2024

GMHC

GOVAN MBEKI HOUSING COMPANY

Annual Report



INDEX

P2 CHAIRPERSON'S REPORT

CEO's REPORT P7

P14 GMHC OPERATIONS

ANNUAL FINANCIAL STATEMENT P19



CHAIRPERSON'S REPORT

OVERVIEW



This report seeks to provide an overview of the board's long-term strategy that was planned for 2019-2024. With only a couple of months remaining of this five year' plan, all eyes are on our operations to witness them deliver our set objectives. This report is an indication that above all odds, amid all challenges, GMHC has, with determination and optimism, strived to keeps its head above the tide and continued to contribute towards providing access to dignified, affordable and integrated human settlement solutions.

As we draw closer to the end of the period of our strategy we have assessed and reviewed our objectives to ascertain whether we were still on track or had gone astray. The core objective was to root GMHC as a sustainable institution that conducts its business through good governance, while embracing its values and being guided by the Integrated Reporting Framework and the King IV Code of Good Governance Guidelines.

GMHC did not lose sight of their vision of **"providing access to dignified, affordable and integrated human settlement solutions"** since it was founded with the intention of providing affordable rental accommodation in the Govan Mbeki Municipal area. GMHC continuously embraced its values of **transparency, trust and respect, integrity, stakeholder focus and ubuntu.**

Even though this report will focus on the current financial period of 2022/2023, it came about as the culmination of work performed and delivered in the previous four years. It was always born in mind that the future focus would be dependent on circumstances that could influence whether the set objectives were or would not be realized in future.

GMHC was not immune to the shrinking South African economy, with the interest rate constantly on the rise. Although there was an easing in the domestic consumer price inflation rate, it did not result in boosting the consumer confidence. Our tenants still felt the financial strain that was brought about by the rising costs of living and found it difficult to pay their rent. GMHC has not recovered the units that were lost in the past two years due to political challenges. What is positive, though, is that the vacancy rate of units under or management has been reduced after collaborating with management to put measures in place to address the challenge. We had to stay optimistic and hold fort to prevent the ship from sinking. Many of our tenants' employers are still impacted by the COVID-19 pandemic and we are still experiencing loss of income from affected tenants.

Amid the challenges faced, GMHC's strategic intent to provide access to dignified, affordable and integrated human settlements solutions to South African households earning a low to middle income remains unchanged. During the year under review, we as GMHC lived up to our purpose, by doing our best to implement our strategy despite the severe constraints of an underperforming economy. Great effort was exerted to ensure that GMHC delivered their organizational priorities identified by the board in their long-term strategy.

GEARING TOWARDS SUSTAINABILITY:
PROJECTS' DEVELOPMENT

MIXED DEVELOPMENT

The land acquired at Secunda extension 23 was earmarked for a mixed development. All plans for the development have been approved by the Govan Mbeki Municipality, with portions rezoned for individual home ownership units, rental units that will include social amenities, a day care centre and one portion rezoned for economic amenities. Various partners have been sought for the different types of development that will be taking place in the area.

SOCIAL HOUSING

GMHC's key objective has been that of developing and owning its own social housing stock. Considerable strides were made towards the fulfillment of this goal and ground was broken at the end of 2022. After meeting all requirements and conditions precedent set by our funding and development partners, being the Social Housing Regulatory Authority, Mpumlanga Department of Human Settlements and the Development Bank of South Africa, the site was officially handed over to the appointed contractor. Development is taking place on four sites that are sitting adjacent to each other.

The Kwandokuhle Social Housing Project is expected to yield 492 social housing units. Thirty percent of these units (148) will be rented out to the primary target market, which is households earning an income from R1 850 to R6 700, with their rental charge ranging between R722 and R1 479. The other seventy percent (344 units) will accommodate the secondary target market households that have an income of R6 701 to R22 000. These tenants will pay rental that ranges from R2 790 to R6 475.





HOME OWNERSHIP

Esihle Gardens is now a buzzing township, being a testament of GMHC's vision of "providing access to dignified, affordable and integrated human settlement solutions". This project was indeed a solution for people that fall in the GAP market, not qualifying for a government low-cost house but being able to buy their own houses with the assistance of a government subsidy and a bond from the bank. The proud buyers of sixty nine houses make us realise that we are indeed on the right track towards attaining our goal. More than fifty percent of the stands have been bought, with only sixty two stands left for grabs.

There is still, however, a long way to go for GMHC to realise all its objectives, with many more projects in the pipeline for the envisaged growth and sustainability. A lot more effort must be exerted by all parties in order to achieve the objectives.





LEADERSHIP

While looking back at the achievements obtained, we do not lose focus on managing the company within the current operating context. There is a bright and big future ahead of us that requires a precipitated strategic pivot that the board and management should formulate and implement to make meaningful headway in achieving our objectives. The pivot will give GMHC a position that will expand it way into the future.

My fellow board members have demonstrated that their main objective is to serve the community in which they live. They have demonstrated flexibility in their strategic reaction to the needs of the community they serve. I am indeed proud to be part of a team that genuinely cares about the societal and financial wellbeing of its customers. The board and its management displayed a collective dedication and commitment that exceeded expectation. They have made my fiduciary responsibility light and enjoyable to carry with the support and leadership that they have demonstrated towards me, with our ulitmate goal being the fulfilment of GMHC's objectives, both for the short term and the long one.

This has resulted in achieving a clean audit year after year.







CONCLUSION

I, therefore, would like to extend my gratitude to my fellow Board members and the management and staff for their commitment in these very difficult financial and social times. I am humbled by your empathy and commitment to keep this "Shosholoza meyl" going. In the last lap of our race 2019 to 2024, that we are running, we will continue to strive to keep our eyes on the prize and run beyond the finish line. We will exert what is left of our energy, focus on our objectives and not drop the baton. We will endeavour to meet our objectives as spelled out in the board's long-term strategy of 2019 to 2024.

Thank you to our important stakeholders and partners, the Social Housing Regulatory Authority, the Mpumalanga Department of Human Settlements and our local authority, Govan Mbeki Municipality, who have continued to give support and to hold our hand tight while we run this race.

I wish you all good health and prosperity as we continue to keep our eyes on the prize, our strategic goals for 2024 and beyond.

This has resulted in achieving a clean audit year after year.

Thank You
Dr Mpho Mohlala
Chairperson – Board of Directors



CHIEF EXECUTIVE OFFICER'S REPORT

The challenging economic environment in which we operate did not manage to tone down our endeavor to achieve the set strategic objectives. We soldiered on, fought on while constantly taking cognizance of our surroundings. Despite the negative influences we have had to endure, economically and socially, we were still able to report a surplus for the reporting period. We weathered the storms and came out alive. However, we are not out of the woods, hence our endeavor to soldier on.

We are still striving to meet the performance benchmarks set by the Social Housing Regulatory Authority. A lot of energy was exerted towards reducing the unit vacancy levels by attracting more people to become our tenants. The biggest challenge we had to face was that of losing 45 % of the stock that was under the management of GMHC. Every possible means was utilized to keep our ship afloat. Strict and harsh measures were put in place to curtail costs and curb debt incurred during the COVID-19 pandemic period.

The last lap of the board's five-year strategic plan is in play. All effort is on enhancing performance in the few months left of the implementation of the strategy by tailor making solutions for specific issues and by discarding parts of the business that are of no value. While doing so, site is not lost of the long term plan, but rather interventions are implemented that will better position GMHC for sustainability. Management and staff carry out these initiatives while upholding GMHC's values in every interaction with each other and with stakeholders.



ECONOMIC ENVIRONMENT

The country's challenging economic environment has not made managing our business any easier. Loadshedding and sometimes water shedding have throttled economic activity, constrained domestic growth and increased the cost of doing business. This has resulted in a raised cost of living for residents of South Africa. Likewise, high inflation and high interest rates have left consumers with limited spending power on goods and services, including rent. GMHC found itself having to take and implement some harsh and unpleasant decisions to keep the business going. We had to discard aspects of the business, some of them being comfort zones, that were impacting negatively on our performance. It became predominantly clear that we were now operating in a new, challenging reality that demanded a fundamental shift in our way of thinking and doing things. This shift was implemented and enhanced our performance. The management and staff displayed resilience, a fighting spirit, commitment and determination to overcome all challenges thrown their way.



AUDIT PERFORMANCE

In the financial year being reported, GMHC, again, obtained a clean audit report from its external auditors, Charlim Consulting Inc. The directors assessed the performance of the company and looked at the future plans. They concluded that they had no reason to believe that GMHC would not be a going concern in the year ahead and into the foreseeable future.



STRATEGY REVIEW

The board embarked on a review of the long-term strategy and an annual operational plan was formulated and approved for the financial year 2022/2023. Generally, the assessment indicated that amid all challenges, the company performed at an acceptable level. Even though the number of units under management decreased, we were still able to meet our financial obligations.

PROJECT DEVELOPMENT

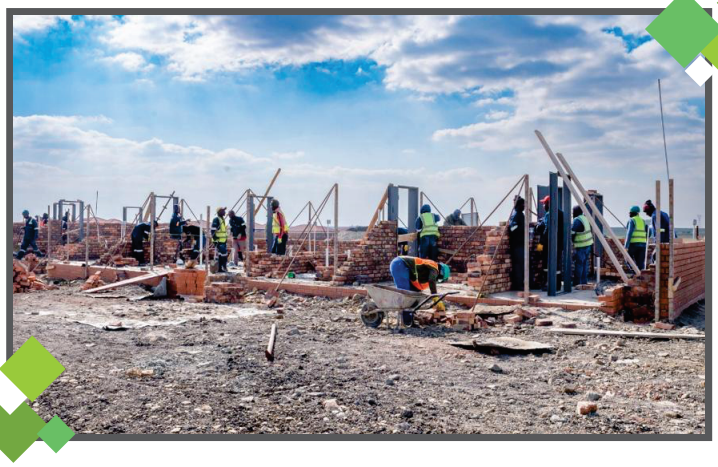
One of GMHC's fundamental strategic objectives is the development of stock. This objective is intertwined with other objectives which would not realise unless this one is implemented. The ultimate goal is self-sustainability, which is only achievable through growth that is focused on increasing the number of units under GMHC's management and ownership.
We strive to enhance GMHC's offering to the market as a value purpose brand. People that prefer to buy and own properties are given the opportunity to do just that, at a more affordable rate when compared with other offerings in the market.



SOCIAL HOUSING DEVELOPMENT

The Kwandokuhle Social Housing project, where 492 rental stock units are being developed, is well underway. The site is buzzing with activity, excavators digging foundation' trenches on one portion, brick layers building wall plates on another, compacting machines compressing soil inside foundations on the other portion, concrete machines pouring concrete for slabs on another. The joy of seeing this buzz and hearing the roaring of the machines' engines is immeasurable. Should the project programme be implemented vigorously, it is envisaged that the project will be completed in November 2024. We look forward to the exhilaration on the day when the first key is handed over to the first tenant to take occupation of the units.

Over 210 job opportunities have been created on this project, with supplies, equipment and machinery sought from local businesses, focus being more on the emerging black entrepreneurs in our municipal area. The people empowerment and capacitation of small businesses is gratifying.







HOME OWNERSHIP DEVELOPMENT

The Esihle Gardens project, where very affordable home ownership units are being developed, is about to commence on its last phase. All house buyers of Phase 1 are living in the comfort of their homes and Phase 2 is sold out, with fifty percent of its buyers having taken occupation of their homes. Sales of Phase 3 will commence shortly.

The progress on our rental stock development and home ownership development affirms that we have not lost sight of our mandate and vision of **"providing access to dignified, affordable and integrated human settlement solutions".**

LOOKING AHEAD

The results of this reporting period give us more zeal to proceed on our upward trajectory. We ought to put in more effort towards the attainment of our goals. The tough economic environment requires that we adapt our ways of working and put in place strategies to ensure that we can protect ourselves and our tenants as much as possible from the impacts of loadshedding and the ever-increasing costs of living. Management and staff must seek innovative ways of delivering positive results on an incremental basis. At a strategic level we will be sharpening our tools and interrogating our systems to enable a consistent growth path that will lead to a sustainable institution.

The year ahead will be a hectic one, where the board will be formulating a strategy for the following five years, 2024-2029. With that acknowledgment in mind, we go into the year ahead in full steam, our focus on completing our first social housing project, the Kwandokuhle Social Housing project.



This will grow and sustain the company, while providing our community with dignified, affordable and integrated human settlements solutions, especially the primary target market who will be awarded the opportunity of residing in the suburban area while earning a low income. Now more than ever, we are passionate about awarding solutions so that tenants are able to live at a place that is close to work for the parents and close to school for the children and while being close to other social and economic amenities like clinics, police station, town, magistrate's court etc and yet affordable and convenient.







CONCLUSION

I would like to extend my sincere and heartfelt gratitude to the Board for their guidance, expertise and experience displayed at the various board and board' committee meetings during this difficult year. Their dedication and support during these trying times indicate that they are committed to ensuring that GMHC attains its strategic objectives.

The team displayed character and enthusiasm to achieve the set objectives while upholding GMHC's values. Their exceptional perseverance and tenacity during the year of uncertainty did not go unnoticed. They did not give up on GMHC and committed to the cost curtailment measures that were introduced. They worked tirelessly to ensure that the company survived the storms. Well done team and we look forward to a much brighter future that will require us to work even harder.

I would not conclude without conveying a heartfelt thank you to our strategic partners, our local authority, the Govan Mbeki Municipality, the Mpumalanga's Department of Human Settlements and the Social Housing Regularity Authority for holding our hand while we went down the rough lane. My most sincere appreciation and a deep-rooted gratitude is extended to them.

It is with much enthusiasm and optimism that I look forward to the year ahead. I have confidence that GMHC is indeed a trail blazer and will be put on the social housing map once its development is completed. Even more importantly, I am confident that GMHC will leave a lasting and positive impact on the lives of our tenants and the communities we are serving.

Thank you
Busi Mazibuko
Chief Executive Officer



Directors' Responsibilities and Approval

The directors are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements satisfy the financial reporting standards with regards to form and content and present fairly the statement of financial position, results of operations and business of the board, and explain the transactions and financial position of the business of the board at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the board and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the board and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the board and all employees are required to maintain the highest ethical standards in ensuring the board's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the board is on identifying, assessing, managing and monitoring all known forms of risk across the board. While operating risk cannot be fully eliminated, the board endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the directors have no reason to believe that the board will not be a going concern in the foreseeable future. The annual financial statements support the viability of the board.

The annual financial statements have been audited by the independent auditing firm, Charlim Consulting inc, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of the member, the directors and committees of the directors. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditor's unqualified audit report is presented on pages 5 to 6.

The annual financial statements set out on pages 8 to 21, and the supplementary information set out on pages 22 to 23 which have been prepared on the going concern basis, were approved by the directors and were signed on 31 August 2023 on their behalf by:

Dr M Mohlala

LN Mbhele

Govan Mbeki Housing Company NPC

(Registration Number 1995/003207/08)
Annual Financial Statements for the year ended 31 March 2023

Directors' Report

The directors present their report for the year ended 31 March 2023.

1. **Review of activities**

Main business and operations
The board The company is a social housing instituition which provides social housing and property management services. There were no major changes herein during the year.

The operating results and statement of financial position of the board are fully set out in the attached financial statements and do not in our opinion require any further comment.

2. **Going concern**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. **Events after reporting date**

All events subsequent to the date of the annual financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the board.

4. **Directors**

The directors of the board during the year and up to the date of this report are as follows:
Dr M Mohlala
RM Jansen
ZL Mahlangu
LNM Mazibuko
LN Mbhele

5. **Secretary**

The board's designated secretary is LB Mbhele.

6. **Independent Auditors**

Charlim Consulting inc were the independent auditors for the year under review.

INDEPENDENT AUDITOR'S REPORT

To the Directors of Govan Mbeki Housing Company NPC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Govan Mbeki Housing Company NPC** which comprise the statement of financial position as at **March 31, 2023**, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at **March 31, 2023**, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Charlim Consulting Inc
Director: Charles Mogobene CA(SA) RA
072 797 1553 | info@charlim.co.za | www.charlim.co.za
Firm IRBA number: 07815 | Individual IRBA Number: 68172
21 Ismini Office Park, Hillary Street, Polokwane, Limpopo, 0699

The engagement partner on the audit resulting in this independent auditor's report is **Charles Mogobene.**

Charlim Consulting Inc.
Registered Auditor

21 Ismini office park
Hillary street
Polokwane,
Limpopo,
0699

15 November 2023

Report of the Compiler

To the Directors of Govan Mbeki Housing Company NPC

We have compiled the accompanying financial statements of Govan Mbeki Housing Company NPC based on information you have provided. These financial statements comprise the statement of financial position as at 31 March 2023, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

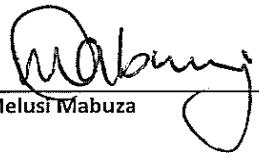
We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

31 August 2023



Melusi Mabuza

Business Accountant in Practice(SA)

42 Pietersburg Road
Evander
2280

