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ANNUAL REPORT 2020



MANAGING **CHANGE**

Contents

Key performance figures (JHC Group)	IFC
Chairperson's report	2
Our directors	5
CEO's report	6
Property management report	10
Revenue report	16
Compliance office report	20
Makhulong a Matala report	22
Human resources report	26
Finance report	30
JHC at a glance	34
Corporate governance	36
Results for the year	40
Statements of financial position	41
Statements of profit or loss and other comprehensive income	42
Statements of changes in equity	43
Statements of cash flows	44
Directorate and administration	IBC

Chairperson's report

BENJAMIN NOKANENG
CHAIRPERSON

In my second year as JHC Chairperson, the company, like the country and indeed the rest of the world, faced a uniquely challenging set of conditions.

Progress made in:

Community programmes

Customer experience

Property management

Training and development

Despite an extremely tough year, I am proud to report that the JHC team showed strength of character and resilience.

Managing change

Working together as a team, we set about the task of managing all the changes experienced by the company during the year under review, which included an office move, and system and process changes, all while under the strict regulations of the COVID-19 lockdown. Rising to these challenges, which are discussed throughout this annual report, our diligent staff members continue to adapt, grow, and manage change towards the culmination of the current five-year strategy.

Business environment overview

On 15 March 2020, the President of South Africa declared a national state of disaster and announced measures to curtail the spread of the highly contagious COVID-19 virus. The national lockdown started on 27 March 2020.

The arrival of the pandemic exacerbated pre-existing concerns around economic growth across the globe. To illustrate, the International Monetary Fund estimates that global growth will contract by about 2.9% in 2020 and the situation has become increasingly dire as the impact ripples through the world's economies.

Commencing 1 May 2020, the country began a gradual easing of the lockdown restrictions, from Level 5 to Level 4. The national restrictions were then lowered to Level 3 from 1 June, and most recently eased to Level 1 on 21 September 2020. As restrictions were slowly lifted, South Africa's economy began to recover, and the government has been lauded internationally for the seriousness in which it approached the pandemic. By swiftly enacting the national lockdown and social distancing rules, many lives in South Africa were surely saved.

The World Health Organisation suggests that the pandemic will likely persist and be followed by shorter and less severe waves in the future. The scale of the crisis has led to highly volatile financial asset prices, market selloffs, with partial recoveries. It is unclear how sustainable economic recovery will be going forward, but global markets look set to remain risk averse. It is expected that demand for Rand-denominated equities and bonds will remain weak, which will impact on emerging markets such as South Africa.

It is anticipated that the pandemic will have a significant health and social impact, which makes economic forecasting difficult. The South African Reserve Bank projected that GDP was expected to contract by 6.1% in 2020, compared to a projected contraction of -0.2% just prior to the pandemic. From a low base, it is anticipated that South African GDP could grow by 2.2% in 2021 and by 2.7% in 2022.

The lockdown affected both supply and demand sides of the economy, preventing businesses from trading and causing households to spend less. This disastrous scenario increased job losses and affected small business, particularly in the informal sector, which provides income for many JHC tenants.

Credit risk has risen to levels last seen in 2008 and about R100 billion in local assets have been sold by foreign investors. Between January and June 2020, the Rand depreciated by 22.9% against the US dollar.

According to the Reserve Bank, headline consumer price inflation forecast averages 3.4% for 2020, 4.4% for 2021 and 2022. The forecast for core inflation is lower at 3.5% in 2020, 3.8% in 2021, and 4.1% in 2022.

On the eve of the lockdown, South Africa received a further economic blow as Moody's downgraded the country's sovereign credit rating to sub-investment grade, in light of weaker domestic growth and greater fiscal risks. This resulted in a weaker local currency and higher borrowing costs for government, banks and firms.

Positively, some relief was provided by the Monetary Policy Committee, which cut the repo rate by another 50 basis points effective 22 May 2020. The repo rate thus decreased to 3.75% per annum, which will have a positive effect on JHC's financing costs.

Our evolving strategy

During the year under review, we as JHC lived up to our purpose, by doing our best to implement our strategy despite the severe constraints of an underperforming economy and the onset COVID-19. The progress we made during the reporting period included training, community development programmes, operational restructuring, implementing our new property management system, and new office orientation.

JHC faced multiple challenges even before COVID-19 arrived in South Africa, as evidenced by our vacancy and arrears rates which were adversely affected by the pandemic, as discussed in the Revenue and Finance reports. In addition, many strategic initiatives had to be postponed due to the social nature of the lockdown restrictions that hampered their implementation, as discussed in the Makhulong and Property reports. Nevertheless, we are achieving JHC's identified priorities, with an improved customer experience and greater efficiencies. Moreover, we have made progress in positioning JHC as a purpose-led value brand. Refer to the CEO's report for further detail.

Strategy implementation

JHC's current five-year strategy was first developed during the 2016/2017 financial year. Our strategy was informed by market research that was conducted to articulate JHC purpose, customer segments, desired approach, as well as barriers to growth and performance. This process identified the need for JHC to develop into a value purpose brand. In essence, JHC aims to offer a good value product, combined with an outstanding customer experience, both of which are leveraged to secure and retain tenants.

To achieve JHC's strategic priorities over the five-year period, we developed the following focus areas:

- 1 We have to get the basics right
- 2 Systems need to drive efficiencies
- 3 Solutions need to be appropriate per customer segment
- 4 We need to do more with the same

Refer to the CEO's report on pages 7 to 8 for a detailed account of JHC's strategic performance in terms of the above.

2020 Highlights and challenges

JHC's new offices

During the year under review, JHC sold 53 Main and the business moved into new offices in Newtown and Park Station. This formed part of our customer-centric strategy to move JHC closer to our customers and into a more efficient space in the Majestic building in Newtown, and a smaller hub at Park Station. To illustrate the logic behind the move, about 35% of JHC's tenants live near the Majestic hub, while the Park Station hub services tenants in the Johannesburg CBD and Hillbrow areas.

Operational changes and restructuring

To support our customer-centred strategy, JHC's customer-facing staff underwent extensive training. The purpose of the exercise was to improve their understanding of JHC's leasing and debtors functions. In addition, all members of staff completed the all-important 'Brand Warrior' training.

It was crucial to contextualise the individual roles of our staff in achieving our strategy, while ensuring that our teams have a consistent awareness and understanding of the JHC brand. In line with our customer-centric strategy, we have added a new Customer Experience department, which is discussed in the Makhulong a Matala report on page 23. JHC's new structure was developed and made operational post year-end, on 1 July 2020.

Social purpose

Amid the trying circumstances of the year under review, I am proud to report that our teams were more than equal to the task and assisted tenants who were in dire need with crucial food parcels during the pandemic. We have made progress in making it easier for tenants to engage with JHC. We also did our best to sustain our social and community development initiatives while observing health and safety regulations during the pandemic. This would not have been possible without the help of our tenants and dedicated team members. Refer to the Makhulong report for further details.

Property

The constraints of the pandemic meant that we were unable to develop or add further units to our property portfolio and increase our social housing delivery. Nevertheless, we still managed to enhance the portfolio by completing a number of key projects spanning maintenance, repairs and improvements. Our property management teams also performed admirably under tough conditions, ensuring that our tenants and buildings remained safe during uncertain times. Read more in the Property Management report.

Revenue

Working closely with our Property Management department is the Revenue department, which is responsible for the revenue generated by JHC. We continue to implement alternative revenue streams to boost our financial performance and make our offering more affordable and attractive to tenants and potential tenants. To this end, we made progress in outdoor media revenue and notably, in our first third-party property management strategy as we look to begin managing properties for clients. Read more in the Revenue report on page 17.

Human resources and compliance

Crucially, our Human Resources department ensured that we are adequately provided for in terms of personnel. This ties in closely with our restructuring programme, which has seen new positions created to fulfil our customer experience strategy – read more on page 27. Our compliance office ensures that JHC operates in line with the legislative and regulatory environment. A number of advancements were made in this regard, including in access to information, an updated risk matrix and BEE certificate – read more in the Compliance Office report.

Good corporate governance

The Board of Directors maintains JHC's high standards of conduct, ethical culture and good corporate governance practices. To this end, the Board and its sub-committees were independently evaluated during the year under review. The review concluded that the Board comprises individuals who are committed to, and passionate about, the vision, mission and objectives of the organisation whose collective performance more than meets expectations.

There is a general consensus among the Directors that the Board endeavours to lead ethically and effectively and strives to govern according to the letter and spirit of good corporate governance and that by its very nature the organisation is a responsible corporate citizen as it exists to promote social housing. This being our core purpose advances the ideal of responsible corporate citizenship. The Board does, however, appreciate that there is always room for improvement.

While there were no changes made to the Board during the year, the Board created an Information Technology (IT) sub-committee, the membership and activities of which are set out in the corporate governance section on page 39.

Targets and outlook

In the year ahead, JHC will continue with fundraising efforts to support the growth plan until 2023. Should cash generating opportunities arise, and if appropriate under the current circumstances, we will assess the merits of the land assembly work to deliver on our growth plan.

Regarding our alternative revenue streams, we will test the business model of our third-party property management business in the coming year. Should this prove successful, we will look to manage additional property units for clients.

As a value purpose brand offering customer-centric services, we will position JHC around customer-appropriate solutions and implement our multiple touchpoint tenant communication process flow and system.

Appreciation

My sincere thanks to the Board for their ongoing support, to our CEO for her excellent leadership, and to the executive team for their guidance. My heartfelt appreciation to our staff for their dedication and hard work during a uniquely challenging year.

Benjamin Nokaneng

Chairperson

Our directors

JHC BOARD



Benjamin Nokaneng
Chair



Elize Stroebel



Prosper Mpfu



Silindokuhle Chamane



Robert Giuricich



Len Kline



Bishnen Kumalo



Nonkubela Maliza



Sam Mkorosi



Mzomhle Nyenjana



Jill Strelitz

BHC BOARD



Len Kline
Chair



Elize Stroebel



Prosper Mpfu



Robert Giuricich



Benjamin Nokaneng



Mzomhle Nyenjana

Resigned: Paul Jackson

MAM BOARD



Len Kline
Chair



Taffy Adler



Nompumelelo Mabece



Lindi Malinga



Sarah Maphoto-Papi



Sam Mkorosi



Shirley Moulder



Elize Stroebel

CEO's report

ELIZE STROEBEL
CHIEF EXECUTIVE OFFICER

Through determination, effective management, planning and implementation, we navigated a year of unprecedented challenges, once again proving JHC's resilience as an organisation.

36

Buildings under management

>4 500

Homes developed since 1995

>12 650

People housed in our buildings

Despite strong headwinds, we have achieved the targeted priorities of our five-year strategic plan, which focused on consolidation and preparing JHC for the next growth phase.

JHC is here to stay

During the year under review, JHC had to withstand the combined impact of the current economic climate and the COVID-19 pandemic. To ensure JHC's long-term business continuity, we had to find a balance between emergency planning for the next 24 months and managing JHC's strategic long-term plans for the next five to 10 years.

To succeed in our endeavours, we had to rethink JHC's strategic planning cycles. Instead of formulating a new five-year plan from 2022 to 2026, we have set out two strategic plans. The first is a two-year plan for 2021 and 2022, which focuses on business sustainability through short-term objectives. The second is a five-year plan from 2023 to 2027, which aims to grow the balance sheet and revenue.

Living our values

Despite the severe impact of COVID-19, we continued to live our values during the year – from our teams of staff and management, to the executives and the Board of Directors. By living our values of caring and working together as a team, we deliver on our mission: providing smart and simple rental housing solutions, a great living experience and value for money for those who live in JHC buildings and neighbourhoods, in an environment that simply works.

To ensure that our tenants love where they live, we have been refining JHC's positioning. We focused on implementing appropriate solutions to enhance the customer experience, bringing our hubs closer to our customers and communities, and making it easier for prospective and existing tenants to do business with JHC.

Fulfilling our social purpose

JHC's 36 buildings provide housing in the city for more than 12 650 people in the low- to moderate-income brackets. Since 1995, JHC has developed more than 4 500 homes, through new-build projects, innovative solutions, slum clean-ups, building upgrades, refurbishments and conversions.

We go beyond housing, by giving back to communities through our Makhulong a Matala (MAM) programmes that are aimed at improving the lives of people living in and around our buildings. During the lockdown period, many MAM projects were suspended due to strict regulations limiting people's movement and interaction. Despite this, MAM kept certain key projects running with the help of tenants. MAM kept tenants safe and helped them feed their families with donations of much-needed food parcels. Read more in the MAM Report on page 23.

Our strategic priorities

Getting the basics right

We have made progress in enhancing JHC's offering to the market as a value purpose brand. We have elected to differentiate the business, not merely with fittings and fixtures, but by building a customer experience that attracts and retains tenants.

To make our product and service offering more competitive, we focused on issues such as upgrades, parking, fumigation and overcrowding. During the year under review, a total 571 additional parking bays were added at buildings where high demand was identified. This addressed tenant concerns while adding an extra revenue stream.

As a new minimum requirement of our offering, we also implemented the regular fumigation of units in our buildings, with JHC bearing the cost for the initial fumigation.

We have been addressing the issue of overcrowding over the past four years, by implementing biometric access control at all of our buildings. We anticipate that this will significantly reduce overcrowding.

To improve our service levels for tenants in high rise buildings, we have implemented a major lift refurbishment and upgrade programme over the last four years. Notably, the new lifts are more reliable, more energy efficient, with readily available spare parts for preventative maintenance. Refer to the Property Report on page 11 for more information.

Systems to drive efficiencies

At JHC, we strive to implement systems and processes that facilitate operational efficiency. We identified a key area of inefficiency whereby JHC's Housing Supervisors (HSVs) had to leave their buildings to perform administrative tasks at head office. This diverted their attention away from their buildings, making them less available for tenants, with less time to manage their buildings.

We now use a courier to move documents between HSVs and head office, a notable improvement in one simple step. We also created central administration hubs closer to our buildings, allowing HSVs to print documents and complete other administrative tasks without having to go into the office. HSVs can now be more efficient with their time and focus more attention on their buildings.

To improve the efficiency of rental collections, we have introduced new payment options by implementing EasyPay and Speedpoint payment options for customers. This greatly facilitates the collection process as tenants can now pay their rent by card, conveniently and without delay.

Effective September 2020, JHC has appointed an IT Executive, Tumi Pambo, and he will take the lead on JHC's IT strategy.

To improve the accuracy of meter readings and billing, we have implemented a range of utility management systems. Our research has found that JHC tenants prefer to manage their own utilities. We have thus installed prepaid electricity meters at all JHC units, making tenants responsible for purchasing electricity. Refer to the Property Report on page 11 for more information.

We have also introduced smart water meters in pilot projects to measure the bulk water consumption more accurately and compare with invoices from the City of Johannesburg. Going forward, we plan to roll out the implementation of these meters.

When Cresthill and Douglas Village were upgraded recently, the units were reconfigured, and gas lines were installed to manage rising electricity costs. Going forward, we will assess the impact of gas and integrate the lessons learnt into our design approach for new units and buildings.

Security in our buildings is a priority for our tenants and the costs account for a significant portion of JHC's budget. To be more cost effective, we have explored alternatives that provide better levels of security in the buildings. To this end, we have implemented and piloted CCTV cameras, which have been found to work well. We are considering establishing a control room from which security can be monitored and managed.

Appropriate customer segment solutions

JHC's customer-centric strategy means that we align our value purpose brand and everything we do with the needs and aspirations of our customers. To achieve this, we have invested a lot of effort into developing and implementing a customer experience strategy, supported by a plan that differentiates JHC by purpose rather than by product.

Since appointing a Customer Experience Manager in early 2018, we have made good progress in developing JHC's customer experience strategy. We have mapped the customer journey, identified challenges, developed the brand and brand essence, and given all staff brand warrior training. Read more in the Human Resources Report on page 27.

We have gained a deeper understanding of the customer segments in each building and we can now tailor our engagement, solutions and initiatives to specific buildings and customer segments. We also understand the dominant customer segment in each building, which informs our marketing initiatives, community development activities, communication and messaging. Read more in the MAM Report on page 23.

We have meaningfully refined JHC's communication strategy and distribute targeted messages to tenants and other stakeholders via digital screens that are installed in every building. We have implemented an extensive social media strategy and make effective use of our social media platforms for marketing and communication.

To help tenants register their services and promote their businesses across the JHC community, we have established a tenant business database. We are thus facilitating employment opportunities for our tenants and will develop this further going forward.

Towards the end of 2019, we updated JHC's policies to allow the company to trade with tenants. JHC's service provider and supplier requirements will be made available for tenants looking to do business with JHC. We hope to provide further business support with a workshop in the coming year, while factoring COVID-19 into our plans.

Keeping our services close to tenants is an important part of our customer experience focus. We therefore moved out of our centralised Head Office in Marshalltown during September 2019 and set up two new JHC hubs at Park Station and Newtown. In the coming financial year, we hope to implement JHC's tenant portal. Read more about our move to new office premises in the departmental reports.

Doing more with the same

To contain costs and safeguard JHC's future, we recognised that there is a need to grow non-rental revenue, which in turn led to a number of interventions.

JHC's old administrative systems were identified as a barrier to doing more with the same resources. After investigating various options, the Board approved the implementation of the MRI Platform X property management system. The integrated and web-based system first went live in September 2019. The system also addresses the full

tenant lifecycle and business process and supports digitally driven customer engagements.

In terms of implementation, the next phase will focus on prioritising business requirements. We are pleased to report that the system fully supported JHC during the pandemic and staff have been able to continue working remotely.

Generating alternative revenue streams is another way we can do more with our resources. Over the last four years we have implemented a number of initiatives such as the promotion of outdoor advertising on some of our buildings. We also installed a laundromat at Heritage View, which generates revenue while providing a service to tenants who do not own washing machines. We installed boreholes at the Brickfields buildings to make the complex less dependent on Joburg Water while also generating revenue for JHC.

Our research found that it would be viable for JHC to offer third party property management services to other landlords and social housing institutions. During the year under review, we have started negotiations with third-party property management clients. Read more in the Revenue Report on page 17.

Mitigating the effects of COVID-19

The entire world has to deal with the effects of COVID-19, and for JHC this means implementing new strategies to address revenue shortfalls, arrears and increasing vacancies. With market volatility expected to persist for at least the short term, JHC faces various risks, some of which are known while others have not yet materialised.

In the current environment, we invest significant time forecasting potential scenarios for the business, to ensure that risks facing JHC's balance sheet and revenue streams have been factored into our plans.

Vacancies

During the coming months and year ahead, occupancy rates will be under pressure due to local and international economic pressures. In the next 12 to 24 months, residential and commercial rent revenue will be impacted and this will mean longer average times to re-let vacancies. We will implement a number of strategies to manage these risks.

Tenant attraction and retention

In a recessionary, post COVID-19 environment, attracting new tenants will be challenging, and we will therefore focus on retaining our existing tenants as far as possible. In the coming year, we will implement a customer retention strategy that rewards JHC's loyal tenants by reducing their financial burdens. As of January 2020, JHC's rent increase cycle was changed to coincide with the 12-month anniversary of each lease, rather than the standard annual increase in July.

Revenue

The budgeting process for the year ahead takes into account tenants' employment sectors at our various buildings. This helps to factor in the risk of tenants defaulting or giving notice to terminate. We will focus on employment sectors that are most at risk due to COVID-19: hospitality, retail and trade, and those who are self-employed. We are pro-actively contacting these tenants, before they terminate their leases, to try and offer more affordable properties within the portfolio as an alternative.

Arrears management

We have strategies in place to deal with higher levels of arrears. We anticipate that some of our tenants will struggle with payments in the wake of COVID-19. Some of our tenants are employed in sectors that were not permitted to operate during the lockdown, with many more being self-employed entrepreneurs. As mentioned, our recently acquired Speedpoint card payment machines simplify tenants' rental payments.

In addition, debt collection specialists will engage directly with tenants at our buildings, in order to gain an understanding of their unique circumstances and, where appropriate, enter into payment arrangements.

Back and front office teams

Our unified back-office team handles all tenant-related back office transactions such as deposit managements including refunds, daily receipting, payments arrangements, tenant transfers, arrear management, and arrear reporting. Simultaneously, our unified front office CX teams deal with walk-in tenants at our new Park Station and Newtown hubs. We anticipate that this will help the company endure the trying times ahead and strengthen the tenant engagement aspects and back-office processes.

Cost management

In the next 24 months, we will aggressively manage JHC's costs. To this end, we are currently identifying uneconomical and inefficient cost structures across the business. Our aim is to derive the most appropriate value and benefit for the business from the various services we offer. Wherever possible, we will look to reduce and recover our costs across the business.

Asset upgrade programme

JHC's asset upgrade programme was approved by the Board during the 2018 financial year with a focus on completing major refurbishments to existing buildings. We can report that our upgraded buildings have been fully tenanted once more. We are conducting a detailed cost benefit analysis to determine whether the capital spent on these buildings achieved the desired results, such as reducing cost to income ratios and decreasing tenants' utility costs. Additional upgrade projects will need to meet our new criteria before they are implemented.

Looking ahead

Despite strong headwinds, we have achieved the targeted priorities of our five-year strategic plan, which focused on consolidation and preparing JHC for the next growth phase. Some objectives were fast tracked while others had to be delayed due to market and business demands, particularly COVID-19 related impacts.

JHC is well positioned to embark on the next strategic planning cycle, with systems in place to boost efficiencies, improve the customer experience and differentiate the business as a value purpose landlord. In the year ahead, our focus is on bedding down and optimising our systems in order to grow the business. As ever, we are passionate about finding solutions so that tenants love where they live.

Acknowledgements

My sincere thanks to the Chairperson and the Board of Directors for their ongoing support during these unprecedented times. Thanks also to the executive team for their exceptional perseverance and tenacity during the year and specifically during lockdown. And to the amazing JHC staff – thank you for your resilience and hard work in a year of change and uncertainty, each and every one of you have been shining examples of JHC's values.

Elize Stroebel
Chief Executive Officer

CEO OFFICE TEAM



Joan Stow
Executive Secretary



Tarryn Naidoo
Digital Marketing Specialist



Tumi Pambo
Information Technology Executive

Property management report

BOYCE MARITZ
PROPERTY EXECUTIVE

The property management department's role is to manage the company's assets in order to optimise customer experience and financial returns.

↓ 18%

General repairs cost reduction

↓ 6%

Plumbing repairs cost reduction

To fulfil the property management department's role, each asset needs to be run as its own business in the context of the portfolio with a clear distinction between the revenue generated by an asset and the expenses required to maintain the asset.

Introduction

To adapt to the prevailing changes during the year, we as the property management department had to leverage our agility and capabilities to deal with a weak economy, xenophobic unrest and the arrival of COVID-19. Overcoming the challenges, we maintained our customer service levels and the integrity of our assets by finding creative solutions, re-prioritising financial and other resources, and having empathy for fellow human beings under strain.

On a positive note, the team was invigorated by successfully completing certain projects despite the constraints of the COVID-19 environment. Some were major assignments including smart bulk meters, smart prepaid sub-meters, painting and maintaining the façades of several buildings, and lift replacements.

Managing change

Operational restructuring

We communicated transparently with our team to ensure stability, continuity and consistent performance while preventing uncertainty and anxiety. The property management function experienced no instability after one portfolio was split and absorbed into the two remaining portfolios. The transition was seamless, and the team took it in their stride.

In addition, the projects team was moved from property management to new developments. This was necessary to combine similar disciplines of work and avoid unnecessary duplication of effort. The change also facilitates cross learning and enhances the growth and development of the projects team. The Property Portfolio Managers (PPMs) and the Projects Manager have adapted well and continued to deliver their projects throughout.

These organisational changes required the futureproofing of JHC by reorganising and reinventing operations after the recent implementation of MRI Platform X, our property management system.

Our ability to service customers or resolve queries from one point of contact across functions is crucial, and to this end, we had to align our new processes and allow for cross-functional training. This meant reviewing our business processes and reorganising our teams from Leasing and Debtors to Letting and Marketing, Customer Experience (CX), Property Accounts and Collections.

A review of business processes is underway within the maintenance management unit, which aims to improve governance and compliance and achieve a clear separation of back office from front office and further separate supply chain management from maintenance management. Once the envisaged new structure is complete, we will assess the staffing requirements.

COVID-19

RENTAL IMPACT

As our tenants' affordability levels have been reduced, the pandemic

has had an adverse effect on our budget and cash flow. Prioritising the wellbeing of staff and tenants required a significant amount of unplanned, yet necessary, expenditure to provide for masks, sanitising, PPE, and awareness communication.

To ensure business continuity, it was crucial for our staff to be able to work from home, which required additional unplanned expenditure on resources, including mobile phones and data. Positively, this has accelerated the use of technology within the business, and enabled staff to work autonomously and creatively.

As a consequence of COVID-19, we have fewer profitable tenants, which we will look to rectify by attracting and retaining profitable customers through innovative and incentivised marketing strategies. Rental growth opportunities in the future will remain challenging as customers' affordability levels remain under pressure, which will likely impact on asset preservation and upgrades for our properties. This will require a delicate balance on our part as JHC, between providing value for money for our tenants and increasing rentals for the business.

MAINTENANCE IMPACT

With declining revenue and financial targets not being met, it was necessary to reprioritise the department's expenses. With a shortage of funds, planned or preventative building maintenance projects, as well as upgrades are disrupted or delayed. Dated units have older fittings and finishes and in time this affects a building's competitiveness in the market, tenant retention, and saleability.

Due to the pandemic, we had to bear significant costs to outsource to third-party service providers, as our in-house maintenance team was unable to work inside units. With cost to income ratios remaining under pressure, we have had to be agile and find new ways to maintain effective building operations. These include bulk purchase price fixing for maintenance parts, batching work across multiple buildings and using scale to keep costs down. Managing costs also meant reducing the frequency of cleaning and fumigation services, which required management of tenant expectations and extensive consultation with service providers.

STAFF IMPACT

Under the strict COVID-19 lockdown regulations, it became a prerequisite for our staff to work remotely from home. We experienced mixed results, as some staff were unable to perform effectively due to their individual circumstances at home, including unstable connectivity and power supply interruptions. At first, being isolated from their colleagues or the work environment led to a downturn in morale for some staff, but they were resilient and soon adapted.

Highlights and challenges

JHC's office move project

Prior to the move, management's early change management processes included continuous, transparent engagements with staff. Due to the uncertainty of working in an open plan environment with limited

privacy, some team members were anxious, having grown accustomed to their individual offices. Positively, due to the change management process, the teams settled quickly and adapted well to the new office environment, featuring modern design and ambience, large desks, fully equipped meetings rooms, and a break-away area.

Both tenants and HSVs welcomed the close proximity of the new offices to JHC buildings. It is common for HSVs to walk to the nearest hub rather than drive, due to scarce parking or concerns over fines, towing or vehicle theft. The offices are also ideally located for team members who share their time between the office and JHC buildings.

The national lockdown

Under the lockdown, restrictions in movement prevented our teams from servicing tenants normally, and only emergency maintenance was permitted.

Despite higher vacancy levels, restrictions of the national lockdown meant that we were unable to fulfil our core purpose – signing up new tenants. Likewise, vacating tenants were not permitted to move out of premises to allow new tenants to move in, including those who had been issued notices to vacate.

In some JHC buildings, managing compliance of COVID-19 regulations was a challenge as a number of residents seeking fresh air walked around without wearing masks. To ensure compliance, our team had to intensify their efforts and we can report that tenants experienced low levels of infections for the duration of the lockdown.

Another challenge was rising levels of anxiety as some staff and tenants were prohibited from visiting family and friends under the lockdown regulations.

When restrictions were eased as the country moved into Level 3, we could resume major projects that were put on hold in March when the lockdown began. Restrictions delayed lift installations, heat pump replacements, and installations of smart water meters and fire booster pumps.

Customer experience (CX) philosophy

As additional competitors enter the market, it becomes increasingly important to cement JHC's uncommon position as a customer-centric landlord. JHC's approach and investment in this philosophy will yield positive returns through the growth of our own portfolio and also by managing property on behalf of others.

We have made significant progress, with our new office hubs, implementing the MRI property management system, CX brand warrior training, new values and behaviours. We made positive strides in developing new business processes, restructuring the teams as well as a market-related naming convention, effective from 1 July. Our improvements are now more important than ever, as tenants become more sophisticated and their expectations for value for money increases.

In order to complete the crucial CX brand warrior training, as well as re-focus and re-orient the team, programmes and schedules had to be adjusted. While this meant that extra effort was required for the teams to catch up, they were up to the task and eager to contribute.

Maintenance and repairs

After the delays and severe restrictions of COVID-19 were lifted, the maintenance team began implementing their backlog recovery plan by dispatching service providers to perform all types of maintenance, not only emergency repairs such as pipe leaks, burst pipes, geyser replacements and electrical maintenance.

Under Level 3 regulations, the movement of tenants was allowed, which enabled our in-house maintenance technicians to resume their maintenance work in vacant units and common areas. With the easing

of restrictions, quality control inspections also resumed.

Prior to the pandemic, the effects of the weak economy led to higher tenant turnover trends and reduced take-up rate of our units. This in turn had a negative impact on the maintenance budget as the team had to prepare vacant units for potential tenants more regularly.

This intensified with the advent of COVID-19, pushing expenses further over budget, and as the wellbeing of staff and tenants was prioritised, unplanned expenditure was required for PPE, sanitising and awareness campaigns.

Refurbishments, improvements and other projects

LIFT INSTALLATIONS

While lift installations at Landrost and New Hampstead progressed well, commissioning the last two of four new lifts at Landrost was halted to avoid technical problems that could occur during the lockdown period.

Likewise, at Ukhamba, we had to delay work on replacing the lifts due to COVID-19. When lockdown restrictions were eased to Level 3, installation work was allowed to resume.

At New Hampstead, we completed the installation of new lifts on schedule, overcoming challenges such as inaccessibility to the building. Traffic and congestion outside the building was due to the adjacent Noord Taxi Rank, and a lack of available parking inside and storage facilities.

NEW ABLUTION FACILITIES

At Tower Hill and New Hampstead, we refurbished commercial tenants' ablution facilities, completing a noticeable upgrade compared to the previous facilities. We also catered for needs of the Muslim Community customer segment by installing special hand-held sprays at the facilities, which were welcomed by the tenants.

PREPAID METERING

During the year, we continued our rollout of prepaid metering to the remainder of the portfolio. The process was boosted as property management collaborated with Makhulong A Matala to engage with tenants before and after the installation. The experience of our service providers proved to be valuable. Having worked on previous installations, they managed tenant expectations, worked swiftly, and kept electricity supply interruptions to a minimum.

With the completion of installations at Landrost and New Hampstead in October 2019, all JHC buildings now have prepaid electricity. This has significantly improved our electricity recoveries and reduces utilities queries to water-related queries only.

Prior to the onset of the pandemic, we successfully completed major projects at Uno Roseneath and Elangeni Gardens for painting and maintenance of façades.

Johannesburg CBD looting and unrest

Looting and unrest in the Johannesburg CBD during early September 2020 was mostly directed at foreign owned shops. JHC tenants were also affected by the violence and disruption, and some shops at New Hampstead and Brickfields were vandalised and looted. Stores selling clothing, electronics and other valuables were targeted. Despite the security measures put in place by tenants, the criminals gained access, breaching the locks, roller doors and steel burglar bars.

Unfortunately, the initial response from police was inadequate, allowing criminals to cause significant damage before they were eventually stopped. Acting swiftly, our HSVs and security company advised tenants to close their stores to prevent being looted. Regrettably,

stores that remained open for longer were badly affected. To boost security, additional security guards were placed at high-risk buildings. Damaged tenant business premises were restored into a working state as a matter of urgency and rent relief for a month was extended to the shopkeepers. Furthermore, an insurance claim was settled successfully, and covered the cost of repairs to all the damaged property as well as a loss of rent.

Jeppe Oval on Jules Street was also vandalised by the protesters, who damaged windows as they marched past the building on their route. Fortunately, no tenants were injured during the incident, and the 31 windows that were broken have been replaced.

Performing under difficult conditions

Our robust property management team overcame a number of challenges and found creative ways to resolve various issues. These included changing over and adapting to the new MRI property management system, initially without a Tenant Movement Report (TMR), which helps to monitor tenants as they enter or exit buildings. In addition, after a delay in the receipting process slowed Credit Control Measures, HSVs engaged with tenants individually to ensure outstanding rental payments were collected.

During the inner-city unrest, the HSVs and the PPMs were at the forefront. They raised the alarm, provided vital information when it mattered most, and helped to prevent further losses for commercial tenants. HSVs gathered intelligence from tenants and colleagues from other buildings to keep track of the rioters' locations.

Fortunately, the PPMs completed certain projects before the lockdown restrictions were imposed, avoiding the delays which lasted for months.

From the onset of COVID-19, our PPMs were again at the forefront, providing support for HSVs and tenants by visiting the buildings, and being available after hours and for emergencies. Our unwavering PPMs and HSVs provided a sympathetic ear for tenants — many of whom were struggling financially and needed to make arrangements for payment. Embracing technology, HSVs held virtual meetings and administered

snag lists, proof of payments, speed-point receipts, lease applications and supporting documents.

Looking ahead to 2021

Focus areas

In the year ahead, we will focus on enhancing the customer experience with the service provided by HSVs and the maintenance team. We aim to leverage new business processes and technology such as the FM5000 maintenance system, HappyCo Inspections and our stock control system.

We will focus on completing the recruitment process, as well as unlocking the benefits of reinforcing and galvanising the team around the new building management structure. In the coming year, we hope to complete the separation of supply chain management from maintenance management.

Plans and objectives

We will endeavour to achieve a long-standing objective, which is to create a Senior HSV role to provide improved growth opportunities for HSVs within building management.

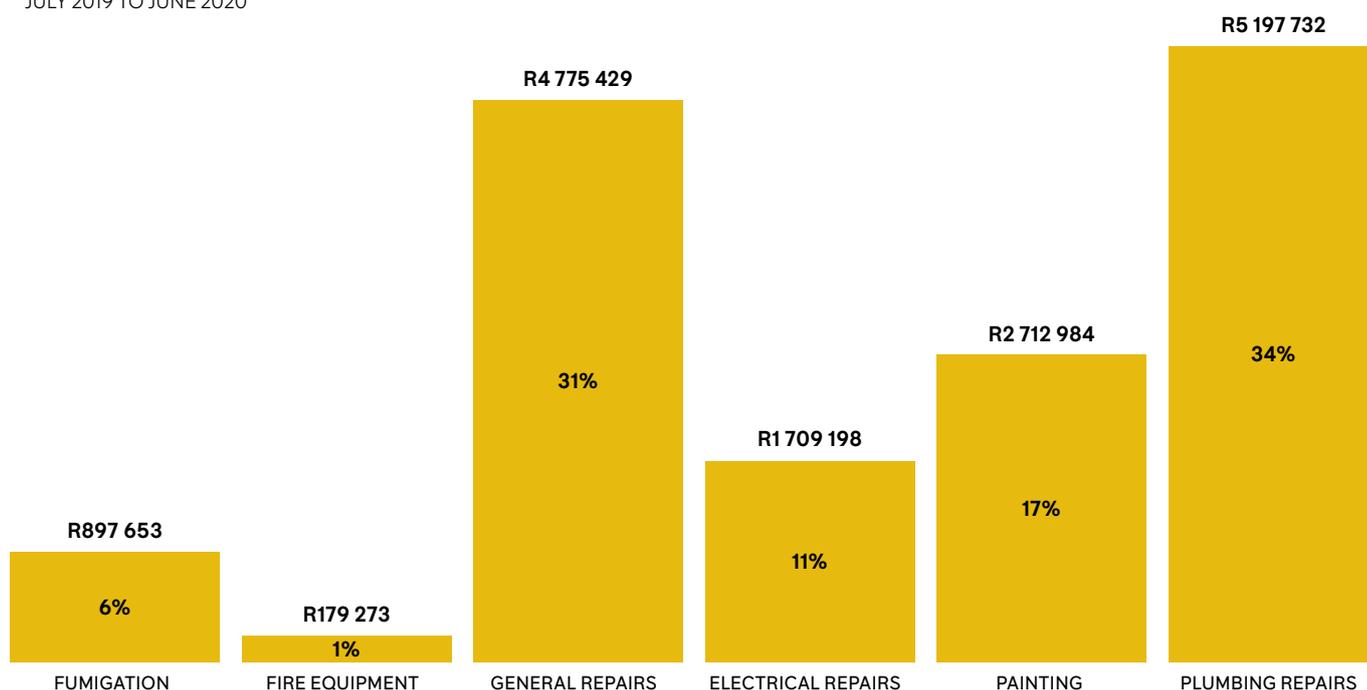
We will look to retain the current two-portfolio structure and reorganise our human resources around this structure, which will provide support for the PPMs and ease their workload. Then, to address any staffing requirements, we hope to appoint resources from within via an internal recruitment process.

Our first third-party property management assignment is to successfully take on and manage a property in Kempton Park, with the ultimate aim being to build a long-term relationship with the client.

We also hope to contain and reduce building costs by achieving recommendations from a cost analysis performed in conjunction with a service provider.

ON DEMAND MAINTENANCE EXPENDITURE

JULY 2019 TO JUNE 2020



Property management report

CONTINUED

PROPERTY OFFICE TEAM



Sabelo Makhaye
Property Specialist



Nothando Mthembu
Property Administration Specialist



Kholi Mogotsi
Hub Back Office Administrator



Jerrilee Schroeder
Hub Back Office Administrator



Simone Maphanda
Maintenance Quality Controller

MAINTENANCE WORK TEAM



Fredy Munawa
Plumber



Miyanda Siamsipa
Carpenter



Jabulani Libimbi
Maintenance Technician



Decide Makonde
Maintenance Technician



Tsumbedzo Masindi
Maintenance Technician

MAINTENANCE CALL CENTRE



Thema Moche
Maintenance Technician



Themba Mtembu
Maintenance Technician



Debbie Johnson
Maintenance Manager



Thandi Binda
Maintenance Clerk



Nomagugu Mbhese
Maintenance Administrator

KOPANO PORTFOLIO



Faith Shabalala
Maintenance Administrator



Njabulo Zulu
Maintenance Administrator



Bongani Makhoba
Property Portfolio Manager



Benson Mabasa
Housing supervisor



Eliot Mabunda
Housing supervisor



Obrey Makamu
Housing supervisor



Johannes Makananisa
Housing supervisor



Samuel Madzivani
Housing supervisor



Kabelo Maleka
Housing supervisor



Annah Matima
Housing supervisor

**MPUMALANGA
PORTFOLIO**



Simon Mbulawa
Housing supervisor



Nokulunga Ndlovu
Housing supervisor



Timothy Nekokwane
Housing supervisor



Monica Nthangeni
Housing supervisor



Sifiso Ginindza
Property Portfolio Manager



Jacob Bezula
Housing supervisor



Promise Gcwabaza
Housing supervisor



Emmanuel Kubeka
Housing supervisor



Thulani Luthuli
Housing supervisor



Jas Matela
Housing supervisor



Vincent Mbatha
Housing supervisor



Cyril Midaka
Housing supervisor



Edward Mokwinda
Housing supervisor



Peter Moloto
Housing supervisor



Tshepo Noko
Housing supervisor

Revenue report

KARABELO POOE
PROPERTY DEVELOPMENT
AND INVESTMENT
ADMINISTRATOR

We are responsible for JHC's revenue generating activities. These include the functions of leasing, new developments, and the acquisition and development of additional buildings.

R30m

Cost of the successful refurbishment of Douglas Village

R12m

Sale price of our 53 Main Street former head office building

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. We also provide important cost management research and analysis to keep the company lean and efficient.

Introduction

The 2019/2020 financial year was a difficult one for our department, the business as a whole and the community of customers that we serve. Although it was one of the most difficult years we have endured as organisation, we can report that there were highs as well as lows. While there were serious challenges to overcome, our business development unit made a number of positive strides during the year.

Managing change

Impact of COVID-19

The swift arrival of COVID-19 had a direct impact on JHC and our department as a result. With the announcement of the national lockdown, all capital projects and planned maintenance works by the project management office were put on hold.

Our marketing activities were reduced to digital media only, as the strict lockdown regulations prevented the movement of people, meaning that very few leases could be finalised. While under these constraints, our teams worked on plans and budgets for a post-COVID environment.

As the pandemic was still developing, so too was our understanding of it. The department used the lockdown period to conduct research and development, scenario planning and, where possible, certain business development activities.

Over the years, JHC's tenants have proved to be resilient to economic downturns and difficulties, but the effects of COVID-19 are unprecedented. JHC's most affected tenants work in the restaurant and hospitality industries or are self-employed. It is estimated that from Level 3 to 1, about 17% to 33% of JHC's current tenant population will earn less than they did before the pandemic, while others will earn zero income.

South Africa was already in an economic recession before COVID-19 struck. However, in light of negative economic forecasts JHC's executive management is planning for further downward pressure on an already low-GDP economy.

Move to new office

Relocating the head office and customer hubs was part of our cost management strategy. Fortunately, the move to new premises was completed prior to the lockdown and has since benefited the business. Refer to IT report on how the move and new office geared up JHC to be able to work remotely

Our department identified the sale of JHC's 53 Main Street head office during the 2018/19 financial year as part of a cost saving strategy. The property was sold for R12 million with the aim to use the proceeds to improve JHC's operational efficiencies and move the business closer to customers by relocating to two smaller customer services hubs in Newtown and Park Station.

Operational changes and restructuring

The operational changes and restructuring that have taken place across the business are ongoing and part of management's greater plans to make the business more customer-centric, efficient and cost effective. We will begin to see the benefits and impact of these changes during the coming financial year. For further information, see the human resources report as well as the property management report on pages 27 and 11 respectively.

Highlights and challenges

Revenue collection

For the year under review, we can report that JHC's total revenue collected amounted to R275 million. Revenue was impacted by the pandemic and the economic effects on our tenants and their places of employment.

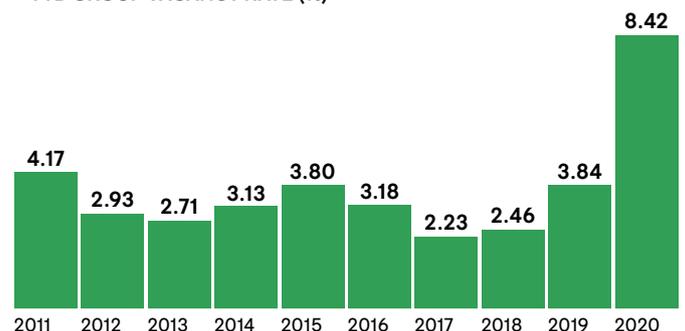
Serving society sustainably

Ultimately, we are a non-profit organisation, serving the affordable and decent housing needs of the communities that surround our operations. Despite the severe constraints of the pandemic, we continue to serve society by ensuring that our business runs efficiently, and by being financially sustainable and responsible. We enhance our revenue streams by researching, identifying and implementing new ways to manage and reduce our costs, so that we can continue our good work into the future.

Vacancy levels

For the year under review, JHC's vacancy rate was 8.42% and reflective of the unique set of circumstances brought on by COVID-19. At the end of March 2020, tenants who were in arrears were unable to vacate due the lockdown regulations. When restrictions were eased and tenants were able to vacate, this led to an unusually high exit turnover. Likewise, our intake for the month of May was very low as travel restrictions meant that prospective tenants were not permitted to view apartments during the lockdown. The graph below illustrates the unprecedented spike in vacancies compared to previous years.

YTD GROUP VACANCY RATE (%)



Third party property management services

In a first for the business during the year, JHC is working towards two third-party property management deals with clients in Kempton Park and Hillbrow. Both are social housing projects whereby JHC aims to manage the properties under contract for the clients.

Douglas village refurbishment

In February 2020, the R30 million refurbishment of Douglas Village was successfully completed. The development during the project, 72 units and 9 rooms were completely refurbished, while sections of old buildings were demolished to accommodate a new secure parking lot. A creche was also upgraded during the project and new recreational facilities were developed. In terms of capital expenditure, some of the main objectives were to improve the utility management system, revitalise the property's old structures and reduce its high operating costs.

Although the project was granted final completion in February 2020, the leasing and occupation of blocks 1 and 2, which were deemed to be practically complete, began in September 2019. This approach enabled the flow of income from the property while the balance of the work was still being finalised. Due to the benefits, we are likely to repeat this phased completion approach in the future.

Newtown growth strategy

We are pleased to report that during the year, the Investment Committee approved the implementation of the Newtown Growth Strategy. The project includes expanding JHC's Newtown-based Brickfields precinct south of Gwi Gwi Mrwebi Street. Towards the financial year-end, we concluded the assembly of four properties to form Brickfields South and facilitate the proposed development, which will comprise approximately 300 units.

Digital marketing

During the year we began advertising JHC's residential units on Facebook's Marketplace platform. To date, there has been a significant amount of engagement on this free platform, with daily enquiries regarding the units being advertised. By including Facebook's Marketplace in our digital marketing campaign, we are generating more interest and able to reach a wider audience than previously, when we only advertised on our Facebook page. We anticipate that this will help to create more leads and ultimately boost our leasing and reduce vacancies.

Print advertising

Despite the challenges of COVID-19, we ensured that our marketing campaigns continued during the lockdown period. One of the publications which we advertise in is the Inner City Gazette and we focused our print advertising efforts on promoting the Hillbrow buildings, namely Ukhamba and Uno/Roseneath.

Alternative sources of revenue**Outdoor advertising**

After reviewing a number of different proposals, we appointed a new outdoor media service provider at the Landrost building, having cancelled a contract with an underperforming supplier. Positively, we generated some outdoor media revenue from a three-month campaign towards the end of 2019. We also generated outdoor media revenue at the New Hampstead building during the year under review, through a two-month campaign secured by our service provider at that building.

We are currently observing the market's adoption of digital outdoor signage and will make a determination in due course on whether or not to convert the static sites at Landrost, New Hampstead and Brickfields.

Alternative water source project

JHC's borehole project has improved water security within the portfolio, as the first alternative water project was successfully completed in Heritage View and Phumulani. This was achieved despite encountering challenges on the project way which had an impact on costs. We are running and monitoring both sites in order to capture and analyse data and trends.

Once we have gathered this information, it will help to inform our decisions on the potential for additional projects going forward. To this end, we have successfully conducted feasibility tests for alternative water exploration in Hlanganani, Jeppe Oval, Carr Gardens and Tribunal Gardens. Our aim is to use the lessons learnt from the pilot project and apply them on the future projects at our buildings.

Telecoms masts and tower hosting

To further enhance our alternative revenue streams, we host telecoms masts and towers, which deliver connectivity for mobile phones and other devices. Masts are currently installed at some of our buildings and during the year under review, we assigned an additional Telkom mast at Landrost, on a lease agreement with a duration of nine years 11 months. Going forward, we hope to identify additional opportunities for mast and tower hosting within the portfolio.

Looking ahead to 2021

The reality is that we must operate under the new circumstances brought on by COVID-19, with uncertainty spanning the globe and stretching into the coming financial year and beyond. As a result, our plans for the coming year will include:

Continuing the Newtown project's land assembly and land preparation phase; and

Continuing to source new income-producing opportunities.

REVENUE
TEAM

Absent: Thabo Koma Leasing Administrator



Mbali Shezi
Property Development and
Investment Administrator



Ayanda Cele
Business Development Specialist



Matt Jackson
Development Manager



Koketso Legodi
Project Manager



Rhulani Chauke
Project Coordinator

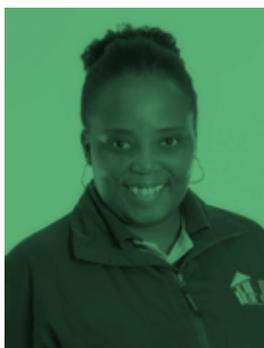
LETTING AND
MARKETING



Lydia Nekhunguni
Letting and Marketing Manager



Lisa Smith
Leasing Manager



Jackie Tyobeka
Leasing Administrator



Jonas Ramatsetse
Leasing Administrator



Lebo Mathata
Leasing Administrator

Compliance office report

JUANITA PRINSLOO
RISK AND COMPLIANCE MANAGER

We ensure JHC's compliance with all legislation and regulations that apply to the company 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. Our department is also responsible for the company's information and records management and supports the information technology (IT) function.

95%

of JHC employees successfully completed POPI training

Level 3

B-BBEE Contributor status received – our best ever rating

Introduction

In a year of unprecedented change and uncertainty brought on by the COVID-19 pandemic, we as the compliance office continued to fulfil our important role of addressing key risks, legal requirements, information management best practices and JHC policies. We also endeavoured to achieve JHC's strategic objective of driving efficiencies through systems by supporting the IT function of the organisation.

Highlights and challenges

Our department relies on teamwork and ensures compliance by collaborating with JHC staff and keeping them well informed on important matters such as rules, regulations and risks facing the company. In this report we discuss the activities and progress made by the compliance office during the year.

Compliance and risk management

POPI ACT COMPLIANCE

The Protection of Public Information (POPI) Act commenced on 1 July 2020 and companies must become fully compliant by July 2021. In light of this, email security, archiving and data loss prevention remain a priority for JHC in the months ahead.

During the year, 95% of JHC employees successfully completed POPI training via online platform, Knowbe4. JHC staff participated in regular random tests via e-mail, and identified about 94% of phishing attempts, far better than the industry rate of 59%.

As JHC's service providers must also be POPI compliant, all new service provider agreements contain POPI clauses. Furthermore, JHC has entered into information sharing agreements with key service providers including the company handling JHC's payroll.

UPDATED RISK MATRIX

To provide an overview of the strategic risks facing JHC, an updated risk matrix was submitted to the Audit Committee during the year. JHC also implemented plans to mitigate the likely impact of COVID-19. Top risks included staff and tenants contracting COVID-19 impacting the health and safety of staff and tenants, and the effects of this on JHC's business continuity. Another key risk was the effect of the deteriorating economy on vacancies, arrears and revenue.

B-BBEE COMPLIANCE

In January 2020, JHC received a B-BBEE certificate for 2018/2019, which was verified by BDO. Simanye Consulting was appointed to advise JHC and engage with BDO. JHC achieved Level 3 Contributor status – its best ever rating and far better than the Level 7 achieved in 2017/2018. This year Simanye Consulting is assisting JHC once again, and preparation for the 2019/2020 verification is progressing well.

BOARD EVALUATION

In line with the recommendations of the King IV Report on Corporate Governance, JHC's board and sub-committees were independently evaluated during the year under review. The evaluation was conducted by Luvivi (Pty) Ltd, a corporate governance, company secretarial and compliance services provider.

The evaluation report found that the collective performance of JHC's board more than met with expectations. In addition, Luvivi (Pty) Ltd provided JHC with a few recommendations for possible implementation.

Information and records management

JHC OFFICE MOVE

JHC's move to new head office premises was facilitated by a records management plan that was put together to move the company's records safely and securely. As a result of the move, off-site record storage increased due to limited space at the new premises. Key records are scanned and records that can be operationally and legally destroyed are disposed of responsibly.

Information technology

COVID-19: WORKING REMOTELY

Once the COVID-19 lockdown became effective, JHC ensured that all employees were equipped to work remotely. To facilitate seamless connectivity, wireless internet dongles and mobile phones with airtime

were provided to employees who required them. During the lockdown, the IT team provided support to employees who worked remotely, and currently provides support to those still working from home.

Internet connectivity has been challenging in certain residential areas. To find a stable connection at home, staff have had to experiment by using different networks. Overall, staff have been able to perform their work from home offices by accessing e-mails, shared document drives, and the property management system.

MRI PLATFORM X

MRI Platform X is JHC's Integrated Property Management System and has been operational for just over a year. While the project came with some technical challenges, the system is generally performing well.

Overlapping the end of the period under review and in the current financial year, the Revenue department secured its first third-party property management deals. Subsequently, we have begun the process of on-boarding third-party clients to the MRI platform. A number of enhancements or customisations to MRI reports and templates are being considered. These will assist JHC in managing its portfolio and increase efficiencies in terms of third-party property management.

Certain other areas for enhancement have been identified by users, which could be prioritised for implementation once the feasibility of these suggestions have been assessed. Going live in February 2020, one such implementation was MRI's automatic bank reconciliation function, which assists JHC with the allocation of tenant account payments.

SHAREPOINT IMPLEMENTATION

We commenced the implementation of SharePoint during the year. SharePoint will replace JHC's current Intranet and provides a secure platform with which to store, organise, share, and access information with most devices. The SharePoint platform will also be used to launch communication messages, which will be performed by the Executive PA, who is responsible for corporate communications.

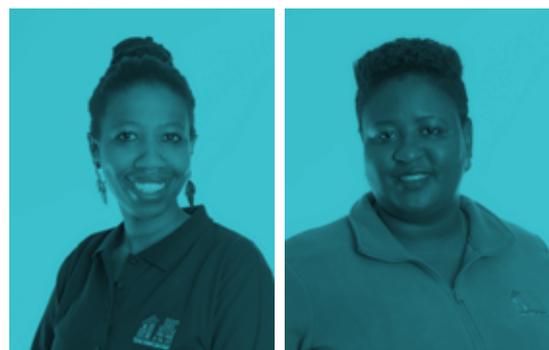
FRESHDESK

During the initial lockdown period, JHC piloted the use of Freshdesk, which is a cloud-based customer service tool, using a basic licence and limited configuration. The aim was to ensure that all tenant queries were addressed while JHC's offices were temporarily closed and staff were working remotely. The pilot system was successful with a high rate of adoption by users. In August 2020, JHC purchased more advanced licences and began configuring the system to align more closely with the business.

Looking ahead

With the effects of the COVID-19 pandemic still unfolding, we will remain vigilant and stay abreast of related risks to JHC, our customers and the communities we serve. In the year ahead, further POPI training and awareness will be facilitated. Our aim is also to drive POPI compliance, with a special focus on service providers. Another focus will be the continued implementation of MRI Platform X throughout the business and introducing and integrating third-party systems to supplement the functionality of MRI Platform X. JHC has appointed an IT Executive, Tumi Pambo, from September 2020 who takes the lead on JHC's IT strategy. The Risk and Compliance Officer will continue to support the IT function while IT projects are being finalised and the IT function is being resourced with the necessary expertise.

COMPLIANCE TEAM



Lukhanyiso Kona
Compliance Specialist

Prudence Ngwenya
Document and Knowledge Management Administrator

Makhulong a Matala report

LINDI MALINGA
CUSTOMER RELATIONS
EXECUTIVE

Makhulong's role is to address social issues that emanate from JHC's tenant community. Makhulong fulfils that mandate and responds to social issues by facilitating social projects and programmes. Makhulong also tracks the trend in certain social issues within the tenant community and proactively devises strategies to mitigate the occurrence of these social issues.

732 food parcels

distributed to families during the COVID-19 lockdown

3 000 family members

in desperate need received food assistance

Our social mission continues

During an unprecedented year, we continued to implement our MAM programmes wherever possible under the strict COVID-19 lockdown regulations. While the number of our activities decreased significantly year-on-year, our commitment shone through in the programmes that we were permitted to run.

The impact of COVID-19 on MAM

Community development is a social calling that focuses on improving people's lives, and MAM's ability to fulfil its mandate was severely impacted by COVID-19 restrictions. Most of our projects and programmes thrive as large community gatherings of 50 people or more, which meant that Makhulong's projects and programmes had to be suspended due to the prohibition of social gatherings during the lockdown period.

It was unfortunate to note that some of the progress we had made prior to the lockdown has been lost. Previously, people were taking responsibility for keeping their environment clean, but under the lockdown, some people began littering once more. COVID-19 affected children's behaviour too, as they regressed to their past behaviour by riding plastic scooters in driveways because the gates to play facilities were locked to prevent social gatherings.

JHC's relocation to new offices

As all of our projects and programmes take place in JHC's buildings, we can still reach our communities and staff have not been affected by the move to new offices. The only impact is that available space for storing our resources at the new offices is limited compared to the old premises.

Operational restructuring at JHC

As part of the operational restructuring taking place at JHC, the MAM Senior manager responsible for community development has also assumed responsibility for Customer Experience. MAM has been split into two divisions, namely customer experience (CX) and community development. Makhulong itself has been established for some time and is overseen by experienced managers. The CX division will drive customer centricity, ensuring that JHC evokes positive emotions by servicing customers to give them the experience they desire. Customer experience presents a new challenge and way of doing things for JHC and requires a mind shift towards customer centricity and driving people to live JHC's set of values.

MAM's educational role

MAM's mandate includes playing an educational role to the benefit of our communities. The changes taking place at JHC, both in MAM and the other departments, have strengthened the capabilities of the organisation, and these will be communicated by MAM to the tenants.

Highlights And Challenges

While the lockdown meant many of our programmes had to be suspended for the duration, the tenants continued to run some of the projects wherever possible, including antilitter, adult vitality and food gardens. MAM provided only virtual guidance and support to the tenants, which proves that some of the projects have reached a level of maturity where the community can take responsibility and work independently.

Customer experience

"LOVE WHERE YOU LIVE"

The payoff line "love where you live" represents the emotion JHC wants tenants to feel when they interact with the JHC brand. To this end, we need to ensure that JHC's service offering fulfils that purpose and makes tenants love where they live – their homes. To make the strategy bear fruit, the JHC team underwent customer experience training for a greater understanding of how to make tenants love where they live – by bringing JHC's to service offering and values to life.

FIVE-YEAR STRATEGY

For the next five years, JHC's CX strategy aims to propel the business forward and achieve the objectives of customer centricity. JHC understands that a competitive edge no longer means competing via fittings, fixtures, installations such as prepaid meters or affordable rentals. The new differentiator for businesses is in customer experience.

When customers value the level of service they receive, they value their experience of that service. When JHC is able to anticipate customers' needs, they can be offered even before they are requested.

To this end, our CX division will enable JHC to deliver outstanding customer experience to internal and external customers. The ultimate business goal of customer experience is to boost JHC's financial performance. This means that customer experience can contribute to JHC's bottom line – whereby JHC will become the landlord of choice, enhancing customer retention.

The five-year strategy can be summarised as follows:

The first year determined JHC's "as is" state of customer experience as well as the "to be" state. The business underwent training to prepare for the journey to customer centricity.

In the second year, JHC sought to implement customer experience through systems and the establishment of the customer hubs, which required further development before they could be launched.

The third year will see systems being established to drive the delivery and measurement of our customer experience, while delivering on skills gained through training and instilling customer experience values through the business.

Accelerated action in the fourth and fifth year will target the delivery of a seamless customer experience throughout the tenant life cycle.

We are on a journey to develop a team and an organisation that can consistently deliver a customer experience based on our values by working together, having a heart and caring enough to make a difference.

Community initiatives and tenant engagement

FOOD PARCELS PROGRAMME

Millions of people went hungry during the extended lockdown, with many, particularly the old and vulnerable, relying on handouts and the goodwill of others. Poverty, unemployment and low income can cause a desperation that leads to hopelessness and crime, all of which was worsened by the arrival of COVID-19.

Our HSVs helped to identify families in dire need of food and we responded to the cries of needy tenants in JHC buildings. During the pandemic, JHC distributed 732 food parcels to about 3 000 family members in desperate need of food assistance, which translates to about 18% of JHC's tenant community.

MAM applied for additional food parcels from the City of Johannesburg, which donated 62 parcels for our tenants. We received a further 100 food parcels from charity MES as part of the donation distributed to the Hillbrow buildings under Ekhaya Neighbourhood, with 12 JHC buildings benefiting from the initiative.

In total, the HSVs identified 100 families in distress from our Hillbrow buildings and went the extra mile, packing and distributing to needy tenants with the help of the Hillbrow neighbourhood Security guards. The food parcels were much appreciated, and included basic foodstuffs such as starch, protein, vegetables and seasoning.

Tenants sent emotional messages and voice notes, thanking MAM and JHC for coming to their aid when it mattered most.

FOOD GARDENS

In an unexpected consequence of the lockdown, much needed produce was grown by members of MAM's food and vegetable gardens. At Towerhill, members reduced the price of their vegetables to assist tenants who were struggling to put food on the table.

Members of the food gardens project supported needy tenants as they continued to maintain their gardens, practiced safety through social distancing, and used the PPE distributed to the gardens. With fewer hawkers nearby selling vegetables, our food gardens became a popular next-best alternative for tenants.

Makhulong a Matala report

CONTINUED

Members understand the value of being able to add vegetables to their meals and even share with fellow tenants or tenants from neighbouring JHC buildings without food gardens. During the year ahead we will look to invest in affordable methods to maximise produce and help members grow their customer base more aggressively.

SOCIAL INCIDENCES

MAM dealt with 123 social incidences during the year, an improvement over 127 in the previous year. Compared to the last five years, social incidences stabilised in the last two years. Regrettably, the lockdown saw an increase in cases of conflict between HSVs and tenants, and Security guards and tenants. HSVs and Security guards have had to work hard to enforce regulations during the pandemic.

Unfortunately, when we received domestic violence cases during the lockdown we could only assist virtually and, where necessary, call the police for assistance.

WISER GENERATION

In December 2019, MAM hosted a year-end function where more than 50 elderly tenants attended the lunch event at Tribunal Gardens. The African Samaritan team was invited to conduct a number of fun activities at the function, including beach ball surprise, guess song, themed letters from a bag, and ended off the entertainment with a sing along karaoke. The elderly tenants were then treated to a delicious meal and presented with Christmas gifts.

ANTI-LITTER AND RECYCLING PROJECTS

Maintaining hygiene and cleanliness has never been more important. Therefore, it was pleasing to note that we have some tenants who are determined to keep their environment clean, despite the pandemic. Some even celebrated Women's Day by cleaning their building.

Our anti-litter campaigns continued at Uno Court, Smitshof and Extension, Rondebosch and San Martin when members indicated that they would help the cleaners over the weekend. To help ensure

MAKHULONG A MATALA TEAM



Mosa Bodibe
Temp position: Receptionist



Phumzile Sibiya
Customer Relations Administrator



Patricia Msebele
Community Development
Manager



Lungisani Ntuli
Community Development
Manager



Vinolia Hlahla
Community Development
Coordinator



Donald Makape
Community Development
Coordinator



Ipeleng Mokgosinyane
Community Development
Coordinator



Grenda Ngwarai
Community Development
Coordinator



Carlene Petersen
Customer Experience Manager



Penrose Moyana
Customer Experience Team
Leader



Arnold Peters
Customer Experience Team
Leader

CUSTOMER EXPERIENCE TEAM

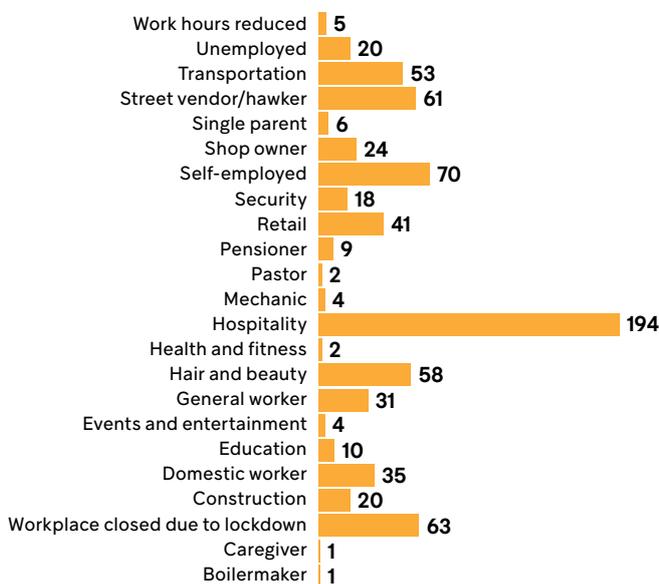
their safety, we provided PPE and social distancing guidelines for the duration. The projects continue to do well, with the tenants doing their part to keep the buildings clean.

Looking ahead

Plans for the launch of the new CX hubs are at an advanced stage. The launch will take place once the MRI system has been successfully deployed throughout the business, new processes have been bedded down, and CX consultants have received training in customer experience, systems and content cross training for the new function.

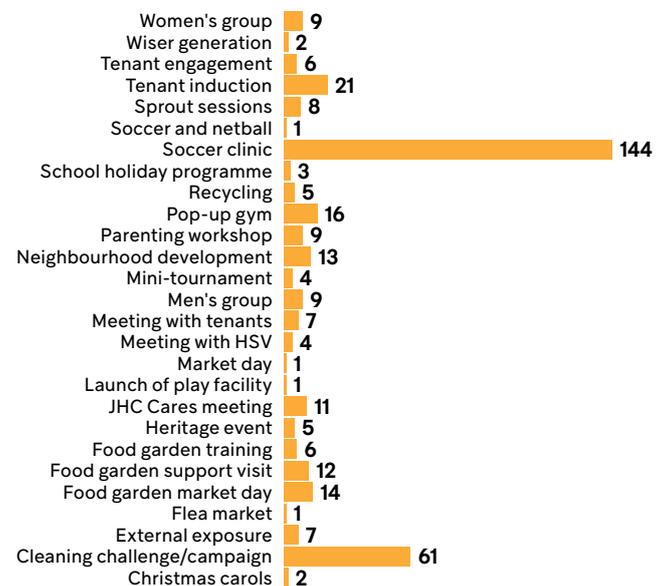
We see an opportunity in our food gardens. MAM will introduce hydroponic planters to all food gardens. Hydroponics grow plants faster than by conventional planting methods. The initiative will allow members to increase their produce and increase the frequency of harvests for constant supply of vegetables.

BENEFICIARIES OF FOOD PARCELS



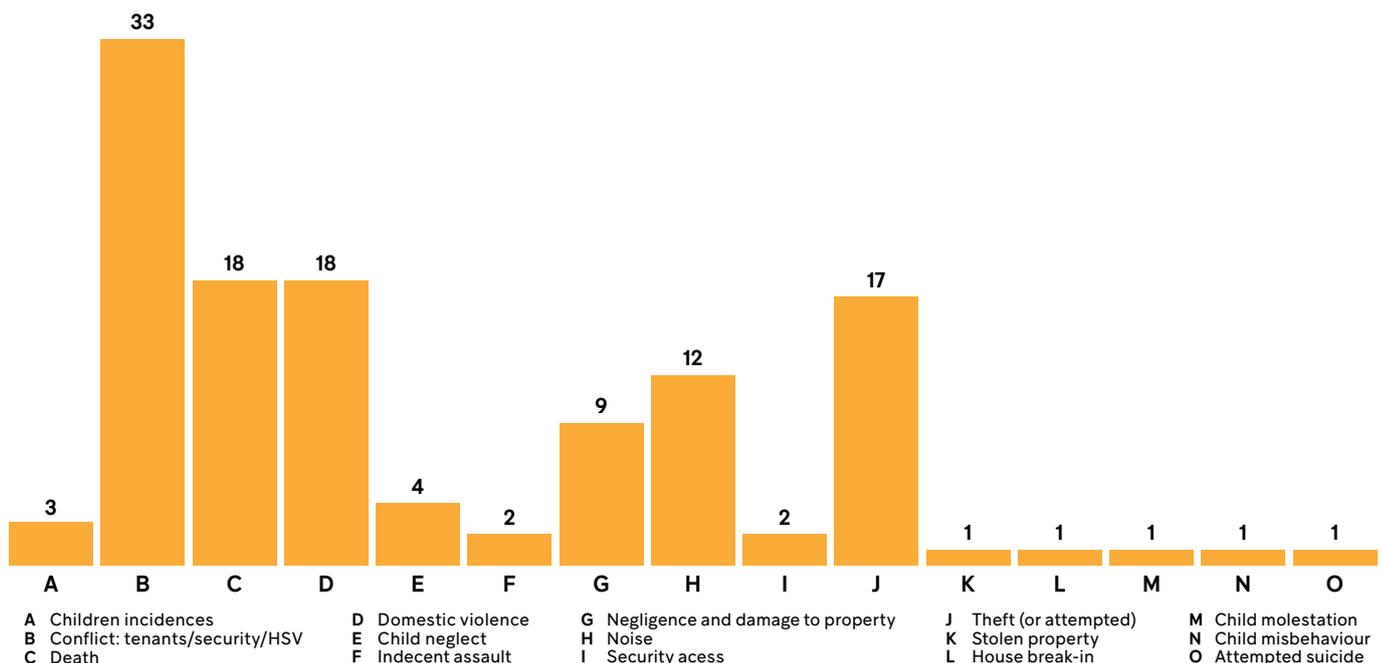
NUMBER OF MAM ACTIVITIES

JULY 2019 TO MAY 2020



NUMBER OF SOCIAL INSTANCES REPORTED

SEPTEMBER 2019 TO MAY 2020



Human resources report

ITUMELENG MOKONYAMA
HR BUSINESS PARTNER

We help to achieve JHC's strategy by identifying and fulfilling its staff requirements. We develop and implement strategies to ensure that we have the right skills for the right roles, at the right time.

11

Award winners in 2020

2

Bursary graduates

6

New appointments

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.

Introduction

While the past year has seen the world changing drastically, JHC is focused on refining the customer experience and changing to meet the expectations of our current and future tenants. During the year under review, we as the Human Resources (HR) department supported this change by working with the team to embed the new structure, facilitating JHC's investment into internships and apprenticeships and supporting staff to stay connected.

To succeed in our endeavours and adapt to a changing environment, we ensure that JHC's strategy is enabled by designing structures, identifying and meeting skills and staffing requirements and supporting the growth, development and connection of current staff.

Highlights and challenges

Moving closer to our customers

In August 2020 JHC head office employees moved to two new hubs: Majestic in Newtown and Park in Johannesburg Park Station Office. JHC has moved closer to its customers, as part of the customer centricity strategy. We anticipate that the new offices will unlock new opportunities for JHC and will make it easier for our customers to visit our offices.

The impact of COVID-19

The unexpected and sudden arrival of COVID-19 impacted our training and development activities during the year. In terms of the strict lockdown regulations, training institutions were closed, and our staff could not continue with their skills based training, which meant that this investment will be implemented in the new financial year. As the economy gets back into gear and institutions resume their operations, we plan to offer the same skills development, bursary, learnership and internship opportunities.

WORKING FROM HOME

The pandemic affected the lives of our employees in various and unexpected ways. With staff working from home during the lockdown period, we had to ensure that they remained informed, connected and contactable at all times. To facilitate business continuity, we created an internal JHC WhatsApp group. This helped JHC employees engage, send COVID-19 updates, and celebrate each other's achievements and birthdays as they normally would when at the office.

In line with best practice, a COVID-19 policy was drawn up and distributed to all employees. We ensure that the policy is updated as required, easily available and accessible to all staff members. JHC has complied with COVID-19 regulations – throughout the lockdown since Level 5 was announced, to the present day.

Restructuring and staff roles

Providing exceptional service is at the core of JHC's customer experience (CX) strategy. To help achieve this key objective, JHC has invested in specialised CX staff training during the past year. To further integrate and embed important new capabilities, we extended the

training throughout the business and also to our service providers, who have a key role to play in fulfilling our CX strategy.

We then focused on realigning our processes and departments according to the various services provided by JHC to our customers. This in turn led to management reconfiguring departments and changing staff roles and job titles to enhance JHC's business strategy. We also reviewed our job titles and amended them to align with market related job titles. This supports JHC in recruiting new team members and also assists the external market with a better understanding of the roles of each team member.

As a result of this process, JHC's new departments are: Property Accounts, Collections, Customer Experience and Property Development and Investment. We are certain that our tenants and internal staff will benefit from these positive changes and improvements.

Bursary graduates

Despite the challenges, two bursary beneficiaries successfully completed their studies during the year under review, further boosting the team and skills base within JHC. We congratulate the following people for their achievements:

Itumeleng Mokonyama – Master of Business Administration
Patricia Msebele – Bachelor of Social Work

Promotions

Before considering external appointments, we look to fill those vacancies with JHC's internal resources – members of staff who have gained specific knowledge and experience of the business and our customers. In line with the ongoing strategic focus on customer experience, we carefully selected and promoted the following members of staff to new positions:

Penrose Moyana – Customer Experience Team Leader
Arnold Peters – Customer Experience Team Leader

New appointments

When new members of staff are appointed, they bring fresh ideas, skills and experience to the organisation. Our operational change and restructuring programme bolsters the human resources of the business to achieve key strategic objectives, particularly in boosting the customer experience. We take this opportunity to formally welcome the following new members of staff and look forward to their contributions at JHC:

Prudence Ngwenya – Document and Records Administrator
Njabulo Zulu – Maintenance Administrator
Nomagugu Mbhense – Maintenance Administrator
Kabelo Maleka – Housing Supervisor
Vinolia Hlahla – Community Development Coordinator
Thema Moche – Maintenance Technician

Awards

To recognise the exceptional efforts of our staff, we offer incentives

and rewards for JHC's outstanding performers. In this way, we aim to inspire our people to reach for greater heights and help achieve our goals as an organisation. For the year under review, we awarded the following team members:

MIDDLE MANAGEMENT AWARDS

Itumeleng Mokonyama
Patricia Msebele

STAFF EXCHANGE AWARD

Jerrilee Schroeder
Themba Mtembu
Mahlodi Malane
Simon Mbulawa

PORTFOLIO PERFORMER AWARD

Fredy Munawa
Themba Mtembu
Donald Makape

CONSISTENT PERFORMER AWARD

Pasana Mbonane

CEO'S DISCRETIONARY AWARD

Faith Shabalala

Training and development spend

While our training and development activities were suspended by COVID-19, we still invested in the following during the year:

R405 331

SKILLS TRAINING

(2019: R635 855)

R237 081

BURSARIES

(2019: R349 667)

R125 281

LEARNERSHIPS

(2019: R343 667)

R767 693

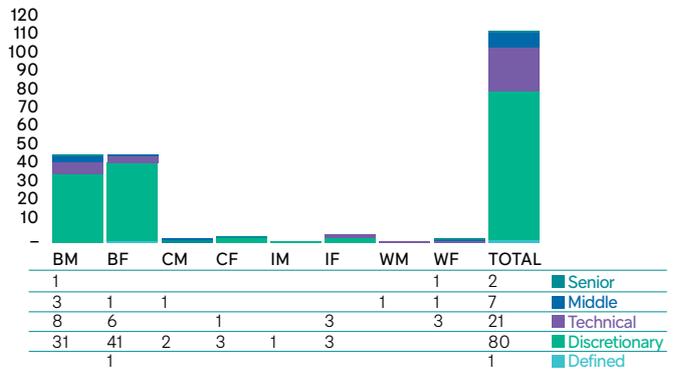
TOTAL SPEND

(2019: R1 329 189)

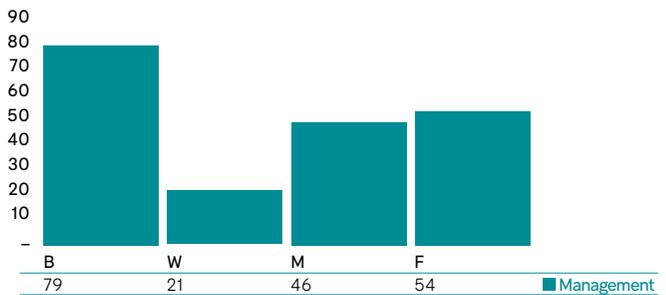
JHC'S employment equity profile

As at the end of June 2020, JHC's Employment Equity (EE) profile is presented below.

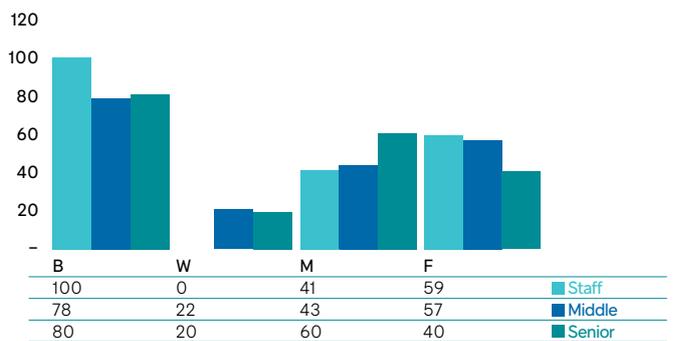
EE profile of staff



EE profile of management (%)



EE profile of management and staff



FOCUS FOR THE YEAR AHEAD

As JHC has reconfigured its departments and business processes, our focus as HR is to re-scope job profiles, and align all profiles to the business strategy and structure. In the year ahead, we will also drive JHC's values and behaviours. The focus is to bring the values to life by embedding them in our employees. This will make sure we behave in values aligned ways in everything we do, from the way we conduct our meetings to the way we communicate with each other and our tenants.



In memoriam

William Mamiala

JHC was saddened by the unexpected loss of William Mamiala on 31 December 2019. He worked as a housing supervisor at Sylvadale and was a valued member of the team from the time he joined JHC in December 2008.

William was born in Dennilton, Limpopo on 3 July 1959 and will be remembered as a kind and hardworking person by his fellow team members. He took pride in his work and made a difference to people's lives. William was laid to rest in his hometown of Dennilton on 4 January 2020.

We offer our sincere condolences and sympathies to his recently late wife Cynthia and his two children, Pamela and Phindile.

Finance report

PROSPER MPOFU
CHIEF FINANCIAL OFFICER

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.

R1.228bn

Equity remains healthy at year-end

R275m

Total revenue at year-end, June 2020

The advent of COVID-19

With the advent of COVID-19, coupled with an already sluggish local economy that put consumers and households under extreme pressure, JHC experienced one of the most difficult financial years since the group's inception. Under these unprecedented conditions and in the absence of economic growth, the company experienced record high arrears and vacancy rates during the 2019/2020 financial year.

Counting the losses post Level 5 Lockdown

At the 2019/20 financial year-end, the balance sheet reflects a slight decline in JHC's financial position with total assets valued at R1.704 billion (2019: R1.783 billion) largely due to the R100 million write-down of Investment properties. The Investment properties were valued at assets accounted for R1.502 billion (2019: R1.582 billion).

The capitalisation rates (cap rates) for all JHC buildings increased by 50 basis points to take into account the uncertainty in the economic environment caused by COVID-19 and together with reduced budgeted Net Incomes in the new financial year resulted in the negative R100 million fair value adjustments.

Cash decreased to R156 million from R178 million in the prior year, mainly due to the record Debtors book totalling R20 million at year-end and large rental discounts for commercial tenants during Level 5 Lockdown. Most of JHC's commercial tenants were not able to operate under Lockdown Level 5. The long-term loans due of R133 million (2019: R147 million) do not pose an immediate threat to JHC's liquidity, as enough cash resources are available to cover these. Equity remains healthy at R1.228 billion (2019: R1.268 billion) at year-end.

At year-end, total revenue to June 2020 remained flat at R274 million compared to R275 million in 2019, due to the high vacancies experienced especially in the last half of the year to 30 June 2020. Vacancies ended just under 9% against the budget of 2.2% to 30 June 2020. Further, a number of our commercial tenants received full discounts on their rental amounts for a number of months during the Lockdown period as they could not operate under the Lockdown rules. These include salons, restaurants, auto mechanic shops and so on.

Staying committed to servicing and repairing our buildings, despite the depressed revenues due to higher vacancies, saw the cost-to-income ratio increase to 52% (2019: 46%). 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.

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.

At year-end, operating profit was R56 million (2019: R78 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.

In the prior year, an error in calculating the deferred tax in Johannesburg Housing Company, resulted in a cumulative error of R23 million, affecting JHC's deferred tax expense and retained income. The amount is spread as follows: R6.4 million to 30 June 2018, and R16.8 million to 30 June 2017. 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

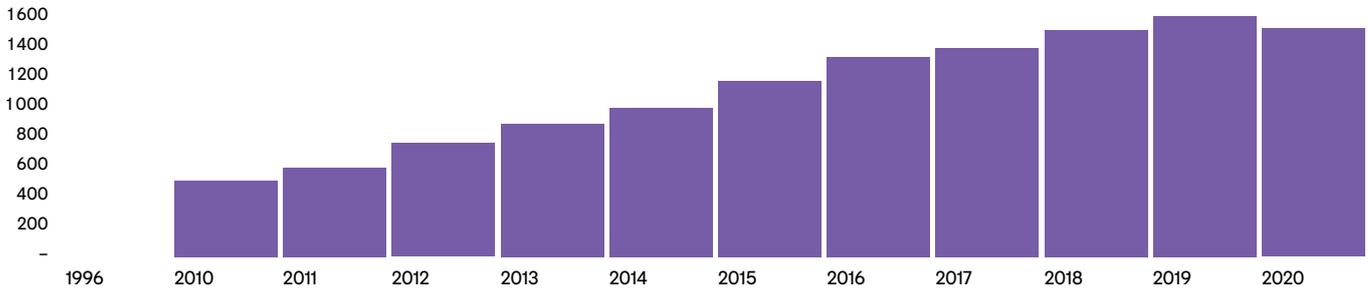
During the year, the Debtors team saw a total of 10 new temporary Debt collectors join the JHC finance team to assist with collections efforts at our buildings from March 2020.

The year ahead

As a team, we have our work cut out for us as the economic activities start picking up following the return of the country to Level 1, in the last few months. Finance will work closely with our tenants and the departments at JHC on several cost management strategies and revenue enhancement strategies to ensure that we meet targets and maintain our strong cash position.

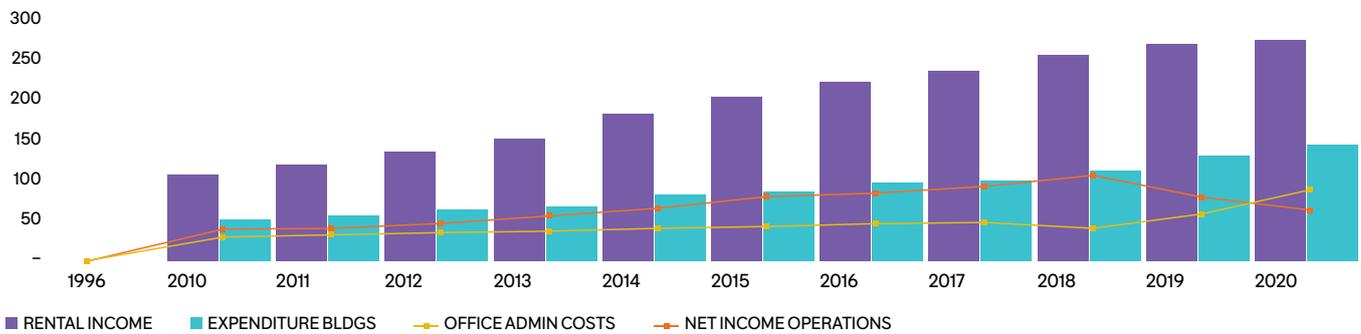
INVESTMENT PROPERTY

RAND VALUE (MILLIONS) – 1996 AND 2010–2020



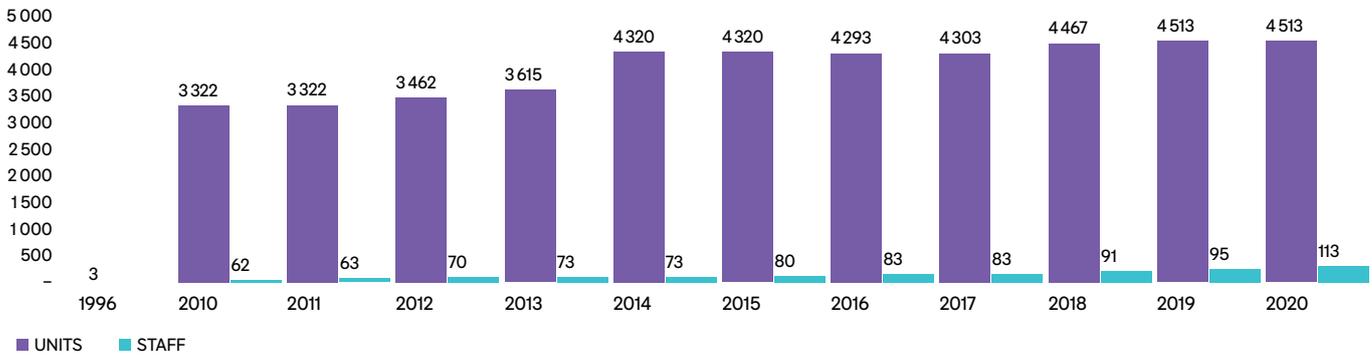
OPERATIONAL INCOME VERSUS EXPENDITURE

RAND VALUE (MILLIONS) – 1996 AND 2010–2020



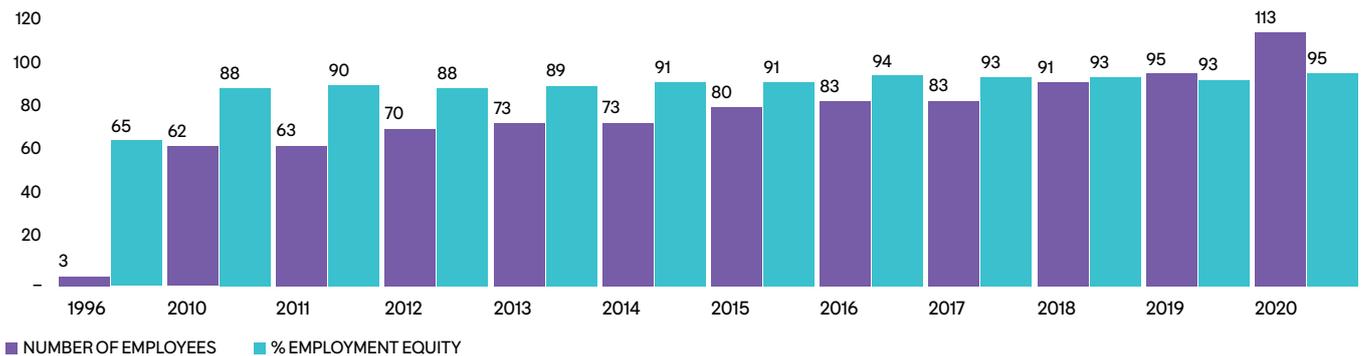
HOUSING UNITS CUMULATIVELY & STAFF NUMBERS CUMULATIVELY

1996 AND 2010–2020



TOTAL NUMBER OF EMPLOYEES AND % EMPLOYMENT EQUITY

1996 AND 2010–2020



FINANCE TEAM



Fawzia Ballim
Financial Manager



Nadia September
Accounts Payable Clerk



Shivana Harilal
Accounts Payable Clerk



Thembi Gamede
Bookkeeper



Fathima Goolam Hoosen
Bookkeeper



Nguquko Nyathi
Management Accountant



Silvia Cele
Utilities Relationship Coordinator



Gauta Mofokeng
Utilities Manager



Drucelian Munsamy
Debtors Administrator



Simangele Nzimande
Utilities Financial Administrator



Shahida Nabi
Credit Controller



Mahlodi Malane
Credit Control Administrator



Phumi Jali
Credit Control Administrator



Tebogo Mhlanga
Credit Control Administrator



Noxolo Malinga
Debtors temp

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 R1.502 billion (2019: R1.582 billion) by the end of June 2020. JHC owns and manages 4 513 rental accommodation units in 36 buildings (2019: 4 513 units in 36 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 decreased slightly to R273.7 million (2019: R274.7 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 2020 arrears were 37.5% of total rent billings (June 2019: 3.3%) and debtors amounted to 8.983% of rent billings for the year (2019: 0.066%).

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 2020, the total average vacancies were 8.68% (2019: 3.84%).

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 R64.9 million (2019: R49.8 million). Current taxation charged for the 2020 financial year totalled R8.6 million (2019: R12.5 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 2020, JHC's staff amounted to 111 people (2019: 95 people). 95% of staff are previously disadvantaged individuals (PDIs) (2019: 92%), the gender percentages shifted in 2020, at 59% women and 41% men.

Debtors: 2015 – 2020

(% OF TOTAL RENT BILLINGS)

8.983% 2020

2019: 0.066%

2018: -0.153%

2017: -0.004%

2016: -0.02%

Residential vacancies: 2016 – 2020

(% OF TOTAL UNITS, AVERAGE FOR THE YEAR)

8.68% of 4 513 units in 2020

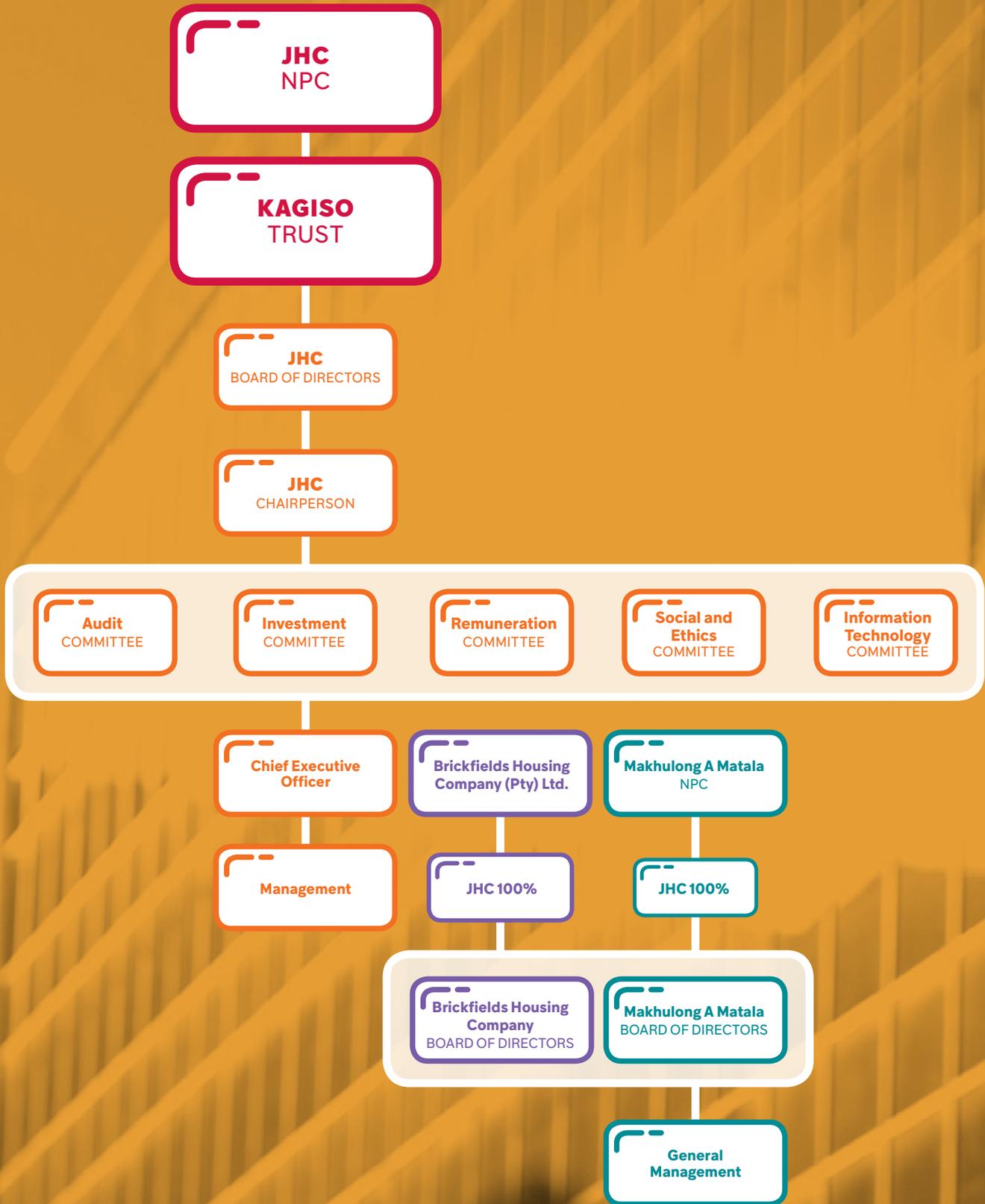
2019: 3.84% of 4 513 units

2018: 2.46% of 4 467 units

2017: 2.23% of 4 303 units

2016: 3.18% of 4 293 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.



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.

Values

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

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. In 2018 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

CEO and co-founder, DigiSquad

Ms Nonkqubela Maliza

Executive Director Corporate and Government Affairs
VWSA

Mr Sam Mkorosi

Head of New Listings and Internal Corporate Finance, JSE

Mr Prosper Mpfu*

Chief Financial Officer
Johannesburg Housing Company,
Company Secretary

Mr Mzomhle Nyenjane

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 Nyenjane

Ms Silindokuhle Chamane

Representative of JP Morgan (nominated by JP Morgan) as an observer

By invitation:

Ms Elize Stroebe (CEO)

Mr Prosper Mpfu (CFO)

Ms Fawzia Ballim (Accountant and Public Officer)

Mr Nguquko Nyathi (Management Accountant)

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, Management 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

BOARD MEETINGS 2019/20 – Register of attendance

JULY 2019 TO JUNE 2020

	Audit 2019/09/12	Board 2019/10/02	Social and ethics 2019/11/19	Board 2019/11/27	AGM 2019/11/27	Social and ethics 2020/03/25	Board 2020/04/29	Audit 2020/05/19	Audit 2020/06/09	Board 2020/06/24
Chamane, S	Yes	Yes	n/a	Yes	Apology	n/a	Yes	Yes	Yes	Yes
Giuricich, R	n/a	Yes	n/a	Yes	Yes	n/a	Yes	n/a	n/a	Yes
Kline, L	Yes	Yes	n/a	Yes	n/a	n/a	Yes	Yes	Yes	Yes
Kumalo, B	n/a	Yes	n/a	Yes	n/a	n/a	Yes	n/a	n/a	Yes
Maliza, N	n/a	Yes	Apology	Yes	n/a	Yes	Yes	n/a	n/a	Yes
Mokorosi, S	Yes	Yes	Yes	Yes	n/a	Yes	Yes	Yes	Yes	Yes
Mpofu, P	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Nokaneng, B	n/a	Apology	n/a	Yes	Yes	n/a	Yes	n/a	n/a	Apology
Nyenjana, M	Apology	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Strelitz, J	n/a	Yes	n/a	Yes	n/a	n/a	Yes	n/a	n/a	Yes
Stroebele, E	Yes	Yes	Yes	Apology	Apology	Yes	Yes	Yes	Yes	Yes

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

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 Stroebele (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 Stroebele (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.

Information Technology committee

Members:

Ms Bishnen Kumalo (Chair)
Mr Len Kline
Ms Silindokuhle Chamane

By invitation:

Ms Elize Stroebe
Mr Prosper Mpofo
Ms Juanita Prinsloo

In line with its customer focus, more efficient systems and keeping abreast of the fourth industrial revolution, JHC's growth necessitated the establishment of an Information and Technology committee during the year under review. The members are independent non-executive directors of JHC's board. Permanent invitees are also required to attend ICT Committee meetings. These include the CEO, CFO and the Risk and Compliance Officer. Additional invitees will receive invitations to report on matters and contribute to discussions as and when required.

The committee meets at least once a year and are governed by the JHCs Memorandum of Incorporation (MoI) regulating the meetings and proceedings of directors and committees.

THE INFORMATION TECHNOLOGY COMMITTEE IS RESPONSIBLE FOR:

- > Developing an annual work plan to maintain JHC's Information Technology and recommends strategies for JHC to take advantage of the changing short, medium and long-term Information and Communications Technology (ICT) landscape.
- > It shall also monitor JHC's Information Technology activities, having regard to any legislation, other legal requirements or prevailing codes of best practice.

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 Stroebe, Chief Executive Officer
Ms Lindi Malinga, General Manager, Makhulong a Matala
Mr Boyce Maritz, Property Manager
Mr Prosper Mpofo, 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 (resigned March 2020)
Mr Benjamin Nokaneng
Mr Robert Giuricich
Mr Mzomhle Nyenjana
Ms Elize Stroebe (Executive Director)
Mr Prosper Mpofo (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

Mr Len Kline (Chairman)
Mr Taffy Adler
Ms Shirley Moulder
Ms Lindi Malinga (Executive Director)
Ms Sarah Maphoto-Papi
Mr Sam Mkorosi
Ms Nompumelelo Mabece
Ms Elize Stroebe (Executive Director)
Mr Prosper Mpofo (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 2020

Audit opinion

Johannesburg Housing Company NPC 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.

Statements of financial position

as at 30 June 2020

Johannesburg Housing Company NPC and its subsidiaries

(Registration number 1995/013843/08)

Figures in R	GROUP			COMPANY		
	2020	2019 (Restated)	2018 (Restated)	2020	2019 (Restated)	2018 (Restated)
ASSETS						
Non-current assets						
Property, plant and equipment	12 004 390	5 837 533	7 341 282	9 266 370	2 274 502	4 540 830
Investment property	1 502 000 000	1 582 349 522	1 492 520 000	1 114 300 000	1 173 050 000	1 113 220 000
Intangible assets	6 958 238	3 409 488	–	6 958 238	3 409 488	–
Investment in subsidiaries	–	–	–	18 065 885	18 065 885	18 065 885
Capital work in progress	4 313 381	2 160 267	1 751 410	–	–	–
Loan to group companies	–	–	–	94 132 106	94 132 106	94 158 243
Total non-current assets	1 525 276 009	1 593 756 810	1 501 612 692	1 242 722 599	1 290 931 981	1 229 984 958
Current assets						
Inventories	475 744	265 195	534 217	475 744	265 195	534 217
Trade and other receivables	19 645 459	6 711 352	15 257 245	15 362 410	3 904 453	9 288 672
Current tax assets	2 161 219	3 693 388	9 856 741	–	–	1 667 486
Loan to group companies	–	–	–	367 640	584 090	4 735 417
Prepayments	1 158 421	130 748	–	1 158 421	130 748	–
Cash and cash equivalents	155 581 788	177 557 102	224 657 480	108 313 443	147 538 667	197 734 701
	179 022 631	188 357 785	250 305 683	125 677 658	152 423 153	213 960 493
Non-current assets held for sale	–	962 648	–	–	1 196 703	–
Total current assets	179 022 631	189 320 433	250 305 683	125 677 658	153 619 856	213 960 493
Total assets	1 704 298 640	1 783 077 243	1 751 918 375	1 368 400 257	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	74 419 636
Retained income	1 154 076 547	1 193 820 871	1 146 123 368	855 906 308	898 336 598	877 598 926
Total equity attributable to members of parent	1 228 496 183	1 268 240 507	1 220 543 004	930 325 944	972 756 234	952 018 562
Liabilities						
Non-current liabilities						
Deferred tax liabilities	221 826 169	238 391 921	223 088 569	166 680 600	176 386 616	170 313 101
Other financial liabilities	132 936 810	147 291 303	150 554 178	132 936 810	147 291 303	150 554 178
Lease liabilities	2 614 994	–	–	2 614 994	–	–
Loan from group company	–	–	–	20 000 000	29 000 000	29 000 000
Conditional government grant	–	7 070 714	7 070 714	–	7 070 714	7 070 714
Total non-current liabilities	357 377 973	392 753 938	380 713 461	322 232 404	359 748 633	356 937 993
Current liabilities						
Trade and other payables	69 243 793	81 157 304	102 303 773	57 380 271	70 285 529	86 922 568
Current tax liabilities	–	–	–	292 039	839 164	–
Other financial liabilities	40 922 277	40 922 277	48 066 328	40 922 277	40 922 277	48 066 328
Lease liabilities	1 176 608	–	–	1 176 608	–	–
Loan from group company	–	–	–	9 000 000	–	–
Conditional government grant	7 081 806	3 217	291 809	7 070 714	–	–
Total current liabilities	118 424 484	122 082 798	150 661 910	115 841 909	122 046 970	134 988 896
Total liabilities	475 802 457	514 836 736	531 375 371	438 074 313	471 795 603	491 926 889
Total equity and liabilities	1 704 298 640	1 783 077 243	1 751 918 375	1 368 400 257	1 444 551 837	1 443 945 451

Statements of profit or loss and other comprehensive income

for the year ended 30 June 2020

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

Figures in R	GROUP		COMPANY	
	2020	2019	2020	2019
Revenue	273 685 279	274 674 531	202 944 717	204 038 532
Building expenditure	(140 844 075)	(135 674 609)	(106 361 733)	(109 389 945)
Gross profit	132 841 204	138 999 922	96 582 984	94 648 587
Other income	11 232 796	39 377	16 332 931	4 881 207
Administrative expenses	(12 779 567)	(9 141 714)	(11 772 727)	(8 061 322)
Other expenses	(71 855 246)	(52 623 459)	(67 072 192)	(49 510 503)
Fair value gains and (losses) on investment property	(103 766 368)	1 289 275	(80 214 880)	(9 300 445)
(Loss)/profit from operating activities	(44 327 181)	78 563 401	(46 143 884)	32 657 524
Finance income	12 587 617	15 512 690	18 303 476	23 009 077
Finance costs	(15 973 330)	(18 599 110)	(18 872 071)	(21 794 049)
(Loss)/profit before tax	(47 712 894)	75 476 981	(46 712 479)	33 872 552
Income tax credit / (expense)	7 968 570	(27 779 478)	4 282 189	(13 134 880)
(Loss)/profit for the year	(39 744 324)	47 697 503	(42 430 290)	20 737 672

Statements of changes in equity

as at 30 June 2020

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

Figures in R

GROUP

	Member's funds	Retained income	Total
Balance at 1 July 2017 as previously reported	74 419 636	1 035 727 918	1 110 147 554
Increase due to corrections of prior period errors	-	16 799 637	16 799 637
Balance at 1 July 2017 as restated	74 419 636	1 052 527 555	1 126 947 191
Changes in equity			
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	1 146 123 368	1 220 543 004
Balance at 1 July 2018 as previously reported	74 419 636	1 139 693 779	1 214 113 415
Increase due to corrections of prior period errors	-	6 429 589	6 429 589
Balance at 1 July 2018 as restated	74 419 636	1 146 123 368	1 220 543 004
Changes in equity			
Profit for the year	-	47 697 503	47 697 503
Total comprehensive income	-	47 697 503	47 697 503
Balance at 30 June 2019 as restated	74 419 636	1 193 820 871	1 268 240 507
Balance at 1 July 2019	74 419 636	1 193 820 871	1 268 240 507
Changes in equity			
Loss for the year	-	(39 744 324)	(39 744 324)
Total comprehensive loss	-	(39 744 324)	(39 744 324)
Balance at 30 June 2020	74 419 636	1 154 076 547	1 228 496 183

COMPANY

	Member's funds	Retained income	Total
Balance at 1 July 2017 as previously reported	74 419 636	807 840 837	882 260 473
Increase due to corrections of prior period errors	-	16 799 637	16 799 637
Balance at 1 July 2017 as restated	74 419 636	824 640 474	899 060 110
Changes in equity			
Profit for the year	-	52 958 452	52 958 452
Total comprehensive income	-	52 958 452	52 958 452
Balance at 30 June 2018 as restated	74 419 636	877 598 926	952 018 562
Balance at 1 July 2018 as previously reported	74 419 636	871 169 337	945 588 973
Increase due to corrections of prior period errors	-	6 429 589	6 429 589
Balance at 1 July 2018 as restated	74 419 636	877 598 926	952 018 562
Changes in equity			
Profit for the year	-	20 737 672	20 737 672
Total comprehensive income	-	20 737 672	20 737 672
Balance at 30 June 2019 as restated	74 419 636	898 336 598	972 756 234
Balance at 1 July 2019 as previously reported	74 419 636	898 336 598	972 756 234
Balance at 1 July 2019	74 419 636	898 336 598	972 756 234
Changes in equity			
Loss for the year	-	(42 430 290)	(42 430 290)
Total comprehensive loss	-	(42 430 290)	(42 430 290)
Balance at 30 June 2020	74 419 636	855 906 308	930 325 944

Statements of cash flows

for the year ended 30 June 2020

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

Figures in R	GROUP		COMPANY	
	2020	2019	2020	2019
Net cash flows from operations	27 444 286	66 607 156	827 789	32 566 968
Interest paid	(15 547 072)	(18 599 109)	(18 445 814)	(21 794 050)
Interest received	12 587 617	15 512 690	18 303 476	23 009 077
Income taxes paid	(7 065 013)	(6 312 774)	(5 970 952)	(4 554 715)
Net cash flows from/(used in) operating activities	17 419 818	57 207 963	(5 285 501)	29 227 280
Cash flows used in investing activities				
Proceeds from sales of property, plant and equipment	55 656	357 611	40 167	383 319
Purchase of property, plant and equipment	(5 638 945)	(2 335 000)	(5 495 003)	(1 037 240)
Additions to investment property	(23 337 913)	(88 514 539)	(21 464 880)	(69 130 445)
Purchase of intangible assets	(4 881 964)	(3 409 488)	(4 881 964)	(3 409 488)
Proceeds from disposal of non-current assets	12 000 000	–	12 000 000	–
Loan proceeds from/(to) group companies	–	–	216 450	4 177 464
Work in progress costs incurred	(2 858 426)	–	–	–
Cash flows used in investing activities	(24 661 593)	(93 901 416)	(19 585 230)	(69 016 389)
Cash flows used in financing activities				
Proceeds from other financial liabilities	–	516 237	–	516 237
Repayments of other financial liabilities	(14 733 539)	(10 923 162)	(14 354 493)	(10 923 162)
Cash flows used in financing activities	(14 733 539)	(10 406 925)	(14 354 493)	(10 406 925)
Net decrease in cash and cash equivalents	(21 975 314)	(47 100 378)	(39 225 224)	(50 196 034)
Cash and cash equivalents at beginning of the year	177 557 102	224 657 480	147 538 667	197 734 701
Cash and cash equivalents at end of the year	155 581 788	177 557 102	108 313 443	147 538 667

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

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Absa Bank Limited

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Nedbank Limited

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The Standard Bank of South Africa

88 Commissioner Street, Johannesburg, 2001

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