM



SIMONE MAPHANDA
QUALITY CONTROL OFFICER



FREDY MUNAWA
PLUMBER



MIYANDA SIAMSIPA
CARPENTER



JABULANI LIBIMBI
MAINTENANCE TECHNICIAN



DECIDE MAKONDO
MAINTENANCE TECHNICIAN



TSUMBEDZO MASINDI
MAINTENANCE TECHNICIAN



THEMBA MTEMBU
MAINTENANCE TECHNICIAN

MAINTENANCE CALL CENTRE



DEBBIE JOHNSON
MAINTENANCE OFFICER



ANWAR ANWARUDDIN
MAINTENANCE ADMINISTRATOR



THANDI BINDA
MAINTENANCE CLERK



ARNOLD PETERS
MAINTENANCE ADMINISTRATOR

PROJECTS OFFICE



FAITH SHABALALA
MAINTENANCE ADMINISTRATOR



KOKETSO LEGODI
PROJECT MANAGEMENT OFFICER



RHULANI CHAUKE
JUNIOR PROJECT COORDINATOR

PROPERTY MANAGEMENT REPORT continued



GREENFIELDS
WHERE YOU WANT TO BE

GREENFIELDS PORTFOLIO



JACOB BEZULA
HOUSING SUPERVISOR



NKHENSANE CHAUKE
HOUSING SUPERVISOR



NKANYISO GWALA
HOUSING SUPERVISOR



EMMANUEL KUBEKA
HOUSING SUPERVISOR



BENSON MABASA
HOUSING SUPERVISOR



PATRICK MABOGO
HOUSING SUPERVISOR



SAMUEL MADZIVANI
HOUSING SUPERVISOR



VINCENT MBATHA
HOUSING SUPERVISOR



PETER MOLOTO
HOUSING SUPERVISOR



KOPANO PORTFOLIO



BONGANI MAKHOBA
PORTFOLIO OFFICER



ELIOT MABUNDA
HOUSING SUPERVISOR



OBREY MAKAMU
HOUSING SUPERVISOR



JOHANNES MAKANANISA
HOUSING SUPERVISOR



ANNAH MATIMA
HOUSING SUPERVISOR



SIMON MBULAWA
HOUSING SUPERVISOR



BHEKI MPELE
HOUSING SUPERVISOR



NOKULUNGA NDLOVU
HOUSING SUPERVISOR



TIMOTHY NEKOKWANE
HOUSING SUPERVISOR

PROPERTY MANAGEMENT
REPORT continued



MPUMALANGA PORTFOLIO



SIFISO GININDZA
PORTFOLIO OFFICER



PROMISE GCWABAZA
HOUSING SUPERVISOR



THULANI LUTHULI
HOUSING SUPERVISOR



WLLIAM MAMIALA
HOUSING SUPERVISOR



JAS MATELA
HOUSING SUPERVISOR



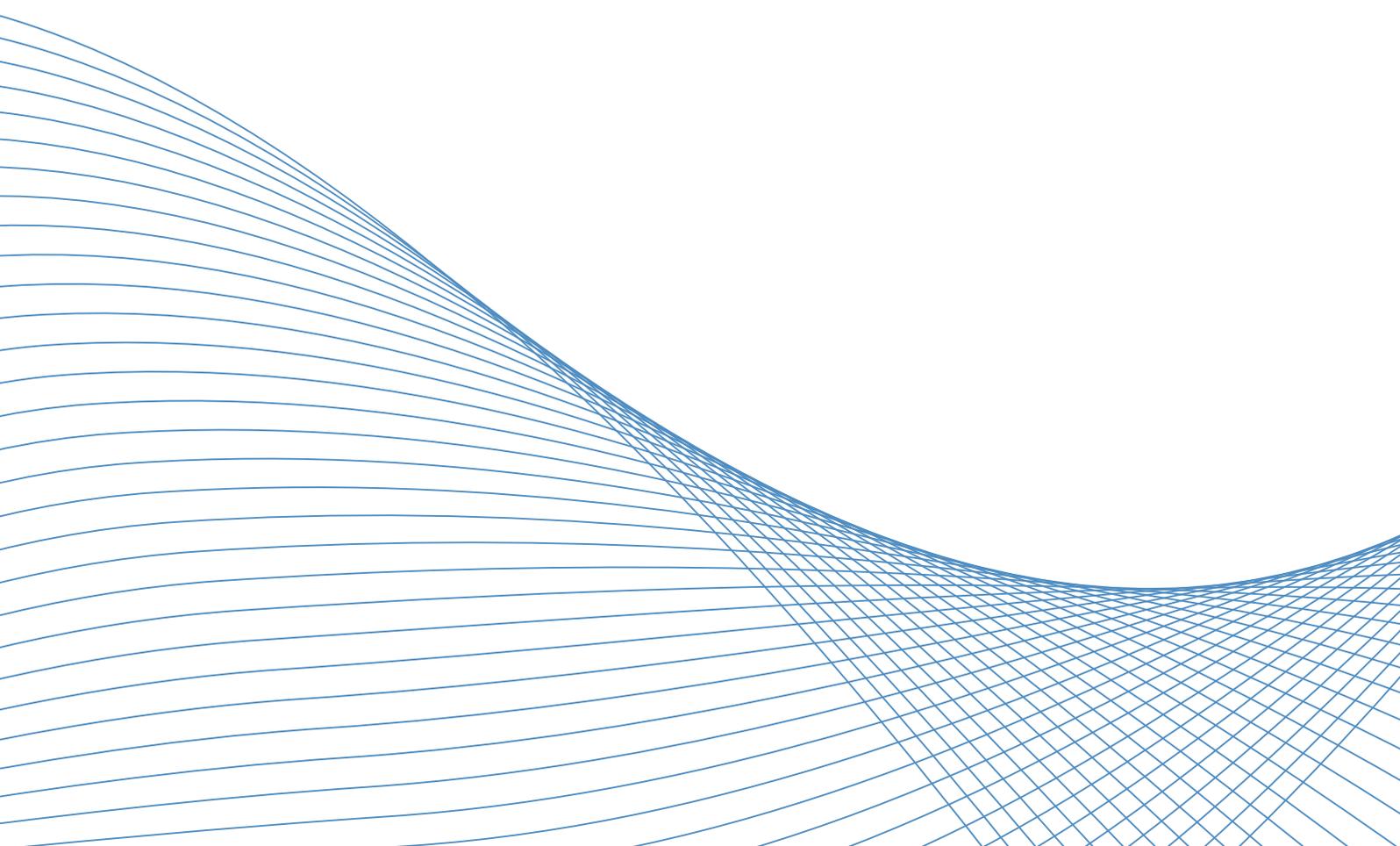
CYRIL MIDAKA
HOUSING SUPERVISOR



EDWARD MOKWINDA
HOUSING SUPERVISOR



TSHEPO NOKO
HOUSING SUPERVISOR



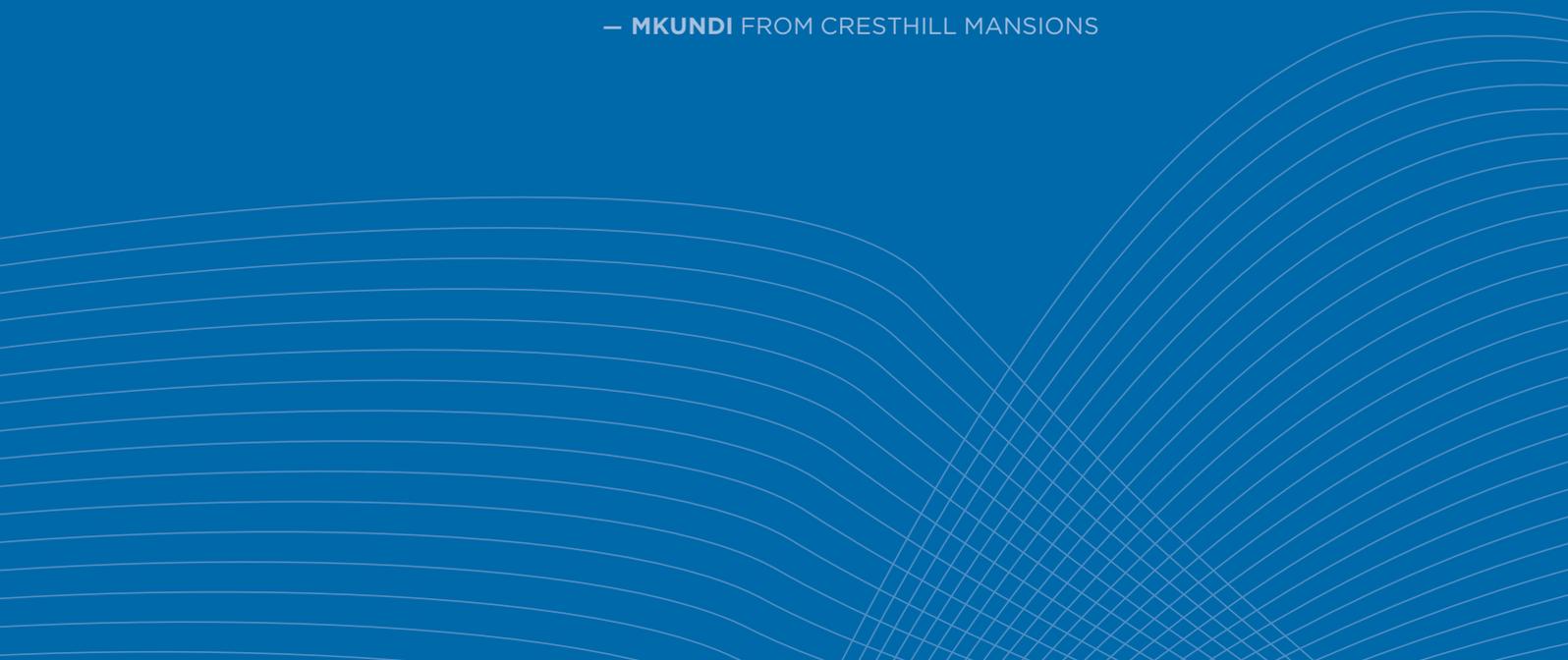
TENANT QUOTES

“I chose to stay at our building because JHC is a well-known company that prioritises the needs of tenants. The housing supervisor treats us fairly and the building is kept very clean.”

— PHUMUDZO FROM CRESTHILL MANSIONS

“Our building has been renovated and is very clean and secure. Cresthill is close to the shops and the taxi rank and the housing supervisors are very friendly.”

— MKUNDI FROM CRESTHILL MANSIONS

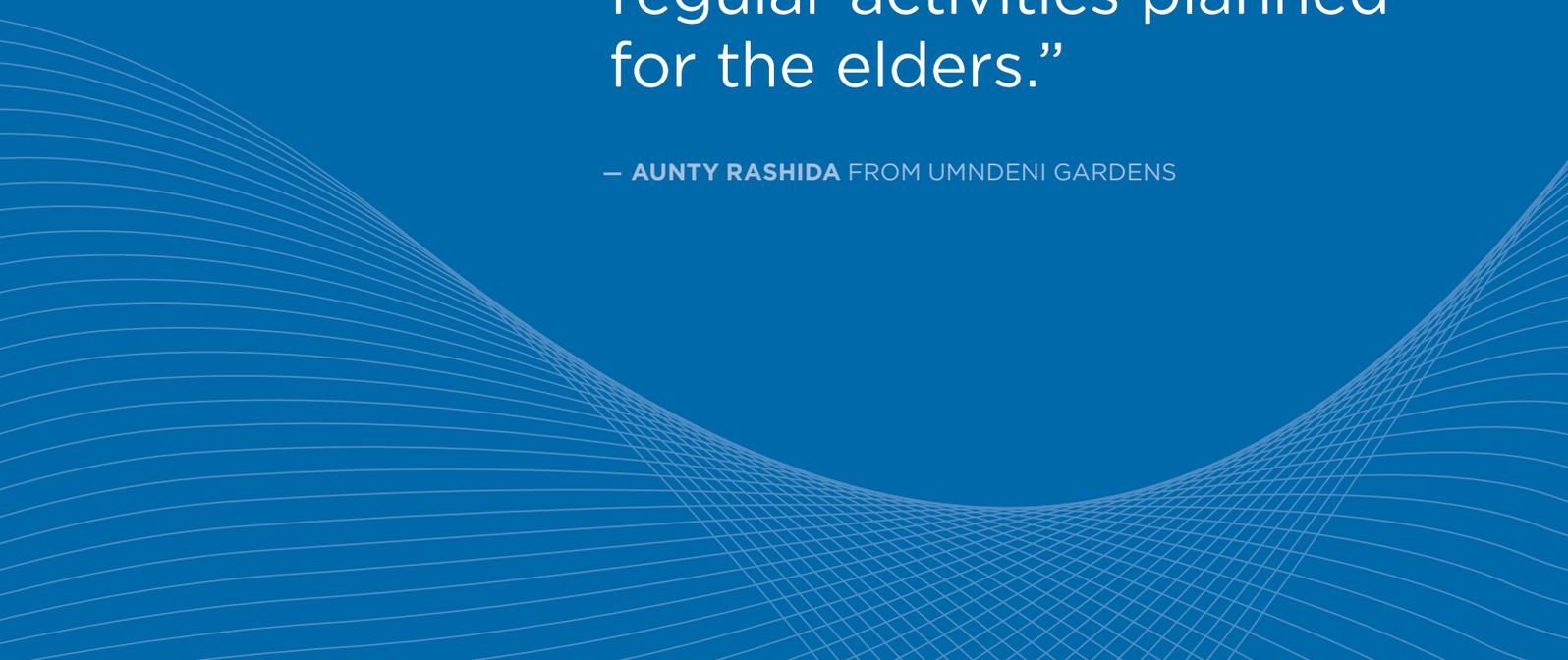


“JHC came to my aid when I was struggling to pay my rent and I am grateful for having the opportunity to sell snacks in the Makhulong programme.”

– **PRINCESS** FROM TRIBUNAL GARDENS

“I feel valued as an older tenant. Security is good and we feel safe in our building. JHC promotes social cohesion and looks after senior citizens with regular activities planned for the elders.”

– **AUNTY RASHIDA** FROM UMNDENI GARDENS





#JHCCares 

REVENUE REPORT

To maintain healthy income and occupancy levels across the JHC portfolio, the revenue department works closely with property management, new developments and finance.

“As the revenue department, we are responsible for all of JHC’s revenue generating activities. These include the functions of leasing, new developments, and the acquisition and development of additional buildings. We are also responsible for alternative income opportunities for the company, such as third-party property management, telecoms masts and tower hosting, advertising and outdoor advertising revenue. Crucially, we also provide cost management research and analysis to keep the company lean and efficient.”

– **Karabelo Poee**, Revenue Manager

We are pleased to report that we achieved a total revenue figure of **R274.7 million** for the year.

FINDING NEW WAYS

As a non-profit organisation, we strive to maximise our benefit to the communities we operate in by being efficient and financially responsible. We do this by regularly researching and identifying and implementing alternative methods to manage and reduce costs.

Avoiding unnecessary expenditure helps to keep our rentals affordable, which assists our tenants and their families. Alternative income streams and improving our cost-to-income ratio creates opportunities for investments into social cohesion, educational programmes, maintenance, refurbishments and enhancements for our buildings.

Managing costs helps us to keep our rentals affordable, which in turn assists our tenants and their families. The alternative income strategy helps to diversify our revenue streams, and the income is used to offset rental/revenue losses where applicable or is used to invest in the further enhancement and maintenance of our buildings.

In the context of the social and economic challenges facing South Africa, we think differently to find new ways to reduce the financial burden for our tenants, which helps to retain them in our buildings.

HIGHLIGHTS FOR THE YEAR

Managing revenue and vacancies

To maintain healthy income and occupancy levels across the JHC portfolio, the revenue department works closely with property management, new developments and finance. Likewise, the leasing and marketing departments report directly to the revenue manager to ensure the business runs well.

We can report that we came in on our residential income target of R217 million. Clarence Court, a building acquired in December as well as Cresthill Mansions which underwent major renovations as part of the asset preservation programme, and both buildings brought much needed additional income for the financial year.

The significant efforts of our teams managed to contain JHC's overall vacancy rate, which increased year-on-year to 3.84% from 2.46% but recovered from highs of 4.30% during the year. This was in contrast to the previous year, which saw an improvement in the vacancy rate. It should be noted that this year's performance is still commendable, considering the tough economic conditions that deteriorated further during the year under review.

Affordability and the high cost of living are the main reasons given by tenants when vacating our buildings or breaking their lease agreements to downscale to cheaper accommodation or move back home. During this past year, South African households under pressure have shown an increased demand for short term, unsecured credit. These conditions translate to increasing vacancy rates, higher arrears as well as an increasing tenant turnover.

To meet the challenges, we responded with aggressive marketing initiatives to increase the occupancy rate, which included the promotion of deposit payment plans and introducing zero-deposit campaigns at selected buildings for a limited duration.

ALTERNATIVE SOURCES OF REVENUE

Outdoor advertising

We are pleased to be making progress with our outdoor advertising strategy. For the current year, the goal was to achieve approval by council for three additional sites, namely New Hampstead, Brickfields and Towerhill. In the next financial year, the business will focus on these sites generating additional revenue for the business.

Telecoms masts and tower hosting

Another project that is progressing well is our hosting of telecoms masts and towers, which deliver signal for mobile phones and other devices. There are masts installed at several of our buildings, and while not as lucrative as our outdoor advertising structures, the fees received for hosting provide JHC with another steady source of additional revenue.

Three sites are more than 70% in progress for contract finalisation, namely Umndeni, New Hampstead and Landrost. A new

agreement for cellphone tower was signed for Douglas Village.

Alternative water source project

In light of the water pressure issues experienced at certain buildings, we welcomed the early success of the new borehole project as it has immediately improved the water security at some of our buildings. Makhulong A Matala assisted this initiative by undertaking a tenant consultation and water awareness campaign. It should be noted that we received positive feedback with no complaints from our tenants regarding this project. A number of unemployed tenants also benefited from short-term jobs that were generated during the project.

Following hydrogeological surveys and feasibility analysis, three boreholes were drilled across three buildings, and in each of these a good supply of ground water was found. While installation of the boreholes took place in the financial year, commissioning will be in the next financial year. Conservatively, the estimate is that we will reduce dependency on municipal supply by 65%.

NEW DEVELOPMENTS

Acquisition of Clarence Court

To achieve our strategy of growing the portfolio of investment properties, JHC acquired Clarence Court and the transfer took place in December 2018. As mentioned in this report, the property has already made a positive contribution to revenue and this is expected to continue in the coming years.

Redevelopment of Cresthill Mansions and Douglas Village

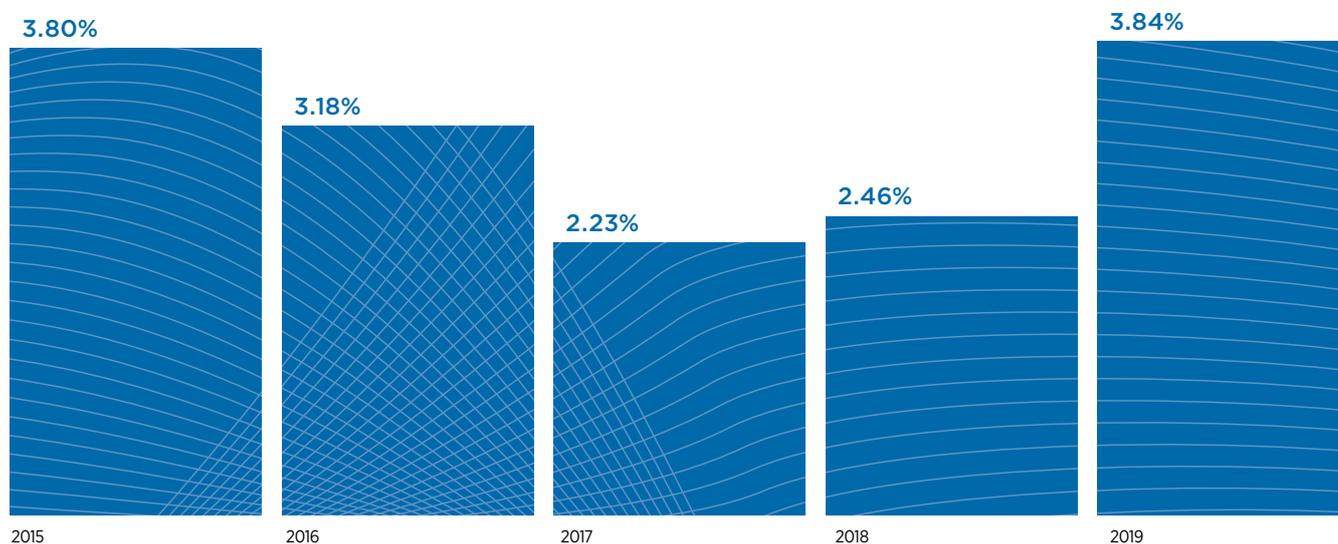
Growing the value of the portfolio can be achieved by making considered investments into carefully planned development and refurbishment projects. Remodelling, new finishes, fittings and fixtures give a property a new lease on life and are designed to attract and retain tenants, in order to enhance our rental income. The exciting redevelopments at Cresthill Mansions and Douglas Village are discussed in the Property Report on page 11.

Predictive and prescriptive analytics

During the year, we introduced a new process to help optimise rent setting for tenants in our buildings. The system offers an improved data-driven rent setting process, by using statistics to

REVENUE REPORT continued

Group vacancy rate



give better estimates of optimal rentals at our various buildings. This should also assist with budgeting correctly and keeping rentals at acceptable levels.

By using quantitative and prescriptive analytics, we can calculate a building's highest revenue for a given acceptable vacancy rate. To ensure that we make the most of this opportunity, we have appointed a specialist consulting company to assist our team. Some of the recommended optimal rentals were applied to the new rental prices for 2018/2019 and this has proven to yield good results so far.

OBJECTIVES FOR THE COMING YEAR

Having improved our compliance in terms of our outdoor advertising strategy, we can obtain approvals from the municipality more easily now. In the coming year, this will facilitate the rollout of additional outdoor advertising structures, which is likely to boost revenue.

We will look to make further inroads by rolling out other alternative sources of revenue. Potential opportunities exist in third party property management services, kiosk alternative software solutions and laundry services.

After a successful round of pilot projects, we will look to drill additional boreholes at our properties during the coming year, to reduce utility costs further and improve our water security.

REVENUE
REPORT continued

REVENUE AND LEASING TEAM



MBALI SHEZI
REVENUE ANALYST



AYANDA CELE
BUSINESS DEVELOPMENT
SPECIALIST



MATT JACKSON
DEVELOPMENT MANAGER



RHULANI MATHEBULA
MARKETING OFFICER



JACKIE TYOBEKA
FRONT DESK ADMINISTRATOR



LEBO MATHATA
LEASING ADMINISTRATOR



PENROSE MOYANA
LEASING ADMINISTRATOR



JONAS RAMATSETSE
LEASING ADMINISTRATOR



TUMI RAMPA
MARKETING INTERN

ABSENT:
THABO KOMA LEASING ADMINISTRATOR | **LISA SMITH** LEASING OFFICER





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COMPLIANCE OFFICE REPORT

By ensuring that JHC policies are fair to staff, tenants and service providers, we find that our supportive approach encourages compliance.

“We ensure the company’s compliance with all legislation and regulations that apply to JHC as a registered non-profit social housing institution. We also manage key risks and facilitate good corporate governance in line with the King Code, and the Companies Act. In addition, our department is responsible for the company’s information and records management and information technology (IT) functions.”

– **Juanita Prinsloo**, Compliance Officer

WE ENCOURAGE COMPLIANCE

In order to ensure compliance, our department works as a team, collaborating with JHC staff rather than serving as an enforcer. We inform employees as to why the rules exist, and how these rules help to manage the risks facing the company. By ensuring that JHC policies are fair to staff, tenants and service providers, we find that our supportive approach encourages compliance.

HIGHLIGHTS FOR THE YEAR

The highlights below summarise the progress made by the Compliance Office during the year in the areas of compliance and risk management, information and records management, and IT. Upon implementation, these interrelated functions take cognisance of relevant risks, legal requirements, information management best practices, and JHC policies while working towards the company's objective of driving efficiency through systems.

B-BBEE matters

In June 2018, we were pleased to commence with the implementation of the SAGE BEE123 system, which was already successfully used in the 2018/2019 financial year to facilitate the monitoring and reporting of JHC's B-BBEE compliance and strategy. The BEE123 system is credible, cost effective and an established B-BBEE management software solution.

In October 2018, BDO (formerly known as Grant Thornton) completed the company's B-BBEE verification for the 2017/2018 financial year, rating JHC as a Level 8 Contributor. An improvement on our previous assessment, the results were presented to the Social and Ethics Committee, which discussed various interventions in order to enhance JHC's B-BBEE rating within a timeline. After consultation with BDO on a point of dispute, a subsequent re-evaluation improved the rating further to a Level 7 Contributor. The goal is to achieve a Level 4 Contributor rating within two years.

MRI Platform X

To enhance the customer experience we offer our tenants, and to facilitate a more efficient data analysis, the Board approved the implementation of Platform X, MRI Software's residential management software suite. The contract was finalised in December 2018 and the project began in January 2019, going live with a phased implementation starting in September 2019.

This system gives our business systems the ability to introduce additional modules and third-party applications, which can then perform specific functions for JHC. The integrated solution will allow our team to be more efficient, meaning that even diverse tasks can be performed simultaneously from Platform X. Furthermore, multiple departments across JHC can use the same central repository when doing their work.

With web-based functionality, Platform X provides JHC staff with the flexibility to access property information online — from desktop and mobile devices, while ensuring that the data remains secure.

The implementation is planned within a very short turnaround time which promises to challenge all system users. System users have however thus far demonstrated exceptional dedication and positivity.

Wi-Fi for Brickfields

In an upgrade welcomed by tenants, the Heritage View complex in the Brickfields precinct is now a Wi-Fi zone. This new feature provides internet access for tenants, eliminating the need for their own modems and enables the wireless connectivity of various devices.

SharePoint introduced

During the year, the implementation of Microsoft's SharePoint system was approved, to upgrade and replace JHC's previous intranet and its shared document drive. A credible market leader, SharePoint is a secure platform

with the capability to store, organise, share, and access information from a wide range of devices. SharePoint work has commenced, and the system is expected to be fully implemented in the 2019/2020 financial year.

Records management

To facilitate a successful move into JHC's new premises, we drafted a records management plan to guide the movement of the company's records. In preparation for the move, the Information and Records Administrator mobilised staff to begin document weeding and move the records off-site

The project included a secure document and records destruction programme, assisted by Crown Records Management to ensure the company's compliance with the Protection of Personal Information Act (POPIA). In preparation for the enactment of POPIA legislation, we also focused on data security awareness training during the year. Initiatives such as the document weeding project, SharePoint and other related efforts all contribute to JHC's compliance with the act.

FOCUS AREAS FOR 2020

During the 2019/2020 financial year, our department will focus on the following:

- › Further compliance with the POPIA in anticipation of this legislation's enactment.
- › Monitoring compliance to drive the objective to enhance JHC's B-BBEE status and guiding business on B-BBEE legislation and codes.
- › Implementing the MRI Tenant Portal (Resident Connect) to simplify tenant interactions with JHC via mobile phones, computers or kiosks at buildings. Tenants will be able to use the portal to log maintenance calls, retrieve their statements or ask questions, among other functions.

COMPLIANCE OFFICE TEAM



LUKHANYISO KONA
COMPLIANCE SPECIALIST



PASANA MBONANE
IT BUILDING ADMINISTRATOR



PRUDENCE NGWENYA
RECORDS AND INFORMATION
ADMINISTRATOR



#JHCCares

MAKHULONG A MATALA REPORT

Communities that understand their rights and responsibilities are key to sustainable regeneration, building social capital and respectful relationships.

“Makhulong a Matala Community Development Services (Makhulong) is JHC’s wholly owned community development subsidiary. In seSotho, Makhulong a Matala translates as “greener pastures”. We drive community development and are recognised as a pioneer of the social housing sector. We work with JHC tenants and local communities with a long-term vision to build a stable, inclusive and prosperous society in the inner city.”

– **Lindi Malinga**, Makhulong General Manager

By re-establishing a **culture of trust**, we together with our stakeholders have made significant strides in reversing the social and physical decay that has gripped central Johannesburg, around JHC's buildings.

BUILDING HEALTHY COMMUNITIES

JHC recognises its social mission and role in providing decent, affordable accommodation and services for lower- and moderate-income groups in the Johannesburg inner city. In addition, JHC is cognisant of the critical interconnections that exist between financial and social sustainability.

We have a mandate to provide social programmes to people living in JHC buildings, as well as those who manage and live in buildings in local neighbourhoods. Our innovative programmes facilitate the creation of homes, communities and neighbourhoods for newly urbanised families in areas of the city that have been regenerated.

Communities that understand their rights and responsibilities are key to sustainable regeneration, building social capital and respectful relationships, and developing and managing a hospitable and liveable public environment.

We as Makhulong drive the community and neighbourhood development initiatives to fulfil JHC's social mission and the broader objective of urban regeneration. We address society's needs by building stable, cohesive and well-settled communities in JHC buildings and inner-city neighbourhoods.

By re-establishing a culture of trust, we together with our stakeholders have made significant strides in reversing the social and physical decay that has gripped central Johannesburg, around JHC's buildings. With trust, we can rebuild a sense of community on a sound foundation and contribute to the regeneration of a healthy and prosperous inner city.

OUR APPROACH TO TENANT ENGAGEMENT

The main purpose of our "JHC Cares" campaign is to get closer to our communities, listen to them and respond to their needs. We use this tool to communicate a caring attitude and as a basis to expand our tenant initiatives across JHC's

buildings. During the year, we facilitated meetings, ensured that all departments resolved the issues, and then gave feedback to tenants. We visited 16 JHC buildings during the year and facilitated the resolution of 216 matters relating to maintenance, leasing, debtors and social issues.

Engaging with tenants stimulates their involvement in various community development projects and programmes. To illustrate, at participating buildings, we collaborate with tenants in projects such as antilitter campaigns, which encourage tenants to keep their environment clean. When tenants respond positively, buildings are kept cleaner. This in turn reduces contract cleaning costs and tenants can avoid the knock-on effects of higher overheads.

Through our tenant-related engagement, initiatives and programmes, we are seeing progress in building relationships based on trust between the tenants and JHC. The highlights for the year are discussed in this report.

MAKHULONG HIGHLIGHTS FOR THE YEAR

Christmas carols

At Heritage View, we held our first Christmas carols evening in December 2018. The event was part of our social cohesion mission and we were very pleased with the level of engagement between the tenants and JHC. Support for the event exceeded our expectations, as over 100 tenants arrived for a joyful evening in the spirit of Christmas. After months of preparation, the nativity play was performed by 150 children, who also sang the carols.

Entertainment included a visit from Santa, glow sticks, face painting, and stilt walkers. Feedback from tenants was highly positive, and they expressed a desire for similar events in future. Having been so well received by tenants, this could become an annual event where the JHC community can come together in a family setting.

Taffy Cup junior soccer

At the Taffy Cup, which is our five-a-side kids' soccer tournament, we

show appreciation and communicate with JHC's loyal tenants. We invited 100 tenants to the event, and even more attended. Invitees included tenants whose stays exceed 15 years and who support and take part in our MAM programmes, as well as tenants who are recovering rent defaulters. The tournament also serves as a means to engage with tenants on the company's processes and procedures.

We thanked tenants for honouring their financial obligations, that we can continue to deliver on our mandate of providing value for money accommodation and an improved customer experience. As part of our loyalty programme, selected tenants received shopping vouchers, while others won prizes in a lucky draw for home appliances including microwave ovens, kettles, glasses and frying pans.

Wiser Generation

The Wiser Generation programme was established after engaging with JHC's older tenants. It was developed to focus on the needs of our elderly tenants, who are well represented in the Fordsburg and Hillbrow buildings. Older residents can take part in a number of fun and healthy activities, which also allows them to meet other residents of a similar age. During the past financial year, we organised a variety of activities for the elderly.

Wellness days held in partnership with U-Care Clinic provided health screenings and informative talks. The South African Police Service, emergency medical services, and the Johannesburg Metro Police addressed skills to improve health and safety and raised awareness in and around JHC buildings. Tenants appreciated the focus of the Wiser Generation and expressed a sense of safety within JHC buildings.

In December 2018, an end of year lunch was held for older tenants, where their requests for clarity or concerns could be raised in a casual setting with the JHC team. Our inaugural Christmas carols event was another highlight for elderly tenants in December. Then, on Mandela Day in July 2018, local retailers contributed to our initiative by donating gifts and refreshments.

MAKHULONG A MATALA REPORT continued

Elderly tenants with small businesses were again invited to join the Fordsburg women's group once a month on flea market days, giving them an opportunity to sell various items including clothing, foodstuffs and toiletries. In showing that we care, tenants can engage with us and get involved with the broader community.

Adult vitality programme

We are pleased to report that this programme is widely supported in our buildings, where training sessions are held up to four days a week and members take part consistently. The various activities for the year are mapped out on a calendar, including a runner's guide for participating tenants, with new initiatives added regularly.

To promote a healthier lifestyle, many tenants ran a number of races in Johannesburg and surrounding areas. Gauteng Sports and Recreation Region F organised health and fitness programmes, including #CyaZeeVocaVoca at the Turfontein Sports Centre, 702 Walk the Talk, Totalsport Women's Race, and FNB Joburg 10K City Run.

Hosted at various buildings, participating tenants enjoyed the programme's other coordinated activities that aim to build healthy and integrated communities. These included five-a-side soccer for both sexes, netball, cross training, aerobics, chess, board games and children's games.

During the last financial year, we received a highly positive response to our pop-up gyms, which are hosted monthly at participating buildings. These events are particularly popular at the Uno/Roseneath and Smitshof buildings, where over 100 tenants take part. This project has even seen tenants moving from one JHC building to another to enjoy the activities and social cohesion.

To raise awareness on health matters during the year, we partnered with the Anova Health Institute among other organisations. Tenants take ownership by running these activities and appreciate that JHC allocates spaces for their activities to be successful and benefit a growing number of people.

Jozi Food Farmer

In recent years, we have seen the exponential growth of Jozi Food Farmer (JFF), a company which we

are proud to be closely associated with. We at Makhulong helped to register JFF, gave the company its first project, and shared our ethical and business principles. JFF is a success story — born from our initiative to help tenants to grow their business and increase their income.

Recently, JFF has established its own rooftop urban farm in Juta Street, Braamfontein. In addition, tours and Saturday classes have been introduced for their patrons. They have also established a mini nursery, which sells fresh herbs and gardening essentials including hand tools, worm tea fertiliser and organic compost.

CUSTOMER EXPERIENCE STRATEGY

2018/9 was a year of preparation on our customer experience journey. We are now our way to fulfilling our mandate, as demonstrated by the strategic progress we have made, which is discussed further below.

- › “We are passionate about finding solutions so that you love where you live” is JHC's purpose.
- › JHC's five-year strategy determined “WHY we are in business”, and the Customer Experience mandate embodies JHC's brand positioning, to indicate “HOW we express ourselves in the market”.

Understanding our current “as is” customer experience offering was the starting point to create a Customer Experience Strategy, which aligns to JHC's strategic goal of being a purpose-focused landlord that delivers meaningful offerings to each customer segment.

The “as is” analysis identified the necessary changes to behaviour, processes and procedures, as well as the development of technology that JHC requires to be a customer-centric organisation.

Our aim was to engage honestly and objectively with every stakeholder within our value chain. We achieved this by conducting in-depth, focused discussions with all of our employees, as well as our service providers and many of our customers. While the Customer Experience division confirmed various touch points, we identified solutions to improve how business is done with customers.

Progress on our journey

The “as is” JHC state of customer experience has been completed

between JHC staff, service providers and tenants. Tenant engagements were undertaken twice — first by our Customer Experience Officer and again by Brandlove, our customer experience service provider. The next phase is known as the “To Be” state of customer experience, and this began with special Brand Warrior training for the JHC team, which completed their training in October 2019.

Brand Essence workshops were held between Brandlove and JHC's management team and this resulted in the development of our customer experience (CX) “blueprint”. In future, the document will guide JHC in the development of customer journey designs and mapping. Contained in the CX blueprint are values that manifested from the brand essence workshop.

The As-Is analysis identified critical pain points in the customer's lifecycle which led to a negative experience. With this in mind, we redesigned the ideal end-to-end JHC Tenant Journey and focused on 10 key pain points to improve and enhance the customer's experience. These improvements were included in the new MRI operating system and will enhance our customer-centric approach.

PLANS FOR THE YEAR AHEAD

For the financial year 2019/20, we will look to expand the Wiser Generation programme into additional buildings, and we hope to introduce new programmes that will cater for the needs of other tenant segments. We will also

Define your experience
100% COMPLETE

Brand warrior intake 1 and 2
100% COMPLETE

Design your experience
70% COMPLETE

Engage your employees
(BRAND WARRIOR PROGRAMME)
33% COMPLETE

endeavour to create employment opportunities, particularly for the blue-collar segment as well as other segments where possible. In terms of our customer experience for the year ahead, we hope to set up our customer hubs, develop a communication strategy, and make further inroads in the development of our customer experience strategy.

TENANT PROMISE
We create homes where you can flourish





LOVE WHERE YOU LIVE

EMPLOYEE PROMISE
We create a workplace where you can flourish



OUR CORE VALUES


Here to stay
 We have a heart, we care


Straight up, no fuss
 We have the courage to be honest and deliver


Together we win
 We are connected and collaborative

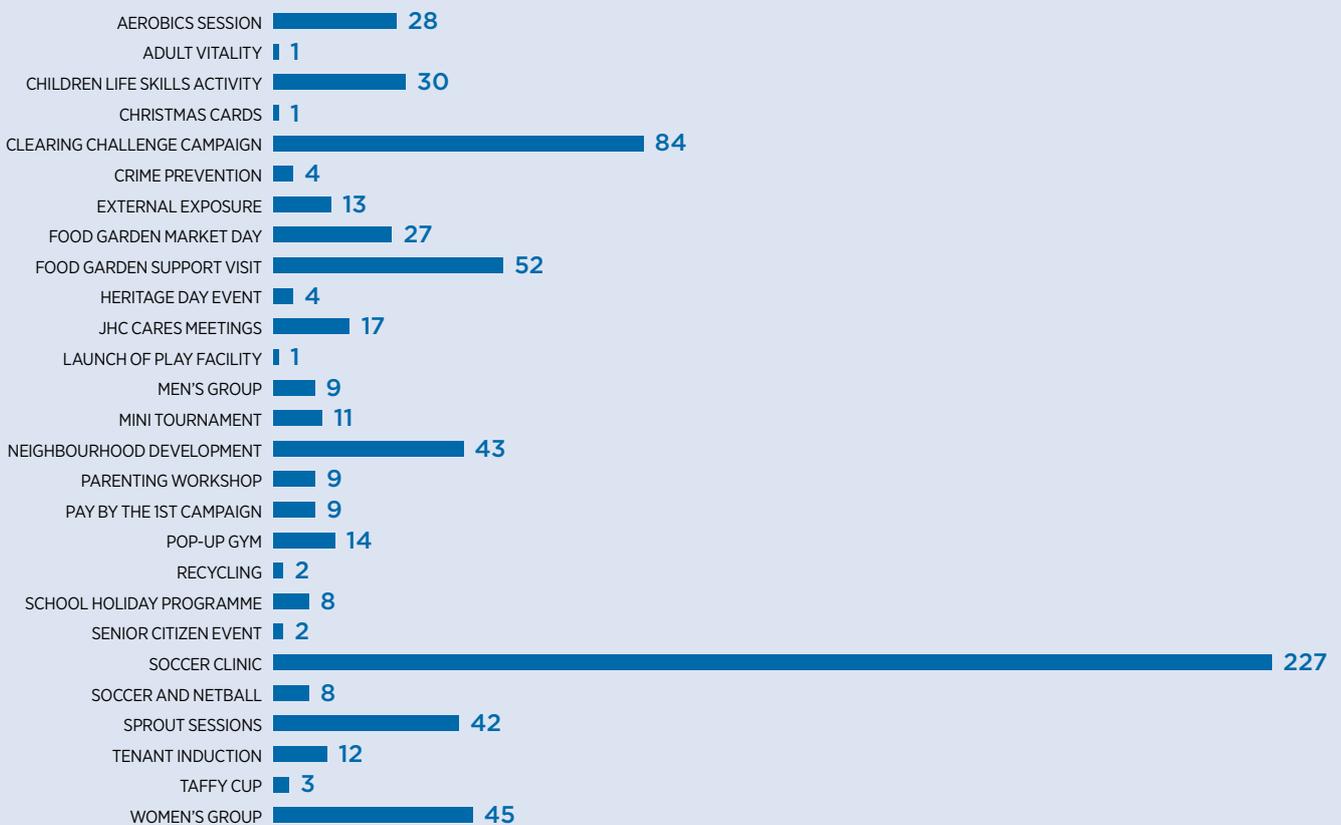

Sikuphetho
 We purposefully make a difference



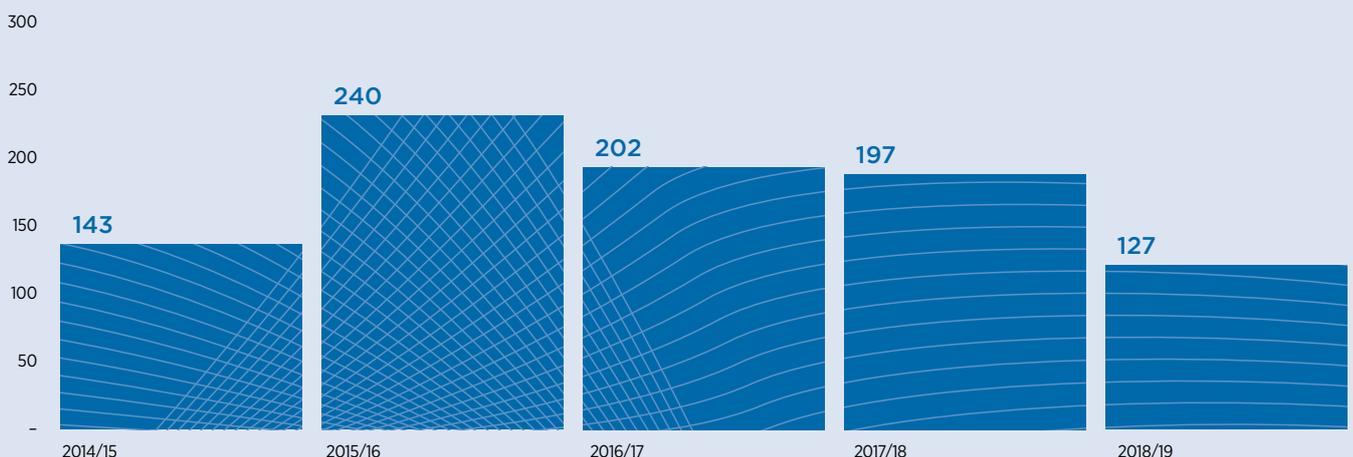
GUIDING PRINCIPLES FOR HOW WE DESIGN EXPERIENCES

- 1** We are understanding and consider each tenants' personal circumstances with empathy and compassion
- 2** We make tenants feel valued through our tone of voice and the way we interact
- 3** We act with a sense of urgency, taking responsibility and ownership
- 4** We communicate clearly and plainly using visuals
- 5** We design consistency into our experience
- 6** We are transparent in communication and decision making
- 7** We constantly review with the intention to improve
- 8** We only make promises that we can keep

Number of MAM activities



Total number of (reported) incidents



MAKHULONG A MATALA REPORT continued



MAKHULONG A MATALA TEAM



SALLY MAKAANE
RECEPTIONIST



CARLENE PETERSEN
CUSTOMER EXPERIENCE OFFICER



EMMA MOTSHEKGA
PROGRAMME ADMINISTRATOR
(TEMP)



PATRICIA MSEBELE
COMMUNITY DEVELOPMENT
OFFICER



LUNGISANI NTULI
COMMUNITY DEVELOPMENT
OFFICER



MICHAEL TLALA
COMMUNITY DEVELOPMENT
OFFICER



DONALD MAKAPE
COMMUNITY DEVELOPMENT
COORDINATOR



IPELENG MOKGOSINYANE
COMMUNITY DEVELOPMENT
COORDINATOR



GREENDA NGWARAI
COMMUNITY DEVELOPMENT
COORDINATOR

ABSENT: **PHUMZILE SIBIYA** PROGRAMME ADMINISTRATOR



TENANT QUOTES

FROM THE ADULT
VITALITY PROGRAMME

“Who can say no to a chance of getting fit without a monthly subscription? Here the workouts are even better.”

– LUYANDA FROM SMITSHOF

“I am fast falling in love with this gym style which challenges one of my biggest flaws which is dancing. There is also an opportunity to learn new things pertaining to health and lifestyles.”

– KAREN FROM UNO COURT

“I have since realised that exercise can also be fun and enjoyable, it doesn't have to be hard.”

– SITHENI FROM UNO COURT



#JHCCares

HUMAN RESOURCES REPORT

The past year has been one of change and growth. We are adapting to an environment where there is a growing focus on customer experience.

“We help to achieve JHC’s strategy by identifying what it needs in terms of staff. We then develop and implement strategies to ensure we have the right skills for the right roles, as required. To facilitate JHC’s operations, we build an organisational structure by identifying, recruiting and developing staff in their roles so they are positioned to fulfil their responsibilities optimally.”

– **Itumeleng Mokonyama**, HR Officer

In order to thrive in this environment, we actively **support staff development** and the **management of change** across the organisation.

INVESTING IN OUR TEAM

To strengthen the capacity of our Human Resources (HR) department, we invested in the development of our team during the year. We are pleased to report that five members of the JHC team department graduated from programmes funded by JHC.

To facilitate the process of organisational restructuring into our new hub-based model, we developed e-learning courses for core content learning. These programmes will be implemented in the new financial year in line with the system implementation process. By adopting this approach to development, staff will be able to learn at their own pace.

HIGHLIGHTS FOR THE YEAR

The past year has been one of change and growth. We are adapting to an environment where there is a growing focus on customer experience. In order to thrive in this environment, we actively support staff development and the management of change across the organisation. JHC's change management programme is discussed in further detail on page 9 of this report.

Bursary graduates

A number of JHC's bursary beneficiaries completed their studies during the year under review, and the graduates are all leaders in the company. With this investment into areas of focus, JHC's skills base will be enhanced, which strengthens our position for the future.

- › **Michael Tlala**
Property Management Programme
- › **Nothando Mthembu**
Management Advanced Programme
- › **Bongani Makhoba**
Property Management Programme
- › **Lisa Smith**
Property Management Programme
- › **Karabelo Pooe**
Post Graduate Diploma in
Future Studies

New appointments

As always, new ideas and perspectives accompany the appointment of new members of staff. An intake of new ideas and perspectives is especially important now, when we are changing the way we work. By bolstering JHC's team, these new appointments will help to achieve our strategic objectives and facilitate growth in the business. We formally welcome the following new members of staff and wish them well in their future at JHC:

- › **Koketso Legodi**
Project Management Officer
- › **Rhulani Chauke**
Project Coordinator
- › **Matt Jackson**
Development Officer
- › **Ayanda Cele**
Business Development Specialist

Rewarding our top performers

As an added incentive, we present awards to our outstanding performers, to recognise their exceptional efforts made during the year. Winners each receive an international trip with the extra benefit of learning over and above the travel experience. In this way, we maintain our focus on growth and improvement, while appreciating the excellence of individual team members.

The following members of staff were awarded during the year under review:

- › **Vincent Mbatha**
- › **Thabo Koma**
- › **Samuel Madzivhani**
- › **Nothando Mthembu**
- › **Nguquko Nyathi**

Training and development spend

During the 2018/2019 financial year, 3.07% of JHC's total salary bill was invested in employee training, bursaries and learnerships. Bursaries were awarded to 22 members of staff, with five completing their bursary related studies during the year. Of the total spend, 47.83% went towards skills training and 25.86% went towards learnerships.

R635 855

SKILLS TRAINING

R349 667

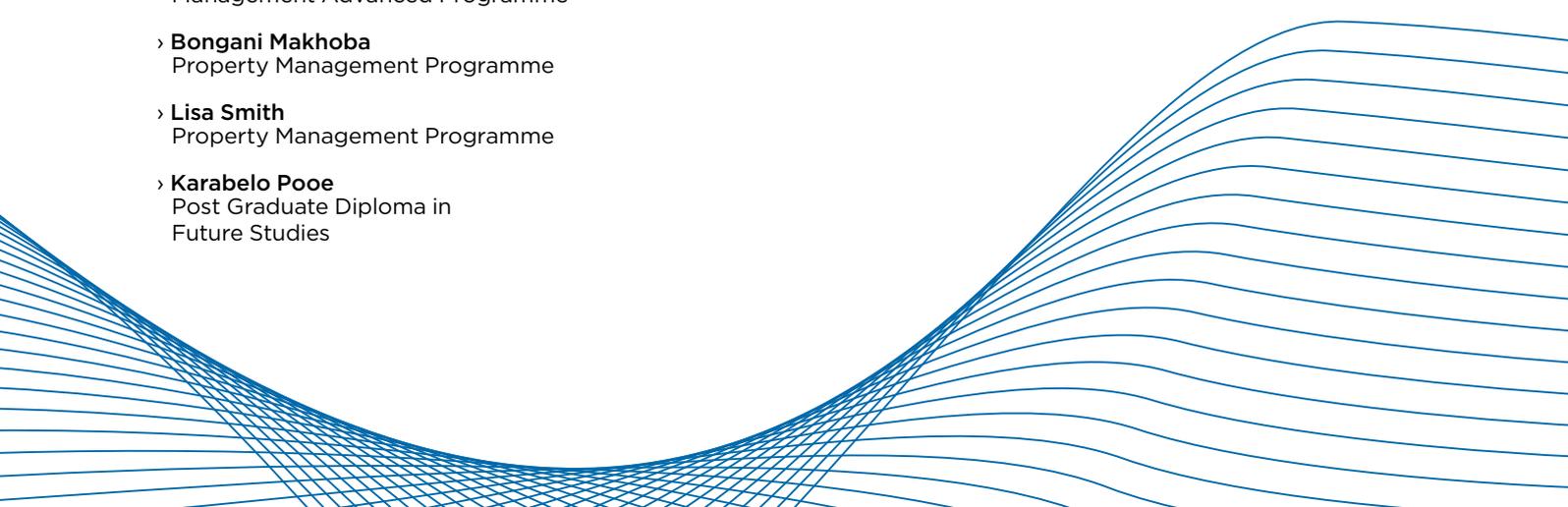
BURSARIES

R343 667

LEARNERSHIPS

R1 329 189

TOTAL SPEND

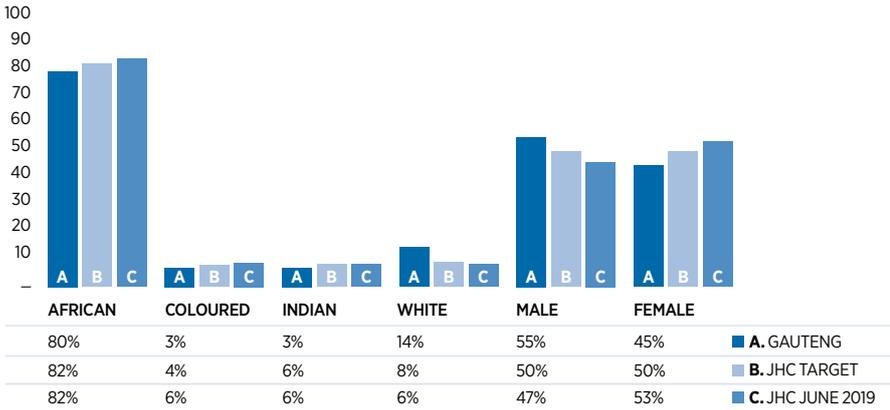


HUMAN RESOURCES
REPORT continued

Staff profile

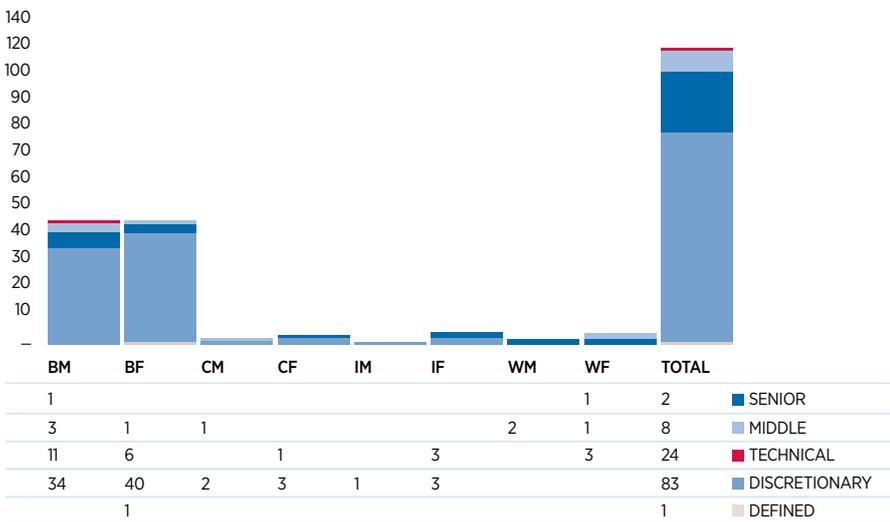
JHC pays particular attention to making sure that it has a diverse team. This is achieved through monitoring our performance in line with our employment equity plan and targets. JHC’s profile is as follows:

Employment equity performance against targets



JHC’s performance against target was excellent. Our overall employment equity profile is very closely aligned to the target that was set.

Employment equity performance against targets



OBJECTIVES FOR THE
COMING YEAR

Our focus as the HR department will be building on our investment in internships and apprenticeships in order to grow the skills base, both within JHC and the broader market.

During the year ahead, our aim will also be to bed down the new company structure to support the operational changes and the focus on customer experience.



IN MEMORIAM

In January 2019, JHC sadly lost Harriet Phasha, a valued member of the team who worked as a housing supervisor at Dorchester. Harriet's passing touched our hearts – she will be sorely missed and fondly remembered for her kindness and loving heart.

Born on 12 July 1974 in Lebowakgomo, Limpopo, Harriet joined the JHC team as a Housing Supervisor in July 2015. She was committed and hardworking, loved her job and was well loved in return by her colleagues.

Sadly, Harriet was admitted to hospital in December 2018, where she passed away on 6 January 2019. She was then laid to rest in her hometown of Lebowakgomo on 12 January 2019.

We extend our deepest sympathies to her two children, Banele and Relebogile, as well as her two grandchildren, Sibusiso and Brainly.



#JHCCares

FINANCE

REPORT

As the finance team, we enable the execution of JHC strategies to safeguard the long-term sustainability of the company.

“We keep management and the board of directors informed with financial assessments of the company’s performance. Our team ensures that only projects with sufficient returns are selected for the board’s approval. The financial accounting team is further responsible for maintaining the accounting records, facilitating the external audit and preparing the group’s annual financial statements. The debtors team collects our tenants’ billings, while the utilities team ensures that JHC is accurately billed by the city council.”

– **Prosper Mpofu**, Chief Financial Officer

At year-end, operating profit was **R79 million** after fair value adjustments and before net finance costs.

TRYING TIMES

Within a tough business environment, characterised by a sluggish local economy, which put consumers and households under pressure, JHC experienced one of the most challenging financial years since the group's inception. Under these conditions and in the absence of economic growth, the company experienced record high arrears and vacancy rates during the 2018/2019 financial year.

EQUIPPED TO FACE THE HEADWINDS

At the 2018/19 financial year-end, the balance sheet reflects JHC's strong financial position with total assets valued at R1.783 billion (2018: R1.752 billion) of which property assets accounted for R1.582 billion (2018: R1.493 billion). Fair values of the portfolio in the current year experienced muted growth. This was mainly due to the capital improvements in Douglas and Cresthill of over R50 million in the current year, which had a downward impact on the fair value adjustments of the properties. The investment in these two properties will be realised over many years as operational costs reduce annually and revenue improves.

The capitalisation rates (cap rates) for all JHC buildings remained unchanged compared to the prior year. While the macroeconomic environment deteriorated, it was not sufficient for the cap rates to increase, mainly due to JHC outperforming the market in terms of the key metrics such as vacancies and arrears. The average cap rate for JHC properties stands at 11.17% in the current year. According to SAPOA's latest reports, cap rates in the inner city are between 9% and 13%.

Cash decreased to R178 million in the current year, mainly due to the investments in Douglas Village and Cresthill Mansions. The long-term loans due of R147 million (2018: R151 million) do not pose an immediate threat to JHC's liquidity, as ample cash resources are available. Equity remains healthy at R1.245 billion (2018: R1.204 billion) at year-end.

At year-end, total revenue to June 2019 increased by 5% to R274.7 million compared to R261 million in 2018, despite the high vacancy rates during the period. This was mostly due to inflationary increases on the rentals and the full year impact of our latest building, Heritage View, which was added to the portfolio during the 2017/2018 financial year. Another smaller building Clarence Court which was added to the portfolio in the current year, also had a positive impact on our revenues.

Cost of sales was R136 million (2018: R110 million), a significant increase compared to the prior year. This was largely due to the full year impact of Heritage View expenses, high general building maintenance, as well as a number of historical utilities charges, which saw long-standing queries being resolved with the municipality.

Staying committed to servicing and repairing our buildings, despite the depressed revenues due to higher vacancies, saw the cost-to-income ratio increase to 49% (2018: 44%). Various measures are in place to curtail the higher vacancies and operational costs and the use of internal maintenance technicians will help to reduce building costs.

At year-end, operating profit was R79 million (2018: R119 million) after fair value adjustments and before net finance costs. Additional investments in IT systems, personnel and the new Customer Experience department saw a rise in head office costs compared to the prior year. In light of these investments, JHC should benefit from cost reductions and improved tenant retention over time. Certain costs during the year were one-off and will not recur in the new financial year, notably costs related to the MRI IT system and head office relocation to the two sites, namely Newtown and Park Station.

In the prior year, an error in calculating the deferred tax in one of the subsidiaries, Brickfields Housing Company (Pty) Limited, resulted in a cumulative error of R10 million, affecting JHC's deferred tax expense and retained income. The amount

is spread as follows: R9.4 million to 30 June 2017, and R0.6 million in the prior year. The error has no impact on the current tax payable to SARS or cash flows of the group. Deferred tax is an accounting entry arising from the fair value adjustments of the group's properties. Going forward, to ensure the accuracy of deferred tax liability numbers, extensive work will be performed to audit the deferred tax schedules.

PERSONNEL CHANGES

During the year, Nadia September re-joined JHC in the position of creditor's clerk following the resignation of Boitumelo Setshedi. In addition, Simangele Nzimande moved to the position of utilities creditor's clerk within the finance team.

R1.783 billion

TOTAL ASSET VALUE
(2018: R1.752 BILLION)

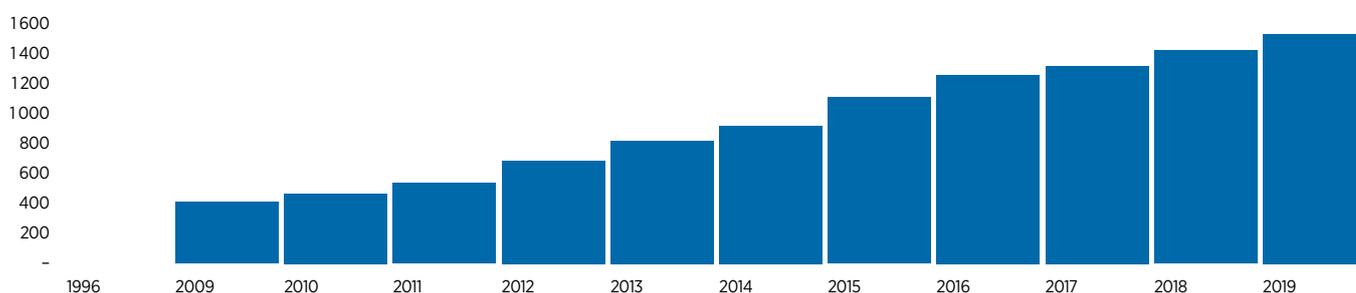
THE YEAR AHEAD

As a team, we have our work cut out for us as the economy continues to languish. Finance will work closely with the various other departments on several cost management strategies and revenue enhancement strategies to ensure that we meet targets and maintain our strong cash position.

FINANCE REPORT continued

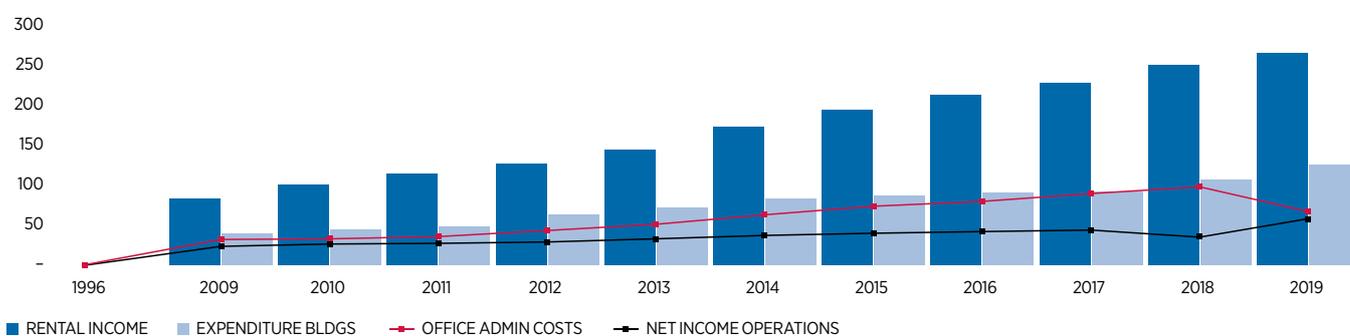
Investment property

Rand value (millions) - 1996 and 2009 - 2019



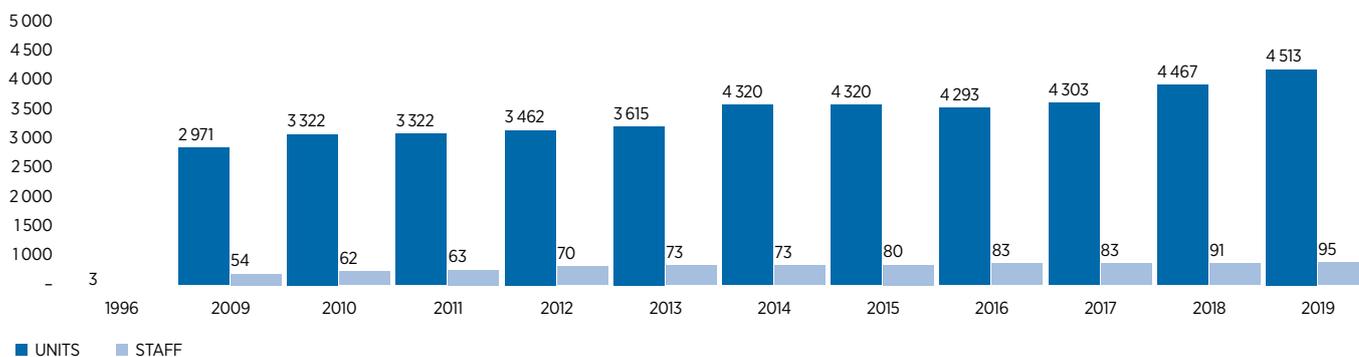
Operational income versus expenditure

Rand value (millions) - 1996 and 2009 - 2019



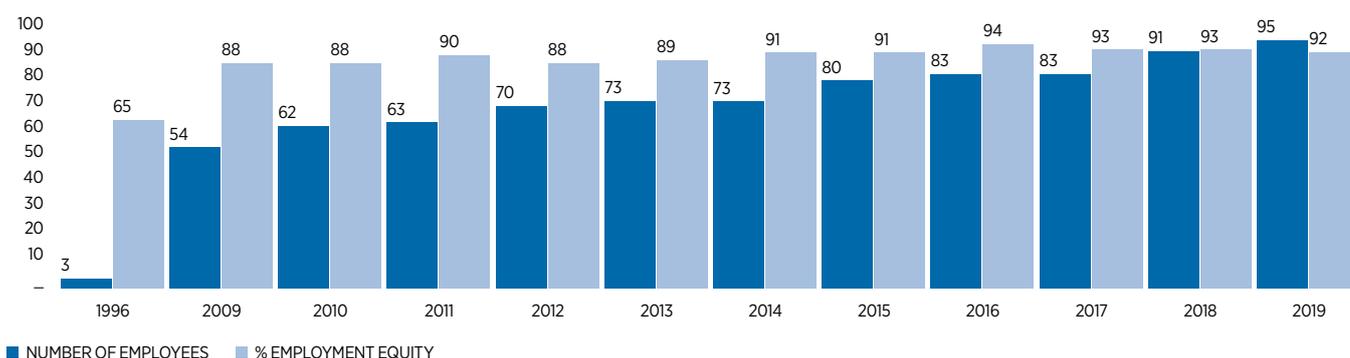
Housing units and staff numbers (cumulatively)

1996 and 2009 - 2019



Total number of employees and % employment equity

1996 and 2009 - 2019



FINANCE TEAM



NADIA SEPTEMBER
CREDITORS CLERK



SHIVANA HARILAL
CREDITORS CLERK



THEMBI GAMEDE
BOOKKEEPER



FATHIMA HOOSEN
BOOKKEEPER



NGUQUKO NYATHI
MANAGEMENT ACCOUNTANT



SILVIA CELE
UTILITIES RELATIONSHIP
COORDINATOR



GAUTA MOFOKENG
UTILITIES SPECIALIST



SIMAGELE NZIMANDE
UTILITIES ADMINISTRATOR



SHAHIDA NABI
DEBTORS CONTROLLER



MAHLODI MALANE
DEBTORS ADMINISTRATOR



PHUMI JALI
DEBTORS ADMINISTRATOR



DRUCELIAN MUNSAMY
DEBTORS ADMINISTRATOR



TEBOGO MHLANGA
DEBTORS ADMINISTRATOR



NOXOLO MALINGA
DEBTORS INTERN

ABSENT: **FAWZIA BALLIM**

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

JHC's property assets were valued at R1.582 billion (2018: R1.493 billion) by the end of June 2019. JHC owns and manages 4 513 rental accommodation units in 36 buildings (2018: 4 467 units in 35 buildings). With the addition of Clarence Court to its portfolio, JHC now provides homes to more than 12 650 people.

REVENUE

JHC's revenue for the year in review increased to R274.7 million (2018: R261.0 million).

STAYING ON TOP OF ARREARS

JHC continues to implement strict default management practices taking a firm, fair approach and keeping arrears and bad debt at a minimum. At the end of June 2019 arrears were 3.3% of total rent billings (June 2018: 2.20%) and debtors amounted to 0.066% of rent billings for the year (2018: -0.153 %).

MANAGING VACANCIES

Vacancies are managed carefully. Promotions are strategically planned to boost leasing where required and to address identified periods with higher vacancies. At the end of June 2019, the total average vacancies were 3.84%, with a target of 3.01% (2018: 2.46%).

BUILDING MANAGEMENT AND MAINTENANCE

JHC's Housing Supervisors (HSVs) liaise with tenants, administer rent and manage day-to-day maintenance. They help to ensure that JHC tenants "Love where you live". The 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.

JHC's in-house maintenance technicians together with the new maintenance work team have further assisted in containing maintenance costs within budget limits.

JHC's asset preservation facilitates long-term preventive maintenance and property improvements. These projects are planned and budgeted as part of the five-year strategy to ensure all JHC's buildings are kept in good condition.

JHC AS A CORPORATE CITIZEN

JHC remains one of the biggest residential clients of the City of Johannesburg. Rates and utilities costs for the 2019 financial year amounted to R49.8 million (2018: R49.9 million). Current taxation charged for the 2019 financial year totalled R12.5 million (2018: R17.7 million).

COMMUNITY AND 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.

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 several Improvement Districts in the inner city. It works collaboratively with neighbourhood property owners and other inner-city stakeholders to support the regeneration of the Johannesburg inner city.

STAFF TRAINING AND EMPOWERMENT

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

JHC continues to create a working environment that ensures that lessons learnt through its operations are recognised and carried forward. In addition, international work exchange programmes are ongoing and provide valuable learning experiences to 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 the end of June 2019, JHC's staff amounted to 95 people (2018: 91 people). 92% of staff are previously disadvantaged individuals (PDIs) (2018: 93%), the gender percentages are the same as 2018, at 53% women and 47% men.

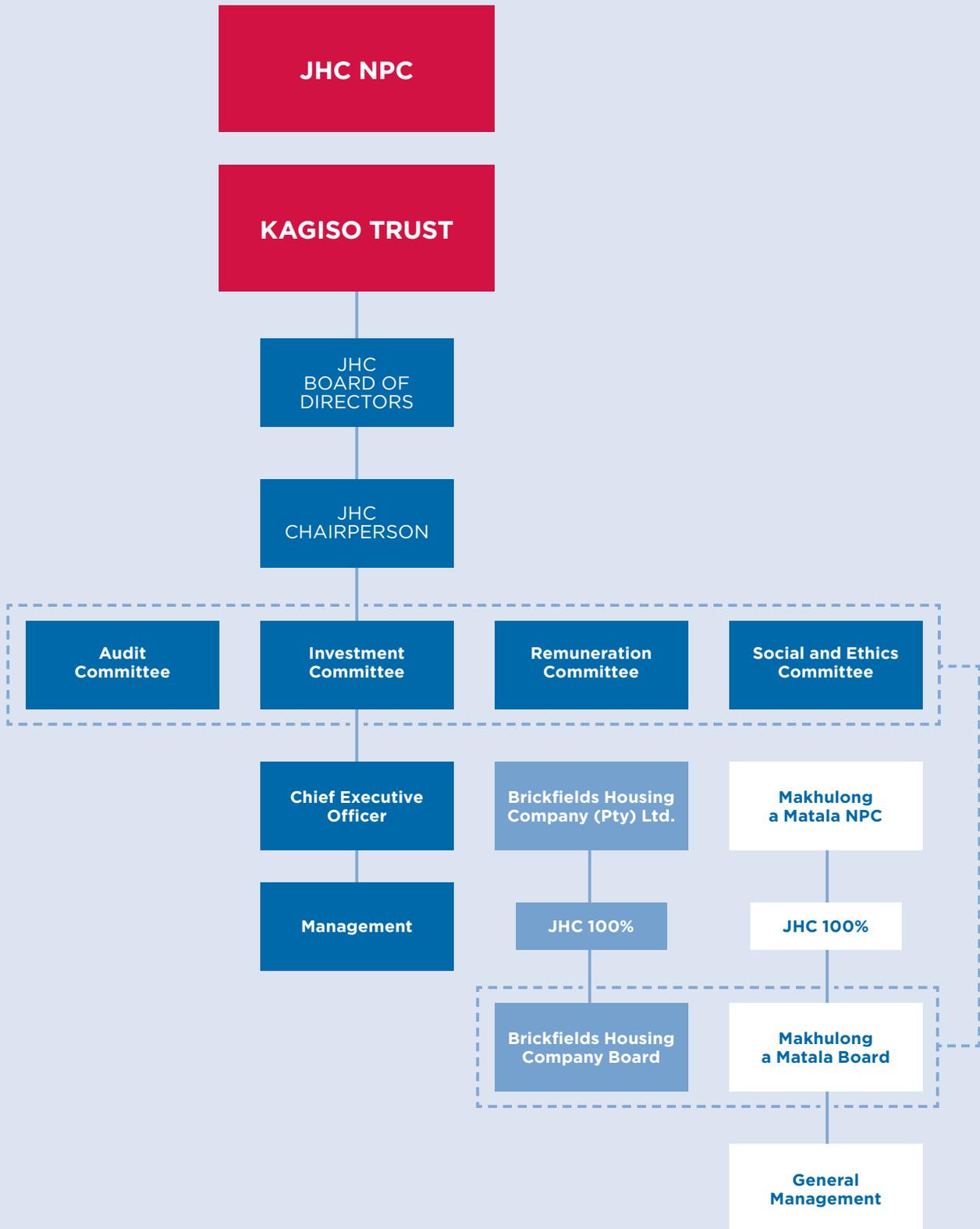
Debtors: 2015 – 2019 (% of total rent billings)

2015	2016	2017	2018	2019
-0.045%	-0.02%	-0.004%	-0.153%	0.066%

Residential vacancies: 2015 – 2019 (% of total units, average for the year)

2015	2016	2017	2018	2019
3.8% OF 4 320 UNITS	3.18% OF 4 293 UNITS	2.23% OF 4 303 UNITS	2.46% OF 4 467 UNITS	3.84% OF 4 513 UNITS

JHC GROUP STRUCTURE



CORPORATE GOVERNANCE

JHC's Corporate Governance Policy and Procedures comply with the Companies Act, 2008, the King Code of Governance Principles, 2016 (King IV) 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

JHC is committed to smart and simple rental housing solutions, a great living experience and value for money for all who choose to live in JHC buildings and neighbourhoods, in an environment that simply works.

JHC's mission and values apply to JHC and all of its subsidiaries.

VALUES

HERE TO STAY

We have a heart, we care.

STRAIGHT UP, NO FUSS

We have the courage to be honest and deliver.

TOGETHER WE WIN

We are connected and collaborative.

SIKUPHETHE

We purposefully make a difference.

GROUP STRUCTURE

THE JHC GROUP INCORPORATES:

Johannesburg Housing Company

(non-profit company)

Brickfields Housing Company (Pty) Ltd

Makhulong a Matala Community Development Services

(non-profit company and public benefit organisation)

JOHANNESBURG HOUSING COMPANY NPC

JHC was established 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. During the previous year NewHco was de-registered and subsequently, Kagiso Trust is JHC's sole member. JHC's Memorandum of Incorporation was amended by the members and approved by the Companies and Intellectual Property Commission (CIPC).

JHC BOARD OF DIRECTORS**Mr Benjamin Nokaneng**

(Chairman)
Chief Investment Manager
Gyro Group

Ms Silindokuhle Chamane

Finance Head
Kagiso Trust

Mr Robert Giuricich

Retired

Mr Len Kline

Managing Director
Len Kline & Associates

Ms Bishnen Kumalo

Head of Mobile Money and Strategic
Partnerships, ABSA Capital

Ms Nonkqubela Maliza

Executive Director
Corporate and Government
Affairs, VWSA

Mr Sam Mkorosi

CEO
Vunani Corporate Finance

Mr Prosper Mpofu*

Chief Financial Officer
Johannesburg Housing Company,
Company Secretary

Mr Mzomhle Nyenjana

Chief Financial Officer
Kagiso Trust

Ms Jill Strelitz

Executive Director
NewHco

Ms Elize Stroebe!

Chief Executive Officer
Johannesburg Housing Company

*Executive Directors

JHC BOARD: ROLE AND RESPONSIBILITIES

JHC's board comprises 11 directors of whom nine are independent non-executive directors and two are executive directors. The board is presided over by an independent non-executive chairman, Mr Ben Nokaneng. The board meets at least once a quarter.

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

The board 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
- › 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

Members:

- › Mr Len Kline (Chair)
- › Mr Sam Mkorosi
- › Mr Mzomhle Nyenjana
- › Ms Silindokuhle Chamane
- › Representative of JP Morgan (nominated by JP Morgan) as an observer

By invitation:

- › Ms Elize Stroebe! (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 JHC's board. JHC's Chief Executive Officer, Chief Financial Officer, Accountant and Compliance Officer attend 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
- › 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 auditor.
- › 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

Members:

- › Mr Robert Giuricich (Chair)
- › Ms Nonkqubela Maliza
- › Ms Jill Strelitz

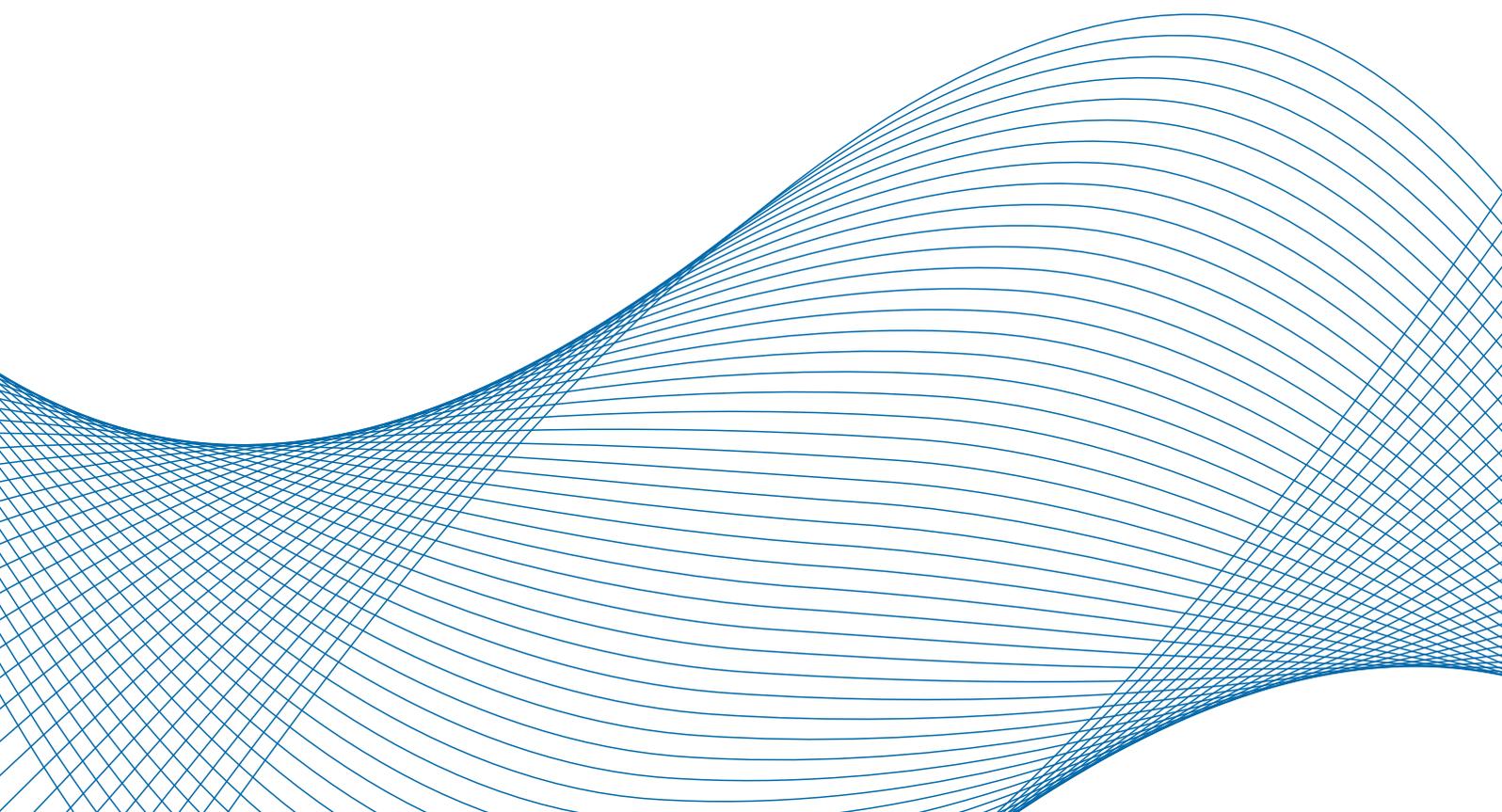
CORPORATE GOVERNANCE

continued

Board meetings 2018/19 – Register of attendance

July 2018 to June 2019

	SPECIAL BOARD	AUDIT	BOARD	BOARD	AGM	BOARD	AUDIT	BOARD
	2018/07/31	2018/09/13	2018/10/03	2018/11/28	2018/11/28	2019/04/24	2019/05/21	2019/06/26
LEPHUNYA, P	Apology	n/a	Resigned	Resigned	Resigned	Resigned	Resigned	Resigned
CHAMANE, S						Yes	Yes	Yes
GUIRICICH, R	Yes	n/a	Yes	Yes	Yes	Yes	n/a	Yes
KLIN, L	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
KUMALO, B						Yes	n/a	Yes
MAKOSHOLO, P	Yes	Yes	Yes	Yes	Yes	Resigned	Resigned	Resigned
MALIZA, N	Yes	n/a	Yes	Yes	Yes	Apology	n/a	Yes
MOKOROSI, S	Yes	n/a	Yes	Yes	Yes	Yes	Yes	Yes
MPOFU, P	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
NOKANENG, B	Yes	Yes	Yes	Yes	Yes	Yes	n/a	Yes
NYENJANA, M	Yes	n/a	Apology	Yes	Yes	Yes	Yes	Yes
STRELITZ, J	Yes	n/a	Yes	Yes	Yes	Yes	n/a	Yes
STROEBEL, E	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
SULEMAN, I	Yes	Yes	Apology	Apology	Apology	Resigned	Resigned	Resigned



CORPORATE GOVERNANCE continued

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.
- › 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

Members:

- › Mr Sam Mokorosi (Chair)
- › Mr Robert Giuricich
- › Mr Len Kline
- › Mr Benjamin Nokaneng
- › Ms Elize Stroebel (Executive Director)

The Investment committee has five members, including JHC's CEO and four independent non-executive directors. 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

- › Examining all investment proposals and recommending decisions to the board

Social and Ethics committee

Members:

- › Ms Nonkqubela Maliza (Chair)
- › Mr Sam Mokorosi
- › Mr Mzomhle Nyenjana

By invitation:

- › Ms Elize Stroebel (CEO)
- › Mr Prosper Mpofu (CFO)
- › Ms Lindi Malinga (GM — MAM)

JHC's growth required the establishment of a Social and Ethics committee during the previous year. The members are independent non-executive directors of JHC's board. JHC's Chief Executive Officer, Chief Financial Officer and the General Manager, Makhulong a Matala attend meetings as invitees and not as members of the committee.

The committee meets at least once a year and operates within the limits set down in the Companies Act.

THE SOCIAL AND ETHICS COMMITTEE IS RESPONSIBLE FOR:

- › Ensuring compliance with the formal mandate approved by the board. The mandate is subject to an annual review by the board.
- › Develop an annual work plan including but not limited to oversight and reporting on JHC ethics, corporate citizenship, sustainable development and stakeholder relationships.

Executive committee

JHC management is responsible for the implementation of the group's approved strategy in the daily operations of the business.

THE EXECUTIVE COMMITTEE INCLUDES:

- › Ms Elize Stroebel, Chief Executive Officer
- › Ms Lindi Malinga, General Manager, Makhulong a Matala
- › Mr Boyce Maritz, Property Manager
- › Mr Prosper Mpofu, Chief Financial Officer
- › Mr Karabelo Pooe, 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. Heritage View is now also part of the Brickfields portfolio. 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
- › Mr Benjamin Nokaneng
- › Mr Robert Giuricich
- › Mr Mzomhle Nyenjana
- › Ms Elize Stroebel (Executive Director)
- › Mr Prosper Mpofu (Executive Director, Company Secretary)

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
- › Ms Lindi Malinga (Executive Director)
- › Ms Sarah Maphoto-Papi
- › Mr Sam Mokorosi
- › Ms Nompumelelo Mabece
- › Ms Elize Stroebel (Executive Director)
- › Mr Prosper Mpofu (Company Secretary)

RESULTS FOR THE YEAR

JOHANNESBURG HOUSING COMPANY NPC AND ITS SUBSIDIARIES

(Registration number
1995/013843/08)

Group Financial Statements for the
year ended 30 June 2019

Audit opinion

Johannesburg Housing Company and its subsidiaries' annual financial statements have been audited by the independent auditors, BDO South Africa Incorporated. 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.

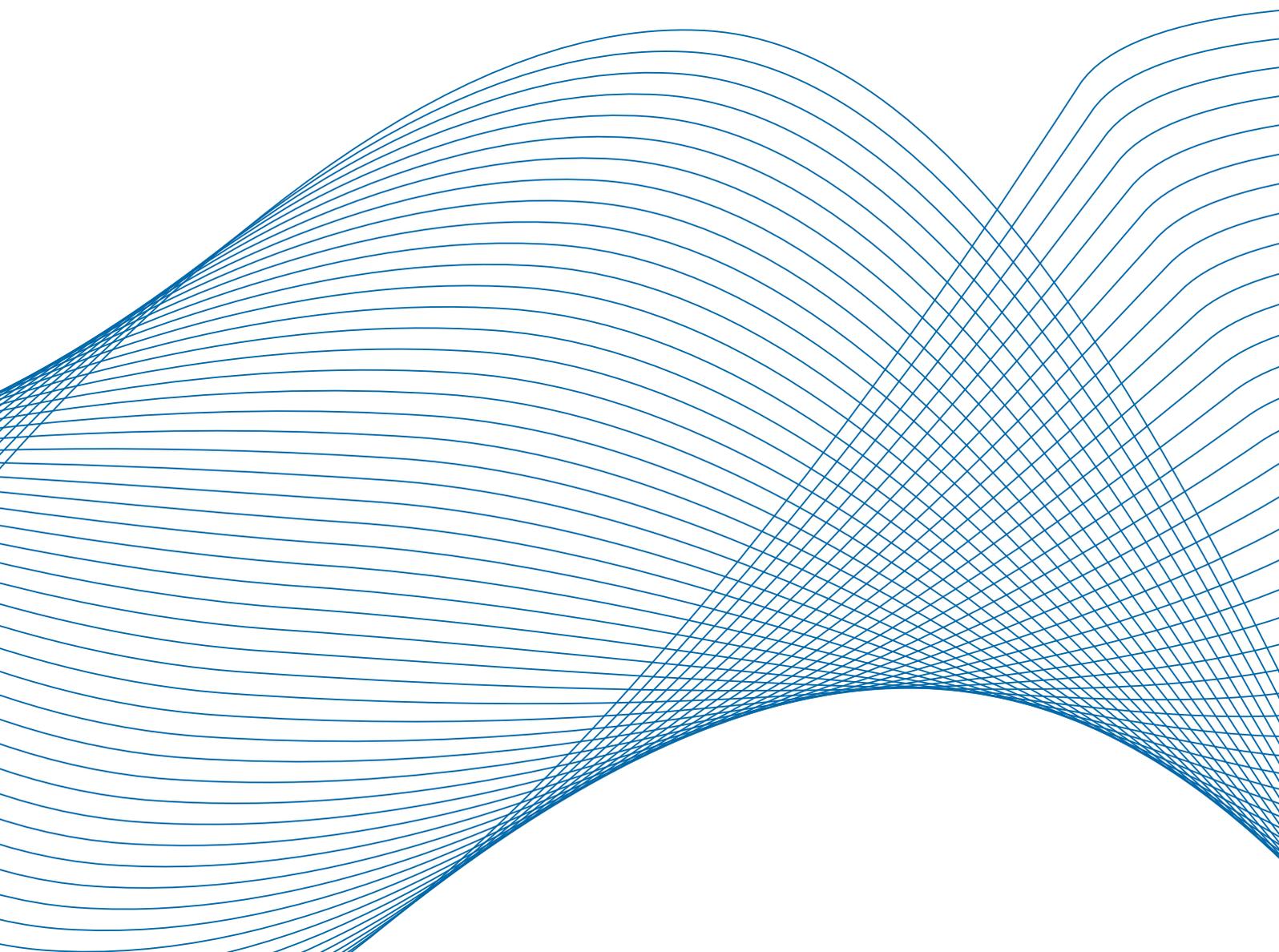
The accounting policies used in the preparation of the annual financial statements are consistent with those used in the previous financial year, with the exception of certain mandatory changes relating to standards that became effective in the current year and are relevant to the operations of the Group.

IFRS 9 Financial Instruments

The group's trade and receivables and loans to group companies have been reclassified from loans and receivables to financial assets at amortised cost.

IFRS 15 Revenue From Contracts with Customers

The adoption of this standard had no impact on the results.



Statements of financial position

AS AT 30 JUNE 2019

Johannesburg Housing Company NPC and its subsidiaries
(Registration number 1995/013843/08)

Figures in R	GROUP			COMPANY	
	2019	2018 (Restated)	2017 (Restated)	2019	2018
ASSETS					
Non-current assets					
Property, plant and equipment	5 837 533	7 341 282	6 479 341	2 274 502	4 540 830
Investment property	1 582 350 000	1 492 520 000	1 367 815 000	1 173 050 000	1 113 220 000
Intangible assets	3 409 488	—	—	3 409 488	—
Investment in subsidiaries	—	—	—	18 065 885	18 065 885
Work in progress	2 160 267	1 751 410	76 488 595	—	—
Loan to group companies	—	—	—	94 132 106	94 158 243
Total non-current assets	1 593 757 288	1 501 612 692	1 450 782 936	1 290 931 981	1 229 984 958
Current assets					
Inventories	265 195	534 217	109 681	265 195	534 217
Trade and other receivables	6 711 352	15 257 245	8 303 554	3 904 453	9 288 672
Current tax assets	3 693 388	9 856 741	7 329 707	—	1 667 486
Loan to group companies	—	—	—	584 090	4 735 417
Prepayments	130 748	—	—	130 748	—
Cash and cash equivalents	177 557 102	224 657 480	145 148 890	147 538 667	197 734 701
Non-current assets held for sale	188 357 785	250 305 683	160 891 832	152 423 153	213 960 493
	962 648	—	—	1 196 703	—
Total current assets	189 320 433	250 305 683	160 891 832	153 619 856	213 960 493
Total assets	1 783 077 721	1 751 918 375	1 611 674 768	1 444 551 837	1 443 945 451
EQUITY AND LIABILITIES					
Equity					
Member's funds	74 419 636	74 419 636	74 419 636	74 419 636	74 419 636
Retained income	1 170 591 662	1 129 323 748	1 035 727 935	875 107 388	860 799 305
Total equity	1 245 011 298	1 203 743 384	1 110 147 571	949 527 024	935 218 941
Liabilities					
Non-current liabilities					
Deferred tax liabilities	261 621 147	239 888 206	234 003 483	199 615 842	187 112 738
Other financial liabilities	147 291 303	150 554 178	131 726 101	147 291 303	150 554 178
Loan from group company	—	—	—	29 000 000	29 000 000
Conditional government grant	7 070 714	7 070 714	9 296 428	7 070 714	7 070 714
Total non-current liabilities	415 983 164	397 513 098	375 026 012	382 977 859	373 737 630
Current liabilities					
Trade and other payables	81 157 764	102 303 756	107 445 224	70 285 512	86 922 552
Other financial liabilities	40 922 278	48 066 328	16 346 699	40 922 278	48 066 328
Conditional government grant	3 217	291 809	2 709 262	—	—
Current tax payable	—	—	—	839 164	—
Total current liabilities	122 083 259	150 661 893	126 501 185	112 046 954	134 988 880
Total liabilities	538 066 423	548 174 991	501 527 197	495 024 813	508 726 510
Total equity and liabilities	1 783 077 721	1 751 918 375	1 611 674 768	1 444 551 837	1 443 945 451

Statements of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2019

Johannesburg Housing Company NPC and its subsidiaries

(Registration number 1995/013843/08)

Figures in R	GROUP		COMPANY	
	2019	2018 (Restated)	2019	2018
Revenue	274 674 531	261 048 970	204 038 532	198 890 970
Cost of sales	(135 674 609)	(110 291 401)	(109 389 945)	(97 619 795)
Gross profit	138 999 922	150 757 569	94 648 587	101 271 175
Other income	389 748	2 878 428	5 231 578	6 355 500
Administrative expenses	(9 141 714)	(9 128 085)	(8 061 322)	(8 236 587)
Other expenses	(52 623 459)	(43 031 028)	(49 510 503)	(39 697 857)
Other gains and (losses)	938 904	17 856 509	(9 650 816)	2 803 691
Profit from operating activities	78 563 401	119 333 393	32 657 524	62 495 922
Finance income	15 512 690	11 795 822	23 009 077	20 156 674
Finance costs	(18 599 110)	(14 408 301)	(21 794 049)	(17 723 743)
Profit before tax	75 476 981	116 720 914	33 872 552	64 928 853
Income tax expense	(34 209 067)	(23 125 101)	(19 564 469)	(11 970 401)
Profit for the year	41 267 914	93 595 813	14 308 083	52 958 452

Statements of changes in equity

AS AT 30 JUNE 2019

Johannesburg Housing Company NPC and its subsidiaries
(Registration number 1995/013843/08)

Figures in R

GROUP

Balance at 1 July 2017 as previously reported

Increase (decrease) due to corrections of prior period errors

Balance at 1 July 2017 as restated

Changes in equity

Profit for the year

Total comprehensive income

Balance at 30 June 2018 as restated

Balance at 1 July 2018

Changes in equity

Profit for the year

Total comprehensive income

Balance at 30 June 2019

	Member's funds	Retained income (Restated)	Total
Balance at 1 July 2017 as previously reported	74 419 636	1 045 152 146	1 119 571 782
Increase (decrease) due to corrections of prior period errors	—	(9 424 211)	(9 424 211)
Balance at 1 July 2017 as restated	74 419 636	1 035 727 935	1 110 147 571
Changes in equity	—	93 595 813	93 595 813
Profit for the year	—	93 595 813	93 595 813
Total comprehensive income	—	93 595 813	93 595 813
Balance at 30 June 2018 as restated	74 419 636	1 129 323 748	1 203 743 384
Balance at 1 July 2018	74 419 636	1 129 323 748	1 203 743 384
Changes in equity	—	41 267 914	41 267 914
Profit for the year	—	41 267 914	41 267 914
Total comprehensive income	—	41 267 914	41 267 914
Balance at 30 June 2019	74 419 636	1 170 591 662	1 245 011 298

COMPANY

Balance at 1 July 2017

Changes in equity

Profit for the year

Total comprehensive income

Balance at 30 June 2018

Balance at 1 July 2018

Changes in equity

Profit for the year

Total comprehensive income

Balance at 30 June 2019

	Member's funds	Retained income	Total
Balance at 1 July 2017	74 419 636	807 840 853	882 260 489
Changes in equity	—	52 958 452	52 958 452
Profit for the year	—	52 958 452	52 958 452
Total comprehensive income	—	52 958 452	52 958 452
Balance at 30 June 2018	74 419 636	860 799 305	935 218 941
Balance at 1 July 2018	74 419 636	860 799 305	935 218 941
Changes in equity	—	14 308 083	14 308 083
Profit for the year	—	14 308 083	14 308 083
Total comprehensive income	—	14 308 083	14 308 083
Balance at 30 June 2019	74 419 636	875 107 388	949 527 024

Statements of cash flows

FOR THE YEAR ENDED 30 JUNE 2019

Johannesburg Housing Company NPC and its subsidiaries

(Registration number 1995/013843/08)

Figures in R

	GROUP		COMPANY	
	2019	2018	2019	2018
Net cash flows from operations	66 957 527	86 712 733	32 917 339	53 640 795
Interest paid	(18 599 109)	(14 408 301)	(21 794 050)	(17 723 743)
Interest received	15 512 690	11 741 505	23 009 077	20 156 674
Income taxes paid	(6 312 774)	(19 767 411)	(4 554 715)	(12 943 507)
Net cash flows from operating activities	57 558 334	64 278 526	29 577 651	43 130 219
Cash flows used in investing activities				
Proceeds from sales of property, plant and equipment	7 240	334 980	32 948	334 980
Purchase of property, plant and equipment	(2 335 000)	(3 416 200)	(1 037 240)	(2 046 301)
Additions to investment property	(88 514 539)	(32 236 422)	(69 130 445)	(18 976 424)
Purchase of intangible assets	(3 409 488)	–	(3 409 488)	–
Loan proceeds from/(to) group companies	–	–	4 177 464	(1 216 357)
Cash flows used in investing activities	(94 251 787)	(35 317 642)	(69 366 760)	(21 904 102)
Cash flows (used in)/from financing activities				
Proceeds from other financial liabilities	516 237	60 000 000	516 237	60 000 000
Repayments of other financial liabilities	(10 923 162)	(9 452 294)	(10 923 162)	(9 452 294)
Cash flows (used in)/from financing activities	(10 406 925)	50 547 706	(10 406 925)	50 547 706
Net (decrease)/increase in cash and cash equivalents	(47 100 378)	79 508 590	(50 196 034)	71 773 823
Cash and cash equivalents at beginning of the year	224 657 480	145 148 890	197 734 701	125 960 878
Cash and cash equivalents at end of the year	177 557 102	224 657 480	147 538 667	197 734 701



DIRECTORATE AND 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

53 Main Street, Marshalltown, Johannesburg, 2001

ATTORNEYS

Cliffe Dekker Hofmeyr

Cnr Fredman Drive and Protea Place, 1 Protea Place, Sandton, Johannesburg, 2196

Louis Gishen & Associates

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

Mervyn Smith Attorneys

Ground Floor, Law Chambers, 14 Nugget Street, City & Suburban, Johannesburg, 2001

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:

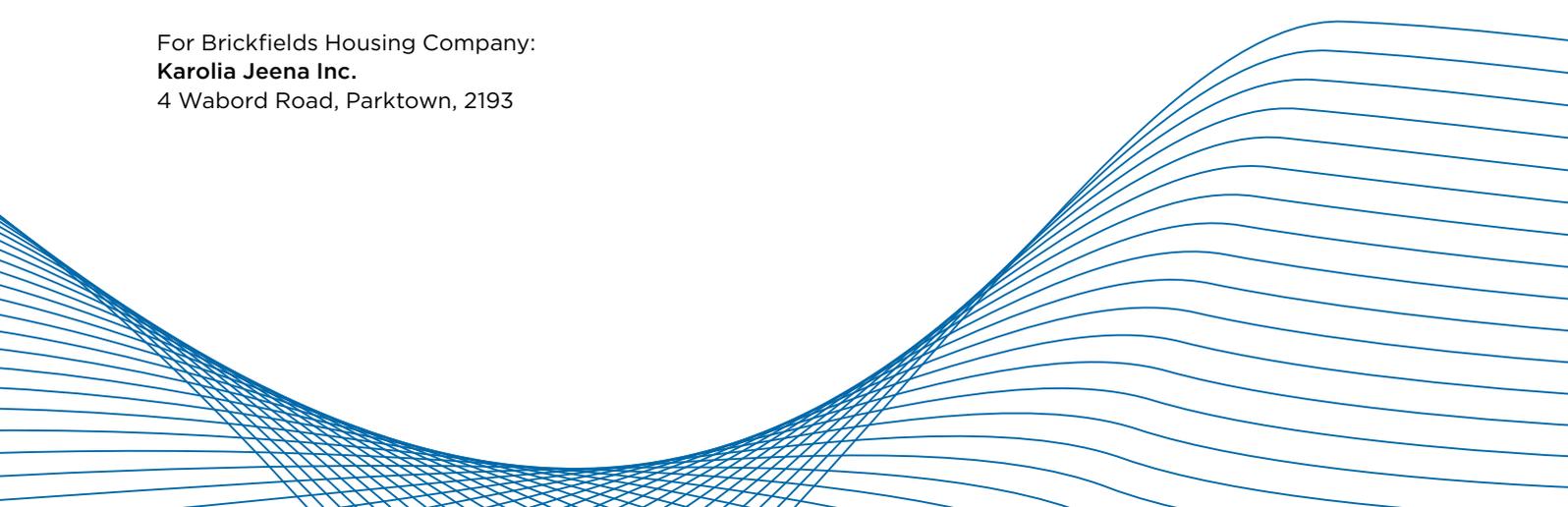
BDO South Africa Incorporated

Wanderers Office Park, 52 Corlett Drive, Illovo, 2196

For Brickfields Housing Company:

Karolia Jeena Inc.

4 Wabord Road, Parktown, 2193





TEL: +27 (0) 10 593 0200
FAX: +27 (0) 11 836 6887
EMAIL: info@jhc.co.za
WEBSITE: www.jhc.co.za

Ground floor
Majestic Building
141 Lilian Ngoyi Street (corner Miriam Makeba)
Newtown
2001

#JHCCares 