



Germiston Phase 2 Housing Company (PTY) LTD.

ANNUAL REPORT 2024-2025





Germiston Phase 2 Housing Company (PTY) LTD.

The creative social and rental housing agency.



Contents

CONTENTS	3
CHAPTER 1 – CHAIRPERSON’S FOREWORD AND EXECUTIVE SUMMARY	6
COMPONENT A: CHAIRPERSON’S FOREWORD	7
COMPONENT B: EXECUTIVE SUMMARY	9
1.1 CEO’S OVERVIEW	9
1.2 ENTITY FUNCTIONS, POPULATION, AND ENVIRONMENTAL OVERVIEW	11
1.3 SERVICE DELIVERY OVERVIEW	13
1.4 FINANCIAL HEALTH OVERVIEW	14
1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW	15
1.6 AUDITOR-GENERAL REPORT	16
1.7 STATUTORY ANNUAL REPORT PROCESS	16
CHAPTER 2 – GOVERNANCE	17
COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE	19
2.1 POLITICAL GOVERNANCE	19
2.2 ADMINISTRATIVE GOVERNANCE	21
COMPONENT B: INTERGOVERNMENTAL RELATIONS	23
COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION	25
2.4 PUBLIC MEETINGS	25
2.5 IDP PARTICIPATION AND ALIGNMENT	26
COMPONENT D: CORPORATE GOVERNANCE	27
2.6 RISK MANAGEMENT	28
2.7 ANTI-CORRUPTION AND FRAUD	28
2.8 SUPPLY CHAIN MANAGEMENT	28
2.9 BY-LAWS	28
2.10 WEBSITES	28
2.11 PUBLIC SATISFACTION ON ENTITY SERVICES	29
CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)	30
COMPONENT A: PROPERTY MANAGEMENT	32
3.1 REPAIRS AND GENERAL MAINTENANCE	32
3.2 SECURITY SERVICES	33
3.3 CLEANING AND GARDENING SERVICES	33
COMPONENT B: PROPERTY DEVELOPMENT	34
3.4 MANAGEMENT OF STOCK TRANSFER PROCESS	34
3.5 PROJECT IMPLEMENTATION	35
3.6 PROJECT PACKAGING PROGRAMME	35
3.6 BUILDING ACQUISITION FRAMEWORK AND PROGRAMMING	36
COMPONENT C: COMMUNITY DEVELOPMENT	39
3.7 COMMUNITY DEVELOPMENT ACTIVITIES	39
3.8 FINANCIAL SERVICES	44
3.9 HUMAN RESOURCE SERVICES	44
3.10 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES	47
3.11 PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES	51
COMPONENT J: MISCELLANEOUS	54
COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD	55
COMPONENT D: ORGANISATIONAL PERFORMANCE SCORECARD	57

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE	61
(PERFORMANCE REPORT PART II)	61
COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL	64
4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES	64
COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE	66
4.2 POLICIES	66
4.3 INJURIES, SICKNESS AND SUSPENSIONS	67
4.4 PERFORMANCE REWARDS	69
COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE	69
4.5 SKILLS DEVELOPMENT AND TRAINING	70
COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE	72
4.6 EMPLOYEE EXPENDITURE	72
CHAPTER 5 – FINANCIAL PERFORMANCE	75
COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE	75
5.1 STATEMENTS OF FINANCIAL PERFORMANCE	76
5.2 GRANTS	78
5.3 ASSET MANAGEMENT	78
5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS	79
COMPONENT B: SPENDING AGAINST CAPITAL BUDGET	83
5.5 CAPITAL/ EXPENDITURE	83
COMPONENT C: CASHFLOW MANAGEMENT AND INVESTMENTS	83
5.6 CASH FLOW	83
5.7 BORROWING AND INVESTMENTS	84
5.4 PUBLIC-PRIVATE PARTNERSHIPS	84
COMPONENT D: OTHER FINANCIAL MATTERS	85
5.9 SUPPLY CHAIN MANAGEMENT	85
5.10 GRAP COMPLIANCE	85
EHC TEAM	85
CHAPTER 6	86
COMPONENT A: Auditor-General report	87
COMPONENT B: AUDITOR-GENERAL OPINION 2024/25 (CURRENT YEAR)	95
6.2 AUDITOR-GENERAL REPORT 2024/25-(CURRENT YEAR)	95
GLOSSARY	96



APPENDICES**97**

APPENDIX A – BOARD; COMMITTEE ALLOCATION AND BOARD ATTENDANCE	98
APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES	98
APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE	98
APPENDIX D – FUNCTIONS ENTITY -COSEC	99
APPENDIX E – WARD REPORTING	99
APPENDIX F1 -F3 – WARD INFORMATION	99
APPENDIX G – RECOMMENDATIONS OF THE municipal AUDIT COMMITTEE 2024/25 – Audit Committee	100
APPENDIX H – LONG-TERM CONTRACTS AND PUBLIC-PRIVATE PARTNERSHIPS	101
APPENDIX (H2) – LONG-TERM CONTRACTS AND PUBLIC-PRIVATE PARTNERS PHELADI	101
APPENDIX I – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE	101
APPENDIX J – DISCLOSURES OF FINANCIAL INTEREST	102
APPENDIX K (i): REVENUE COLLECTION PERFORMANCE	102
APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE	102
APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG	103
APPENDIX M: CAPITAL EXPENDITURE – NEW & UPGRADE/RENEWAL PROGRAMMES	103
APPENDIX M (i): CAPITAL EXPENDITURE – NEW ASSETS PROGRAMME	104
APPENDIX M (ii): CAPITAL EXPENDITURE – UPGRADE/RENEWAL PROGRAMME	105
APPENDIX N – CAPITAL PROGRAMME BY PROJECT 2024/25	105
APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD 2024/25	105
APPENDIX P – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS	106
APPENDIX Q – SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION	106
APPENDIX R – DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY	106
APPENDIX S – DECLARATION OF RETURNS NOT MADE IN DUE TIME UNDER MFMA S71	106
APPENDIX T – NATIONAL AND PROVINCIAL OUTCOMES FOR LOCAL GOVERNMENT	106

VOLUME II: ANNUAL FINANCIAL STATEMENTS**107**

CHAPTER 1

CHAIRPERSON'S FOREWORD AND EXECUTIVE SUMMARY





COMPONENT A: CHAIRPERSON'S FOREWORD

a. Vision and Governance Oversight

The Ekurhuleni Housing Company (EHC) continues to operate within a well-defined governance and strategic framework. The Executive Authority of the Entity resides with the Member of the Mayoral Committee (MMC) for Human Settlements, who oversees EHC's alignment with the City of Ekurhuleni's broader human settlements agenda. The MMC ensures that EHC's operations and initiatives support the transformation and development of integrated and sustainable communities.

The Board of Directors, designated as the Accounting Authority in terms of the Municipal Finance Management Act (MFMA), is accountable for ensuring sound governance and financial management. Guided by a King IV-aligned Board Charter, the Board embraces principles of ethical leadership, transparency, and stakeholder inclusivity. These principles underpin all oversight activities to ensure that EHC fulfils its mandate responsibly and sustainably.

The Board is composed of highly skilled non-executive directors who offer strategic direction across diverse disciplines, including legal affairs, project management, economics, compliance, and stakeholder engagement. This collective expertise ensures robust oversight and responsiveness to the evolving dynamics of the social housing sector.

b. Key Policy Developments:

EHC's strategic direction is aligned with key national, provincial, and municipal frameworks, including the National Development Plan (NDP), the Human Settlements Strategic Plan, and the City of Ekurhuleni's Growth and Development Strategy 2055 (CoE GDSS 2055). In particular, the NDP underscores the need to upgrade informal settlements, enhance spatial planning, densify urban areas, and improve access to well-located housing.

EHC's strategic objectives are shaped by an environmental analysis, stakeholder priorities, and service delivery challenges. These objectives seek to improve performance, foster stakeholder partnerships, and provide quality living environments. They are encapsulated in the Entity's Service Delivery Agreement and are central to our transformation into a customer-centric, high-performing housing provider.

c. Key Service Delivery Improvements:

EHC is currently undergoing a comprehensive turnaround process, aimed at strengthening operational effectiveness and improving financial sustainability. This strategy is critical for future success, though it is constrained by limited increases in operational grant funding.

In response, the Social Housing Regulatory Authority (SHRA) has approved a capacitation grant for implementation in the first quarter of the 2024/25 financial year. This support will bolster EHC's institutional capacity and accelerate turnaround efforts. The SHRA is also facilitating the appointment of a capacitation service provider to drive this intervention.

We are deeply appreciative of the unwavering support provided by the Shareholder, whose commitment remains pivotal in navigating current challenges and unlocking opportunities for institutional renewal.

d. Public Participation:

Stakeholder management has been identified as a critical success factor in our turnaround efforts. Rebuilding trust with tenants and fostering constructive relationships with all stakeholders—particularly communities, political leadership, and regulators—is central to restoring operational stability.

To this end, EHC is prioritising transparent communication, tenant engagement, and the resolution of concerns in a collaborative manner. The political arm of government continues to play a vital role in supporting the Entity's policy advocacy and enabling environment for improved performance.

e. Future Actions:

As the turnaround strategy unfolds, the Board remains committed to flexibility and resilience in responding to changing circumstances. While agility is important, we also recognise the need to avoid excessive reactivity that could disrupt strategic continuity.

EHC will uphold the highest standards of transparency, accountability, and integrity throughout this journey. These values form the foundation of stakeholder trust and are integral to driving sustainable change and enhancing organisational culture.

f. Agreements/Partnerships

The Board is encouraged by ongoing partnerships with the SHRA and the National Association of Social Housing Organisations (NASHO), which play an essential role in ensuring regulatory compliance and sectoral alignment.

Looking forward, enhanced collaboration with public-private partners will be pursued to improve planning, delivery and impact of social housing projects. These partnerships will enable knowledge sharing, innovative funding mechanisms and improved project implementation – all critical to the sustainable expansion of affordable housing in the City.

The Board appreciates the continued support and strategic guidance from the Shareholder in advancing these partnerships and ensuring the successful delivery of EHC's mandate.

g. Conclusion and Outlook

Sustaining liquidity and operational viability remains a key area of focus for the Board. The current operating environment presents significant constraints, including rental boycotts, low collection rates and budget limitations. However, EHC remains resolute and optimistic in addressing these challenges.

This annual report serves not only as a reflection of our current state but also as a statement of intent – our strategic response to adversity and our vision for renewal. Through a united, forward-looking approach, we are confident in our ability to transform obstacles into opportunities and position EHC for long-term success.

As we continue on this journey, we reaffirm our commitment to excellence, good governance and the delivery of dignified housing solutions to the residents of Ekurhuleni.



Lumko Mtimde

**Chairperson of the Board
Ekurhuleni Housing Company**





COMPONENT B: EXECUTIVE SUMMARY

1.1. CEO'S OVERVIEW

The Ekurhuleni Housing Company (EHC) is a City of Ekurhuleni (CoE) municipal entity entrusted with the mandate of the development and management of social and rental housing across the entire City landscape. The EHC is also regulated by the Social Housing Regulatory Authority (SHRA). This annual report seeks to provide an account of how the entity has been able to discharge its mandate in the period of the 2024/25 Financial Year. The activities of the Entity derive from and are equally guided by its set strategic objectives. The key strategic objectives set by the Board are the following.

- Improved financial sustainability,
- Improved administration and control,
- Re-established relationships between EHC and its tenants,
- Development of a functional and capacitated organisation,
- Portfolio expansion.

Analysis of the Environment (2024/25)

The 2024/25 financial year marked a pivotal period for the EHC as the entity intensified the implementation of its turnaround strategy to restore financial sustainability, strengthen governance and enhance service delivery to tenants across its portfolio.

1. Financial Performance

Revenue collection remained below the 60% target throughout the year, reflecting the persistent challenge of non-payment and illegal occupation.

- Collection performance showed modest improvement from 21% in Q3 to 24% in Q4, with Chris Hani achieving the strongest results at 78%.
- New Delville demonstrated notable progress, improving from 21% in Q3 to 42% in Q4, while Pharoe Park, Airport Park and Old Delville lagged significantly.
- The debtors' book increased from R249.6m (April) to R260.9m (March 2025), inclusive of R3.6m in interest charges.

Despite these challenges, a robust credit control programme, coupled with targeted legal interventions and tenant regularisation efforts, laid the foundation for stronger recovery in the coming year.

2. Operational Interventions

The year was characterised by decisive interventions aimed at reclaiming control of hijacked properties and improving security.

- The Pharoe Park mass eviction (August 2025) represented a significant milestone, restoring the integrity of the complex.
- Legal processes for Airport Park and Delville (Ext. 3 & 9) advanced, with evictions scheduled for the first half of 2025/26.

- To address ongoing security breaches, the Entity initiated the rollout of digital access control systems, beginning at Pharoe Park with a total budget of R4.5m allocated.

3. Governance & Compliance

The entity continued to strengthen governance and compliance frameworks:

- Achieved an unqualified audit opinion with no material findings;
- Implemented 76% of 37 risk management action plans, reflecting strong alignment with shareholder governance standards.

4. Property & Tenant Management

Property management operations remained constrained by illegal occupancy and arrears.

- Only 332 units were regularised with valid lease agreements, while 1102 units were occupied without valid leases.
- Tenant complaints increased, particularly at Delville Ext. 9 and Chris Hani, linked to stricter credit control enforcement.
- Staffing gaps in property management functions were mitigated through temporary support from CoE cadets, strengthening operational capacity.

5. Development Portfolio

Stalled and delayed projects remained a key area of concern.

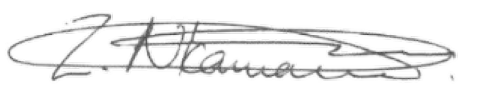
- Airport Park Ext. 2 (16 units, 55% complete) and Queen Street (20 units, 82% complete) could not be completed due to contractor non-performance, which required replacement contractors.
- Clayville Ext. 45, Kempton Park and Vosloorus Ext. 9 projects were delayed due to budget constraints, planning bottlenecks and unresolved land issues.
- The entity actively engaged Social Housing Regulatory Authority (SHRA), Development Bank of Southern Africa (DBSA), Gauteng Partnership Fund (GPF), and National Treasury to explore alternative financing models, including Public-Private Partnership (PPP) arrangements, to unlock delivery.

6. Human Capital & Change Management

During the financial year, EHC focused on employee wellness, change management and strengthening organisational capacity to support strategic objectives. In collaboration with the CoE Employee Wellness Division, group sessions were held under the theme Self-Empowerment Through Changing Times to build resilience and encourage employee ownership during periods of organisational transformation.

- Critical appointments were made to key leadership positions to enhance operational effectiveness and governance:
 - Chief Executive Officer (CEO)
 - Chief Financial Officer (CFO)
 - Company Secretary/Head Legal Services
 - Executive Manager: Corporate Services, including the ICT Officer.

These appointments ensure that EHC has strong leadership and skilled personnel to drive improved financial sustainability, administration, tenant engagement and the rollout of strategic initiatives.



Zingisani Nkamana

CEO

Overall Performance

The year reflected incremental but tangible progress in stabilising operations and governance. While rental collections and illegal occupancy remain pressing challenges, notable gains were achieved in compliance, tenant regularisation and security interventions. Importantly, the successful Pharo Park eviction demonstrated the entity's capacity to enforce accountability and reclaim hijacked stock.

Looking ahead, EHC will continue implementing its turnaround plan with a focus on revenue collection, portfolio recovery, funding partnerships and tenant management, ensuring that the organisation fulfils its mandate of providing sustainable and affordable rental housing for the residents of Ekurhuleni.



1.2. ENTITY FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

INTRODUCTION TO BACKGROUND DATA

The establishment of the EHC was necessitated by the following:

- Affordable housing, specifically rental and social housing delivery and support, is institutionally, managerially and technically complex, as demonstrated in the analysis of past performance under Section 2.
- The EHC must act on behalf of the City to ensure that it fulfils its obligations in terms of the Service Delivery Agreement (SDA) and that the interests of the government are protected in all facets of the programme.
- The size and complexity of the programmes require integrated risk management during the development phase that involves construction monitoring and implementation phase and post-take-on and letting of qualifying beneficiaries, combining effective client services management and property management, efficient financial management and administration along with mandatory monitoring and evaluation.
- A single point of accountability was needed for all aspects of the Social Housing Institution and the conditional grants (the historical restructuring capital grants and institutional subsidies).
- Once a project has been developed, it must be ensured that the asset that has been developed through public funds is adequately managed to preserve the funds invested for use by future generations.
- It must be ensured that the agreed performance targets are reached and maintained by the municipal-owned entity, EHC

T 1.2.1

POPULATION DETAILS

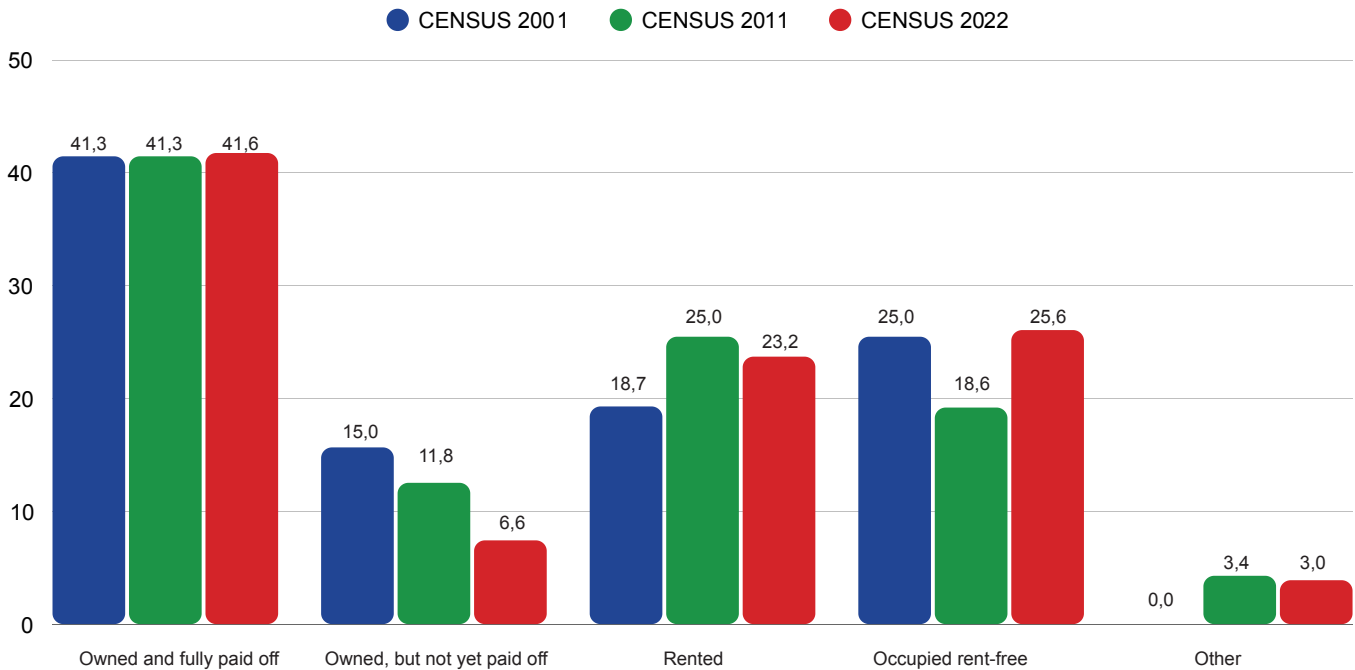
The CoE's population has grown exponentially by 6% from an estimated 3 379 104 in 2016 to 4 066 691 in 2022, with a percentage change of 27.94%; its current population represents approximately 6% of the total population of South Africa (Stats SA: 2022). It is projected that the population of the city will grow at a slower rate, at less than 2%, resulting in an expected number of residents over five million by 2030 and 8.8 million residents by 2050. An important feature of this growth in the population is the net migration into the city. Statistics South Africa's Census 2022 defines migration as a change in a person's permanent or usual place of residence, (Stats SA, 2022:38). The CoE, just like Tshwane and Johannesburg, is one of the largest recipients of immigration in the country.

Table 1.1 below illustrates the migration pattern of the city's population in the Gauteng province.

Province of previous residence	Province of usual residence									In-Migration	Out-migration	Net-migration	Turn Over
	WC	EC	NC	FS	KZN	NW	GP	MP	LP				
Western Cape	6 706 820	60 082	8 916	3 564	7 615	2 400	25 780	1 825	2 338	406 549	112 520	294 029	519 069
Eastern Cape	124 225	6 792 242	2 823	8 051	38 941	10 226	54 323	5 153	3 100	184 213	246 842	-62 629	431 055
Northern Cape	11 098	2 751	2 751	3 738	1 046	5 198	6 576	897	978	44 367	32 282	12 094	76 658
Free State	12 823	7 457	7 457	2 778 654	5 200	9 879	36 289	3 940	2 594	73 643	83 521	-9 878	157 164
Kwa-Zulu Natal	25 730	21 091	21 091	6 337	11 793 136	3 835	100 052	17 505	3 342	169 183	179 250	-10 067	348 433
Northwest	8 344	4 935	4 935	6 478	2 578	3 522 544	56 780	3 184	7 439	146 262	98 987	47 275	245 249
Gauteng	97 972	46 820	46 820	24 183	53 810	58 128	13 734 733	42 394	64 486	795 330	395 977	399 353	1 191 307
Mpumalanga	8 176	3 922	3 922	3 956	9 154	5 796	70 811	4 852 153	16 669	132 459	119 809	12 650	252 268
Limpopo	7 540	3 457	1510	2 692	3 495	14 424	161 877	20 342	6 197 192	100 946	215 274	-114 328	316 220
Outside SA	110 641	33 698	5 672	14 707	47 344	36 376	282 842	37 219	50 411				

The growing demand for housing has forced the city to look into expansion plans in order to allow the residents on the periphery to live well. below shows that, in 2016, approximately 53% of the households within the city lived in fully paid-off properties or properties that were in the process of being fully paid off whereas 22% of those households lived in properties that had been rented out from private individuals and 11% of households were renting from the state, including the municipality and social housing schemes subsidised by the government.

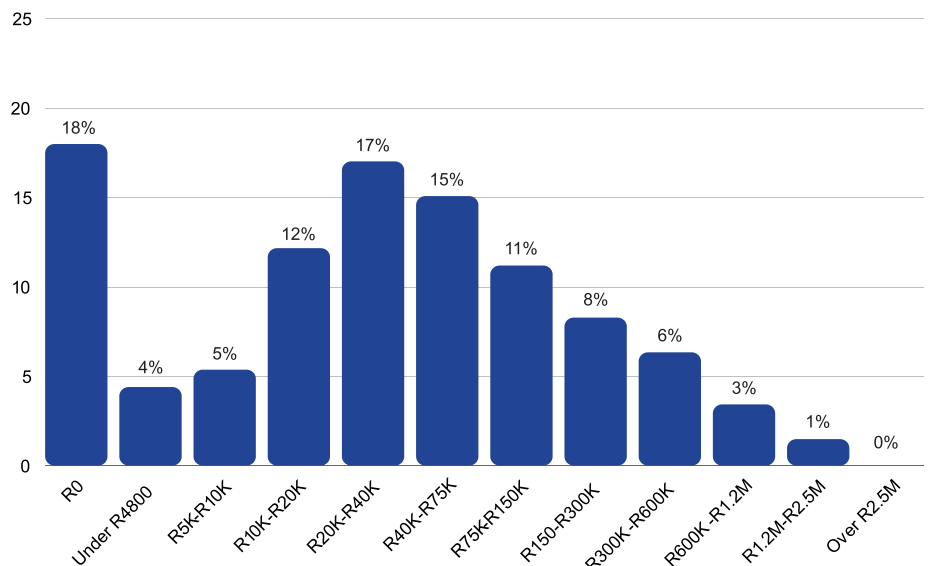
Social Upward Mobility Trends - Human Settlement Buildings



Statistics South Africa Census 2011 showed that the average annual household income within the City was R29 400, which was the same in Gauteng and South Africa. At the time, 56% of households had an annual household income lower than R40 000.00. This trend may have improved since 2011, however, job losses and salary cuts during COVID-19 may have affected the average annual income as well. There were no updated income figures provided during the Community Survey 2016; as a result, the City continued to review its indigent policy to look at different income categories and to rationalise the provision of free basic services.

The main target market for the EHC is comprised of home seekers whose household incomes meet the criteria for the restructuring capital grant (RCG) and institutional housing subsidy. Beneficiaries' household income must be between R1 850 and R22 000 per month.

Annual Household Income



Annual Household Income R29 400

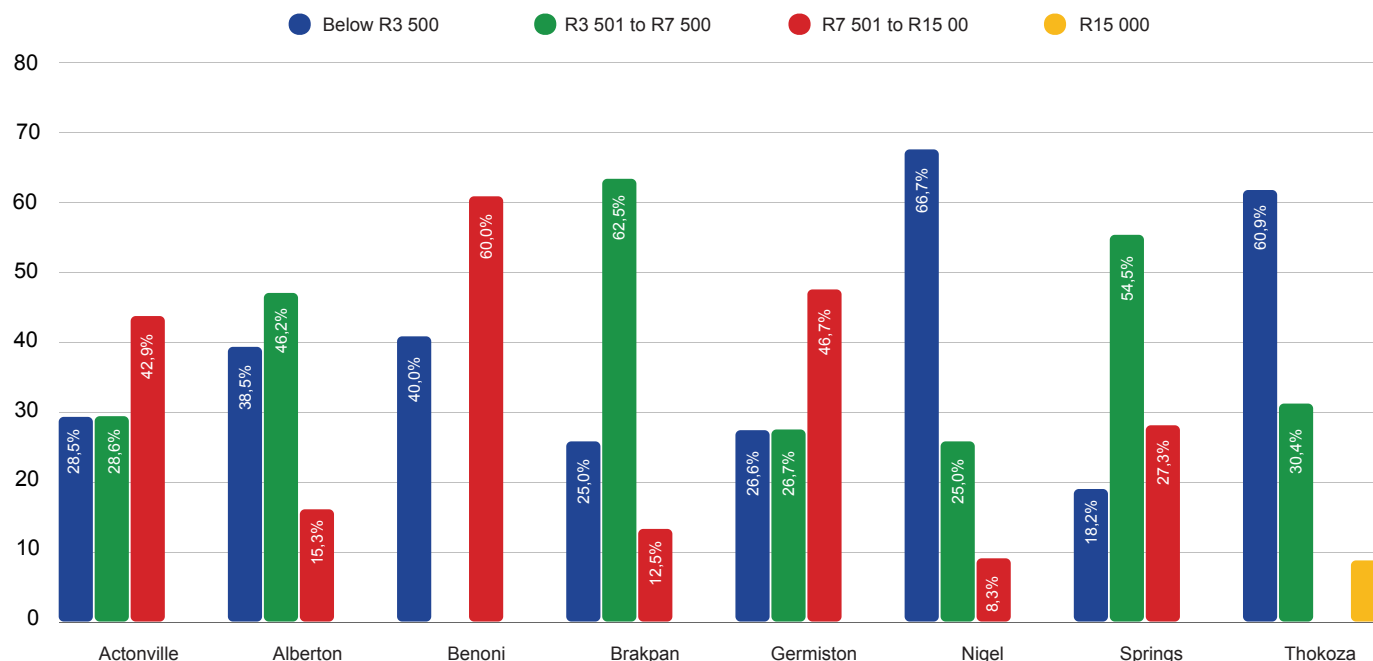
Annual Household Income

About the same as amount as the amount in Gauteng: R29 400

About the same as amount as the amount in Gauteng: R29 400

The social housing market is estimated to consist of approximately 324 000 units in Ekurhuleni. To grow and contribute to this market, the EHC is expected to develop a significant portion of housing units. To direct our future contribution to social housing, CoE must be directed by the spatial orientation of existing infrastructure and the developmental plans of a city.

Social Upward Mobility Trends - Human Settlement Buildings



1.3. SERVICE DELIVERY OVERVIEW

SERVICE DELIVERY INTRODUCTION

The Entity's ability to deliver on its mandate is underpinned by its financial sustainability, which remains a key risk area. Financial performance is primarily reliant on rental collections from tenants; however, the collection rate is currently below target. This shortfall is driven largely by rent boycotts, with certain tenants asserting ownership claims over the units they occupy.

Efforts to enforce credit control are further hampered by illegal electricity connections, the non-renewal of lease agreements, unlawful occupation arising from the hijacking of rental units and rescission applications contesting eviction orders.

Despite these challenges, EHC continues to monitor liquidity levels to ensure compliance with financial requirements and to meet its obligations timeously. While occupancy rates across rental units remain high, the low collection levels place additional pressure on revenue streams and contribute to rising operational and maintenance costs.

To mitigate these risks and improve service delivery, the following interventions are being implemented:

- Rental disputes to be referred to the Rental Tribunal;
- Completion of the tenant verification process to strengthen lease management: Operation Ziveze;
- Rollout of access control systems to enhance security and reduce unlawful occupation;
- Performance management of outsourced debt collection services to optimise recoveries.
- Other credit control activities.

T 1.3.1

COMMENT ON ACCESS TO BASIC SERVICES

The Entity's ability to provide sustainable access to basic services is directly linked to rental income collections. The targeted annual collection rate, in line with the requirements of the City of Ekurhuleni (CoE) and the Social Housing Regulator, is 95%. For the reporting period, the actual collection rate achieved was 24%, representing underperformance against the target.

Key contributing factors to underperformance include the following:

- Tenant boycotts in protest against rental payments;
- Tenant strikes and acts of vandalism, including damage to EHC property and obstruction of access;
- Illegal electricity connections;
- Unlawful occupation and unauthorised subletting of units;
- Non-renewal of tenant leases upon expiry and inadequate maintenance of master data records.

In response, a diagnostic analysis was conducted to identify the root causes of EHC's operational and financial challenges. The findings highlighted that low rental collections, combined with a high cost structure, were critical threats to the organisation's sustainability.

Turnaround strategy

Following the diagnostic phase, a turnaround strategy was developed in collaboration with the EHC Executive Committee. The strategy is currently being implemented, and it is centred on achieving the following strategic outcomes to secure the long-term viability of the Entity:

1. Improved financial sustainability through enhanced collection rates and cost management;
2. Improved administration and control, including stronger governance and operational processes;
3. Re-establishment of relationships with tenants to foster trust, communication and cooperation;
4. Development of a functional and capacitated organisation to ensure adequate resources, skills and systems to meet service delivery objectives.

T 1.3.3

1.4. FINANCIAL HEALTH OVERVIEW

FINANCIAL OVERVIEW

The Ekurhuleni Housing Company's (EHC) financial health is significantly compromised by sustained periods of deteriorated revenue collection. The entity is challenged to maintain the existing rental stock while the collection rate for the financial year was 24% (20% 2023/24), indicating a 4% improvement from the prior year. The targeted collection rate is 60%.

The Entity is experiencing a low collection rate on its rental income, mainly due to rental boycotts, hijacking of units, and, in certain instances, tenants not being able to meet their rental obligations due to affordability worsened by the general increase in cost of living.

Due to a rapid increase in defaulting tenants on rental payments, as of 30 June 2025, the provision for bad debt impairment is R57 million (2023/24: R60.1 million). The total debt written off for the year was R101.8 million (2023/24: R4,4 million).

Cash received from rentals per month is about R1.3 million on average. The budgeted rental revenue per month is R4.8 million. There is therefore a shortfall of R3.5 million per month. Due to the nature of the Entity's product offering and the resultant revenue, the entity is dependent on a City of Ekurhuleni (CoE) grant to augment the shortfall in revenue to fund essential operating costs.

EHC received the following grants in this financial year:

- 20.5 million operational grant from CoE;
- R 1.8 million conditional grant from the Social Housing Regulatory Authority (SHRA) (conditions met for the Germiston Fire Station Phase 2).

Financial Overview: 2024/25				R' 000
Details	Original budget	Adjustment Budget	Actual	
Grants	19 246	23 318	25 645	
Taxes, Levies and tariffs	-	-	-	
Other	64 816	82 851	86 315	
Sub Total	84 062	106 169	111 960	
Less: Expenditure	83 628	101 492	171 393	
Net Total*	434	4 677	-59 433	
* Note: surplus/(defecit)				
				T 1.4.2

Operating Ratios	
Detail	%
Employee cost	17
Repairs and maintenance	1%
Finance charges and impairment	47%
T 1.4.3	

COMMENT ON OPERATING RATIOS

The norm of employee costs ranges between 25% and 40%. EHC's result for the 2024/25 financial year is 17%. The Entity only filled critical vacancies for the period under review.

The repairs and maintenance were 1% of the total expenditure. EHC is restricted by the low collection rate in its rental complexes. The entity is highly dependent on restricted grant funding to fund the operational costs. Due to the low collection rate, the budget for maintenance in the complexes is limited. The entity is challenged by the ageing of its stock portfolio, which requires additional maintenance.

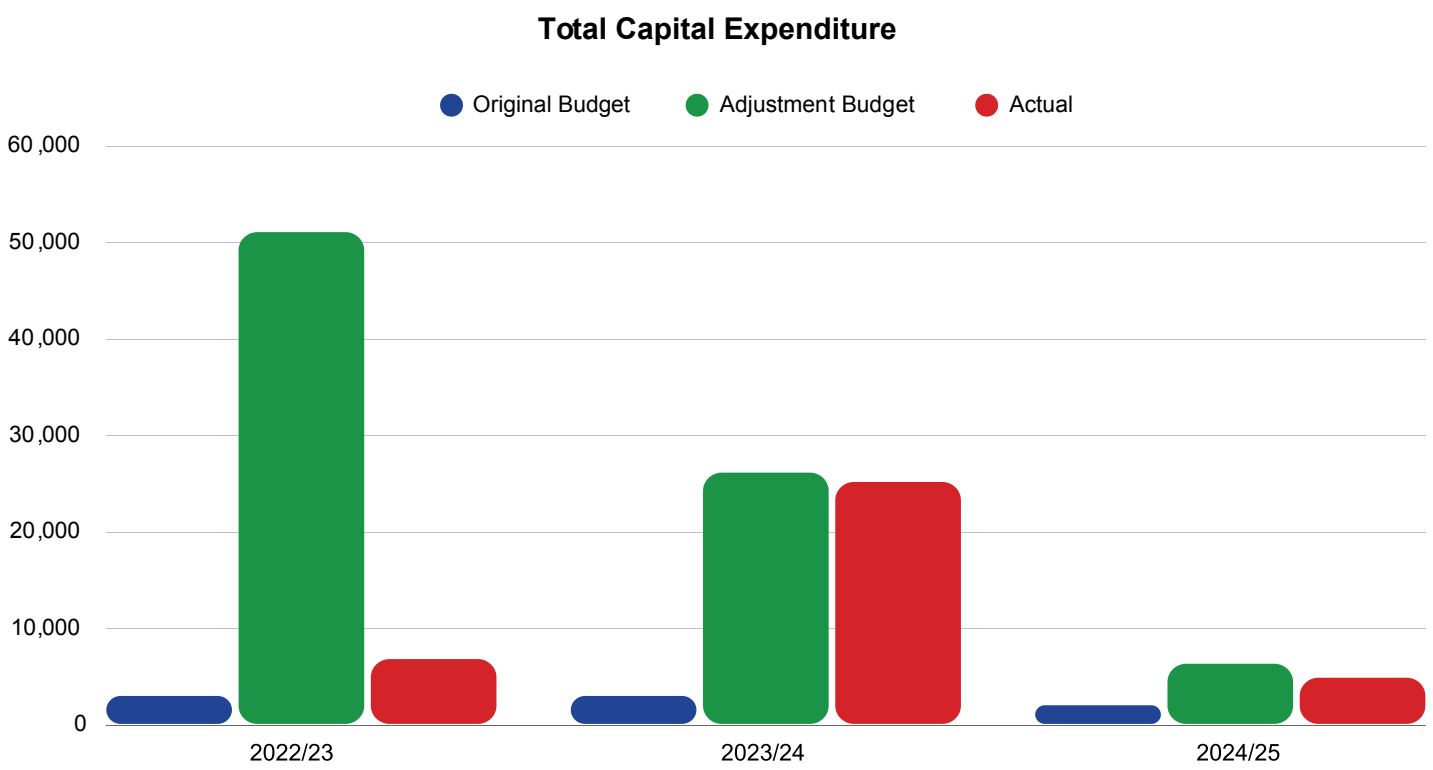
The finance charges and impairment ratio are high due to declined revenue collections and an increase in long-outstanding debt, resulting in debt impairment of R57 million.

Total Capital Expenditure: 2022/23 to 2024/25			
	2022/23	2023/24	2024/25
Original Budget	1 313	1 379	434
Adjustment Budget	50 542	24 481	4 677
Actual	5 471	24 130	2 961
			T 1.4.4

COMMENT ON CAPITAL EXPENDITURE

The original approved budget was R434 403. The budget was adjusted in the current year. The final approved budget was R4.8 million. The budget was adjusted to assist the Entity with the turnaround strategy initiatives, such as access control and a vehicle to be able to do minor repairs and maintenance in-house.

T 1.4.5.



1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

ORGANISATIONAL DEVELOPMENT PERFORMANCE

Throughout the 2024/25 financial year, Ekurhuleni Housing Company (EHC) implemented its turnaround strategy to enhance organisational performance and operational capacity.

Revenue collection showed incremental improvements from Q1 to Q4. This was supported by targeted interventions, eviction processes and access control measures, although sustained rental boycotts and hijacked units continued to impact results.

Governance and risk management were strengthened with the completion of the majority of Risk Action Plans, resolution of all audit findings and no unauthorised, irregular or fruitless expenditure reported.

Property management and development advanced through intensified tenant engagement, improved complaint resolution and ongoing project implementation, with strategic support from Social Housing

Regulatory Authority (SHRA), Development Bank of Southern Africa (DBSA), National Treasury, Gauteng Partnership Fund (GPF), and the City of Ekurhuleni (CoE). Human resources initiatives, including employee wellness programmes and the critical appointments of the Chief Executive Officer, Chief Financial Officer, Company Secretary/Head Legal and Executive Manager: Corporate Services (including ICT), enhanced leadership capacity and operational effectiveness. Collectively, these measures improved financial sustainability, reinforced controls, recognised the housing portfolio and positioned EHC to deliver on its mandate of providing affordable rental housing while fostering a functional and capacitated organisation.

1.6. AUDITOR-GENERAL REPORT

AUDITOR-GENERAL REPORT: YEAR 0 – Unqualified Audit (Clean Audit)
(CURRENT YEAR) Unqualified Audit (Clean Audit)

T 1.6.1

1.7. STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
1	Consideration of the next financial year's budget and Integrated Development Plan (IDP) process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feed seamlessly into the Annual Report process at the end of the budget/IDP implementation period.	July
2	Implementation and monitoring of the approved budget and IDP commences (in-year financial reporting).	
3	Finalise the 4th quarter Report for the previous financial year.	
4	Submit draft year 0 Annual Report to Internal Audit and Auditor-General.	
5	Municipal entities submit draft annual reports to MM.	
6	Audit/Performance committee considers the draft Annual Report of the Audit/Performance committee considers the draft Annual Report of the	August
8	The Mayor tables the unaudited Annual Report.	
9	Municipality submits draft Annual Report, including consolidated annual financial statements and performance report, to Auditor-General.	
10	Annual Performance Report as submitted to the Auditor-General to be provided as input to the IDP Analysis Phase.	
11	Auditor-General audits Annual Reports, including consolidated Annual Financial Statements and performance data.	September – October
12	Municipalities receive and start to address the Auditor-General's comments.	November
13	Mayor tables the Annual Report and Audited Financial Statements to Council complete with the Auditor-General's Report.	
14	Audited Annual Report is made public, and representation is invited.	
15	Oversight Committee assesses Annual Report.	
16	Council adopts Oversight report.	December
17	Oversight report is made public.	
18	Oversight report is submitted to the relevant provincial councils.	
19	Commencement of draft budget/ IDP finalisation for the next financial year. Annual Report and Oversight Reports to be used as input.	January
		T 1.7. 1

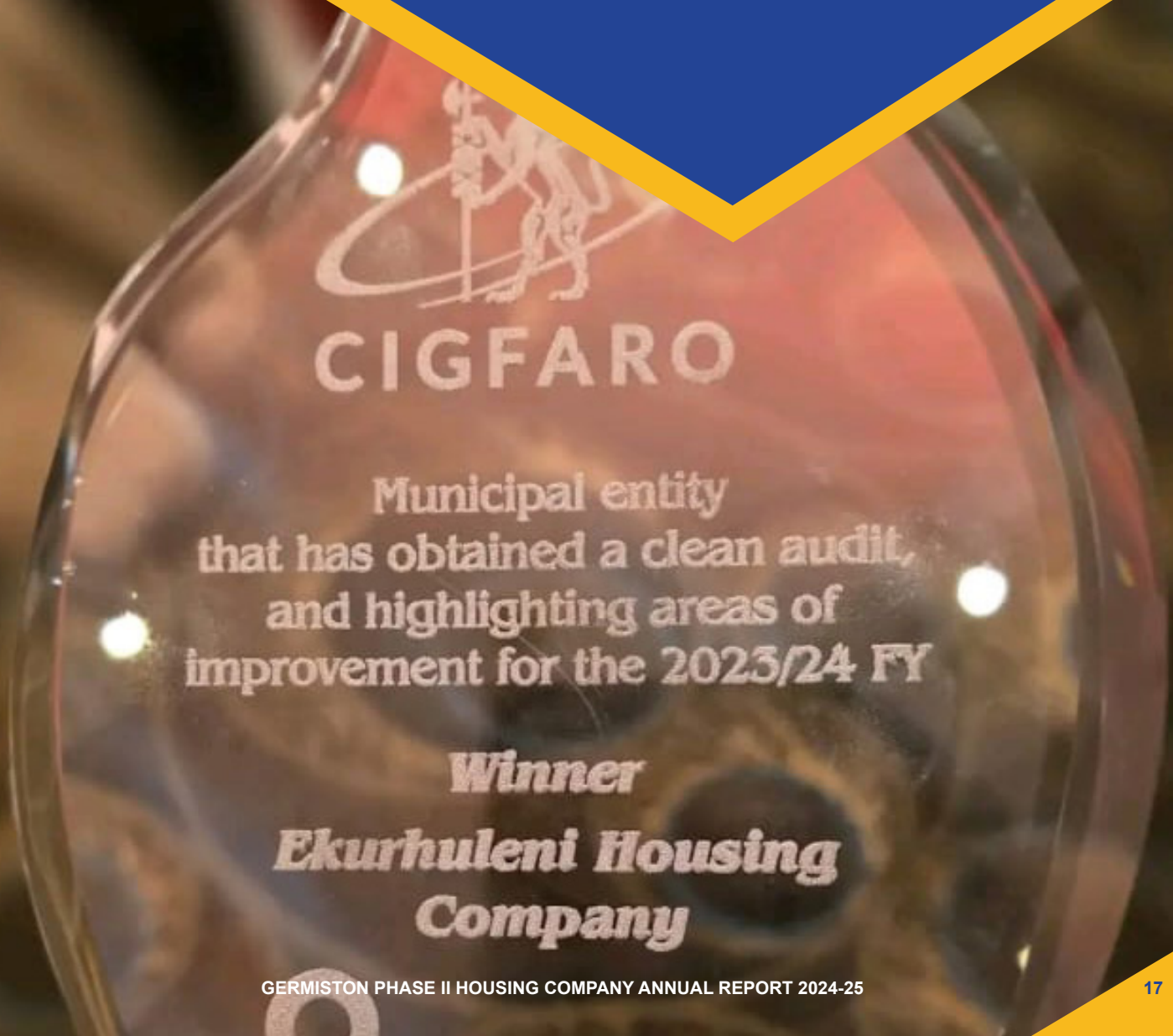
COMMENT ON THE ANNUAL REPORT PROCESS

The table above stipulates the process established by the City of Ekurhuleni (CoE) and the timelines provided. Ekurhuleni Housing Company (EHC) acknowledges the associated risks and remains committed to adhering to the stipulated processes and timelines as set out by the CoE.

T 1.7.1.1

CHAPTER 2

GOVERNANCE





Zaza Ka Malinga
Cosec/Head Legal

GOVERNANCE IN ACTION

The Ekurhuleni Housing Company (EHC) Board operates in accordance with its statutory mandate, ensuring the Entity upholds principles of sound governance, ethical leadership and effective oversight. The Board's responsibilities are grounded in applicable legislation and corporate governance standards, including the King IV Report on Corporate Governance for South Africa, which informs the strategic and ethical direction of the organisation.

The Board is responsible for ensuring that effective internal control systems are established and maintained to mitigate risks and protect the organisation's interests.

A key pillar of effective governance is the support provided by a competent and independent Company Secretary. The Company Secretary is Ms Zaza ka-Malinga and she plays a critical role in, inter alia, advising the Board on governance best practices and legislative compliance; facilitating the efficient functioning of the Board and its Committees; ensuring adherence to the Board's Charter, policies and regulatory requirements; coordinating timely

and accurate communication between the Board, management and stakeholders; managing the preparation and safekeeping of Board documentation and minutes.

This pivotal support ensures that the Board's decisions are informed, properly documented and executed within a robust governance framework.

The Board recognises its role as a custodian of corporate governance and consistently strives to enhance value creation while safeguarding the public interest. Through robust governance structures, clear delegation of authority and an emphasis on performance accountability, the Board ensures that EHC remains a trusted and effective social housing institution.

This commitment positions the Board to guide the Entity in achieving its mandate while maintaining compliance with all regulatory and fiduciary obligations.

BOARD IN ACTION

The EHC Board provides strategic leadership to the EHC within a structured and approved governance framework.

By setting and endorsing the overall strategy and operational goals, the Board directs the EHC's focus and resources towards fulfilling its mandate. Through vigilant oversight, the Board ensures alignment between strategic objectives and operational performance, thereby promoting sustainable growth and organisational resilience.



COMPONENT A:

POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Executive Mayor of the City of Ekurhuleni (CoE) appointed the Board of Directors on 01 March 2024, acting in the capacity of the entity's Shareholder. The Shareholder has expressed the intention to appoint an additional member to the Board in the near future.

The Shareholder's interests are represented by the Member of the Mayoral Committee (MMC) for Human Settlements and the Head of Department (HOD) for Human Settlements, who serve as the representatives in accordance with the Service Delivery Agreement (SDA). The Board and the Entity are accountable to the MMC for Human Settlement and the City Council, and they provide regular updates on their activities.

The strategy for the Entity is executed by three key executives: the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Executive Manager for Corporate Services. They report to the pertinent committees within CoE, such as the Risk Management Committee and the Audit Committee.

T 2.1.0

2.1 POLITICAL GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

The Ekurhuleni Housing Company (EHC) operates within a clearly defined political and administrative governance framework, and it is aligned with the institutional architecture and strategic priorities of the City of Ekurhuleni (CoE or the City).

The Executive Mayor, acting in the capacity of Shareholder Representative, appointed the Board of Directors on 01 March

2024. An additional Board appointment is anticipated to further strengthen governance capacity. The Shareholder's interests are formally represented by the Member of the Mayoral Committee (MMC) for Human Settlements and the Head of Department (HOD) for Human Settlements, in accordance with the Service Delivery Agreement (SDA).

The Board of Directors are accountable to the City Manager, MMC and the CoE Council, to whom it provides regular strategic and operational performance updates. The Oversight Committee, consisting of representatives from the City's governing political parties, plays a critical monitoring role by reviewing quarterly reports submitted by the Entity. These reports address performance trends, service delivery progress and developmental challenges. The Board continues to maintain a positive and constructive working relationship with the MMC, which serves as the primary Shareholder liaison.

As a municipal entity, EHC is mandated to deliver municipal housing-related services on behalf of the City, while operating as a self-contained corporate entity. Although EHC exercises operational independence, the City remains legally responsible for ensuring that services provided by its entities align with municipal objectives, policies and legislative mandates. To this end, EHC's programmes and service delivery plans are embedded within the City's broader Integrated Development Plan (IDP) and policy direction.

Through this integrated governance model, EHC contributes to the City's developmental agenda while maintaining transparency, responsiveness and accountability in the delivery of sustainable human settlements.

T 2.1.1



Lumko Mtimde
Board Chair



Franklin Dikgale
HC-REMSE Chair



Thulisiwe Hanganana
STROPS Chair



Dumisa Hlawula
FINGOV Chair

As part of its commitment to continuous improvement, the Board regularly evaluates its own performance, engages in developmental workshops and maintains open communication with the City's oversight structures. These measures contribute to the Entity's resilience, responsiveness and ability to deliver on its mandate of providing dignified, affordable housing.

COMPOSITION OF THE BOARD

In accordance with its governance responsibilities, the Board of the EHC is empowered to establish and delegate specific functions to Board Committees. These Committees play a vital role in enhancing oversight, improving decision-making efficiency and ensuring compliance with statutory and regulatory frameworks. The Board, however, remains ultimately accountable for all delegated matters.

During the reporting period, the Board operated through three key committees, each chaired by a Non-Executive Director and constituted in line with applicable governance standards and King IV principles. The Committees and their respective compositions are outlined below:

Board member	Capacity	Race	Gender	Designation
D. Hlawula	Non-Executive	A	M	Member
T. Hangana	Non-Executive	A	F	Member
F. Dikgale	Non-Executive	A	M	Member
Mr Lumko Mtimde	Non-Executive	A	M	Board Chairperson

F Dikgale , D -Hlawula and T Hangana

1 March 2022

Board dissolved 22 November 2023

Re-appointed 22 November 2023

Contract ended 29 February 2024

Re- Re-appointed 01 March 2024

L Mtimde

Appointed 1 June 2023

Board dissolved 22 November 2023

Re-appointed 22 November 2023

Contract ended 29 February 2024

Re- appointed 01 March 2024

COMMITTEE COMPOSITIONS

In accordance with its governance responsibilities, the Board of the EHC is empowered to establish and delegate specific functions to Board Committees. These Committees play a vital role in enhancing oversight, improving decision-making efficiency and ensuring compliance with statutory and regulatory frameworks. The Board, however, remains ultimately accountable for all delegated matters.

During the reporting period, the Board operated through three key committees, each chaired by a Non-Executive Director and constituted in line with applicable governance standards and King IV principles. The Committees and their respective compositions are outlined below:

The Board has established the following committees:

Finance and Governance Committee (FINGOV)

Mandate: The FINGOV committee is responsible for oversight of financial performance, budget control and compliance with applicable financial legislation and corporate governance practices. FINGOV committee members include:

Dumisa Hlawula – Chair

Franklin Dikgale – Member

Thulisiwe Hangana – Member

Strategy and Operations & Information Technology Committee (STROPS & IC)

Mandate: This committee oversees the strategic planning process, operational effectiveness, project implementation and alignment of information and communications technology (ICT) infrastructure with the Entity's strategic goals. STROPS committee members include:

Thulisiwe Hangana – Chair

Lumko Mtimde – Member

Franklin Dikgale – Member

Human Capital, Remuneration, Social and Ethics Committee (HC-REMSE)

Mandate: The HC-REMSE committee provides oversight on matters related to human capital management, remuneration frameworks, transformation, ethics and social responsibility. HC-REMSE committee members include:

Franklin Dikgale – Chair

Thulisiwe Hangana – Member

Dumisa Hlawula – Member

BOARD DECISION-TAKING

The EHC Board adheres to a structured and transparent decision-making framework that ensures the integrity and effectiveness of its governance processes.

Resolutions of the Board are passed by a majority vote of the members present at a duly constituted meeting. This approach ensures collective accountability and decisions reflect the shared judgement of the Board.

For urgent matters requiring immediate attention between scheduled meetings, the Board is empowered to adopt round robin resolutions. These resolutions are circulated electronically or in writing and are deemed valid once a majority of the Board members have formally approved them. This mechanism allows for timely and responsive decision-making while maintaining compliance with applicable governance standards.

2.2 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

Ekurhuleni Housing Company (EHC) remains steadfast in its commitment to upholding high standards of administrative governance. The Entity continuously evaluates its internal systems, controls and practices to ensure full compliance with applicable legislation, the prudent use of public funds and adherence to established corporate governance principles.

During the reporting period, sustained efforts were undertaken to strengthen policy alignment and governance maturity. A comprehensive review of internal policies was conducted to enhance relevance, operational clarity and alignment with evolving industry best practices. These policy updates form part of EHC's broader effort to embed a culture of accountability, ethical leadership and performance excellence.

As part of its forward-looking risk governance agenda, the Entity convened a Risk Workshop together with the South African Local Government Association (SALGA) and the Board, which served as a strategic platform to interrogate EHC's strategic, fraud and ethics, and compliance risks. The outcomes of the workshop provided valuable insight into the key interventions required to support the risk environment and improve long-term institutional effectiveness.



TOP ADMINISTRATIVE STRUCTURE



Zingisani Nkamana
Chief Executive Officer

The Board delegates strategic and operational oversight to the CEO, who is entrusted with guiding the organisation in the execution of its strategic objectives. This delegation is exercised within the parameters of the approved Delegations of Authority Framework, ensuring accountability and alignment with the EHC's governance structures.

Their collaborative efforts enable the effective implementation of the EHC's strategic priorities and contribute to the overall sustainability and performance of the Entity.

The CEO is supported by a capable executive team, including the CFO, the Executive Manager: Corporate Services, and the Company Secretary & Head Legal Services. Together, this leadership team is responsible for driving operational excellence, ensuring sound financial management, upholding good governance practices, and maintaining organisational compliance with all legislative and regulatory requirements.



Zaza ka-Malinga
CoSec & Head Legal Services



Quinton Ndukuya
EM: Corporate Services



Nontobeko Ndimande
Chief Financial Officer

COMPONENT B:

INTERGOVERNMENTAL RELATIONS

NATIONAL INTERGOVERNMENTAL STRUCTURES

Ekurhuleni Housing Company (EHC) operates within a clearly defined intergovernmental framework, ensuring its programmes and projects are aligned with national and provincial priorities. This strategic alignment reinforces EHC’s mandate to deliver affordable rental housing while contributing meaningfully to the broader human settlement agenda.

EHC’s delivery model and programme implementation are closely linked to the following key strategies:

Table 2.2: Linkage to national and provincial strategies

Strategic Framework	Strategic Objective	EHC Alignment
Breaking New Ground (BNG)	Ensure that all South Africans live in a safe, secure environment with adequate access to housing.	EHC contributes by delivering affordable, quality social housing developments in well-located areas.
Outcome 8 (National Development Plan Framework)	Achieve sustainable human settlements and improve the quality of household life.	EHC’s projects directly support Outcome 8 by increasing rental stock, upgrading units and promoting urban densification.

By aligning its operations with these strategic imperatives, EHC ensures that its housing programmes are not only contextually relevant but also nationally responsive. The Entity continues to position itself as a key implementing agent in the realisation of the government’s social and spatial transformation goals.

These linkages underscore EHC’s commitment to contributing to integrated, inclusive and sustainable urban development in line with both national and provincial mandates.

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

As part of its co-operative governance approach, EHC actively engages with provincial-level departments and institutions to address broader social and safety-related challenges that impact human settlements. These relationships form part of EHC’s integrated development model, which prioritises community well-being and sustainable living environments.

EHC currently maintains working relationships with the provincial stakeholders noted in Table 2.3:

Stakeholder	Area of Collaboration	EHC Alignment
Breaking New Ground (BNG)	Ensure that all South Africans live in a safe, secure environment with adequate access to housing.	EHC contributes by delivering affordable, quality social housing developments in well-located areas.
Outcome 8 (National Development Plan Framework)	Achieve sustainable human settlements and improve the quality of household life.	EHC’s projects directly support Outcome 8 by increasing rental stock, upgrading units and promoting urban densification.

These intergovernmental partnerships are critical to ensuring that housing delivery is accompanied by social support systems. By working closely with safety and social development agencies, EHC strengthens its ability to build resilient communities and foster a culture of responsible tenancy and community stewardship.

RELATIONSHIPS WITH MUNICIPAL AND OTHER ENTITIES

In line with its commitment to continuous improvement and strategic collaboration, EHC has established constructive working relationships with peer municipal entities across Gauteng.

These engagements support knowledge exchange, operational benchmarking and the alignment of best practices within the affordable and social housing sector.

During the reporting period, the Entity initiated a benchmarking programme as part of its Turnaround Strategy, focusing on enhancing revenue collection, policy efficiency and tenant management practices. These inter-entity relationships are instrumental in shaping responsive, scalable solutions to common challenges.

Table 2.4: Municipal entity engagement summary

Entity	Type	Nature of Engagement	Key Areas of Focus
JOSHCO (Johannesburg Social Housing Co.)	Municipal entity	Benchmarking sessions and strategic exchange	Revenue strategy, lease renewal programmes, shared operational challenges
Tshwane Housing Company	Municipal entity	Peer engagement and knowledge-sharing	Strategic positioning, sectoral integration, governance models
Madulamoho Social Housing	SHI	Operational insight sessions	Tenant management, arrears recovery strategies, community engagement
Own Haven Housing Association	SHI	Best practice exchange, site visits and governance insights	Institutional funding models, maintenance strategies, regulatory compliance
Imizi Housing	SHI	Learning exchange, site visits and strategic discussions	Portfolio performance, occupancy management, social development initiatives

These engagements have yielded valuable insights that are informing ongoing policy reviews and operational reforms. The insights gained from these engagements are currently informing the review of selected operational policies to ensure greater alignment with the objectives of the Turnaround Strategy, focusing particularly on revenue enhancement, tenant management, and financial sustainability.

Through these partnerships, EHC reaffirms its commitment to learning, collaboration and excellence in delivering dignified, affordable housing within a resilient and sustainable governance model.

DISTRICT INTERGOVERNMENTAL STRUCTURES

EHC continues to align its development approach with national, provincial and district-level strategies to support the delivery of sustainable human settlements. This alignment ensures that EHC's projects contribute meaningfully to spatial transformation, improved housing access and the broader human settlements agenda.

Through active participation in district intergovernmental structures, EHC maintains collaborative engagement with various stakeholders in planning, funding and executing social housing interventions. These relationships foster coherence in development planning and ensure that EHC's mandate is fulfilled within the broader government framework.

Table 2.5: Alignment with national and provincial strategies

Policy/Strategy	Strategic Focus	EHC Contribution
Breaking New Ground (BNG)	Promote safe, secure and adequately serviced living environments	EHC delivers well-located, secure rental housing with access to essential services
Outcome 8 (National Development Plan)	Sustainable human settlements and improved quality of household life	EHC contributes through the provision and management of quality social housing units
Sub-output 4 of Outcome 8	Delivery of 80 000 affordable rental units by 2020	EHC aligns its pipeline and delivery targets to support national rental accommodation goals
Gauteng Sustainable Human Settlements Strategy (SHSS)	Improve housing location, typology and choices across the province	EHC supports this lever by providing mixed typologies in well-located areas, supporting spatial justice

These strategic alignments are embedded in EHC's project planning, stakeholder coordination, and delivery model. The Entity continues to support district-level integration through structured participation in intergovernmental forums and working groups that facilitate integrated development planning (IDP) and ensure synergy across tiers of government.

EHC's active role in district structures enables effective coordination between the City, provincial departments and other housing sector partners, reinforcing its position as a credible and compliant SHI.

COMPONENT C:

PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4 PUBLIC MEETINGS

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

TENANT ENGAGEMENTS

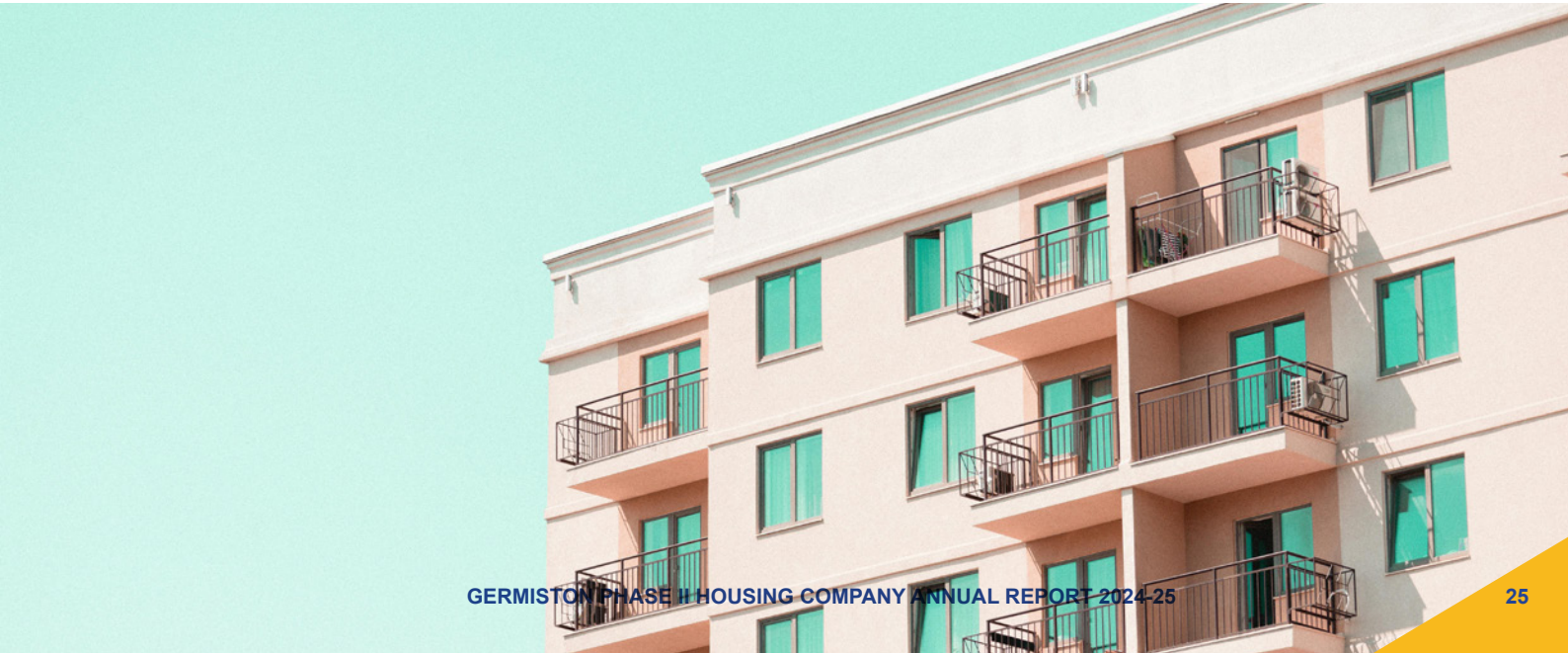
The Ekurhuleni Housing Company (EHC) is committed to sustained, purposeful engagement with its tenants and believes tenant engagement is a key indicator of quality in the management of social housing.

- The engagement seeks to fulfil three goals:
- To build connectivity with tenants and value opportunities for genuine feedback from tenants;
 - To improve service delivery by seeking and acting on tenant input about housing and tenancy management;
 - To facilitate enhanced tenant well-being by supporting tenants to engage in activities and programmes that improve relationships among tenants, strengthen local communities and address issues identified by tenants and the EHC.

T 2.4.1

Nature and purpose of meeting	Date of events	Number of participating municipal councillors	Number of participating municipal administrators	Number of community members attending	Issue addressed (Yes/No)	Dates and manner of feedback given to community
Mandela Day – the EHC celebrated Mandela Day by engaging with tenants and implementing by performing various activities at Chris Hani Village	18 July 2024	None	None	80	Yes	Face-to-face
Ward 35 – Cllr Mpambani public meeting with Chris Hani Village tenants	12 Sep 2024	1	1	60	Partially addressed	Face-to-face
Meeting between the EHC and the Tenants Committee Chris Hani Village	14 Sept 2024			8	Yes	Face-to-face
Public meetings with the CEO and Pharoe Park tenants	21 Sept 2024			80	Partially	Face-to-face
Public meetings with the CEO and Airport Park tenants	21 Sept 2024			100	Partially	Face-to-face
Public meetings with the CEO and Delville Ext 3 tenants	21 Sept 2024			90	Partially	Face-to-face
Public meetings with the CEO and Delville Ext 9 tenants	21 Sept 2024			30	Partially	Face-to-face

T 2.4.3



COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD

Tenant and stakeholder engagement

Public engagement contributes to establishing a relationship between the EHC and tenants in the following:

1. Communication and transparency

- Provide updates on building or complex maintenance, repairs, and upgrades;
- Share information about changes in policies, rules, or lease agreements;
- Give clarity on financial matters, such as rent adjustments or levy usage.

2. Problem-solving and feedback

- Hear tenant concerns directly and discuss solutions on the spot;
- Address recurring issues such as noise complaints, parking disputes, or security concerns;
- Identify common priorities for improving the living environment.

3. Relationship building

- Build trust between management and tenants through open dialogue;
- Foster a sense of community and shared responsibility;

- Encourage tenant cooperation in keeping the property safe, clean and pleasant.

4. Legal and compliance purposes

- Fulfil obligations for transparency as per tenant rights or housing regulations;
- Record decisions and agreements made collectively to avoid disputes later.

5. Planning and collaboration

- Discuss upcoming projects (renovations, beautification, safety upgrades);
- Gather ideas for community events or initiatives;
- Involve tenants in budgeting priorities for shared facilities.

6. Emergency preparedness

- Educate tenants on safety protocols, evacuation plans and security measures;
- Share information on responding to emergencies such as fires, floods or power outages.

2.5 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned, and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to Section 57 managers?	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Were the indicators communicated to the public?	Yes
Were the four-quarter aligned reports submitted within the stipulated time frames?	Yes
* Section 26 of Municipal Systems Act 2000	
T 2.5.1	



COMPONENT D:

CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

The Board is ultimately responsible for providing strategic direction and ensuring effective oversight of the risks facing the Entity. In fulfilling this mandate, the Board has established a comprehensive Risk Register and adopted Risk Management Policies that are aligned with the Entity's strategic objectives and risk appetite. These tools enable the Board to monitor emerging risks, prioritise mitigation efforts, and ensure that risk management practices are embedded across all levels of the organisation.

2.6 RISK MANAGEMENT

RISK MANAGEMENT

The Risk Management Department is responsible for ensuring effective governance oversight across the Entity. This includes the systematic identification, assessment, and mitigation of risks that may impact the achievement of strategic objectives.

The Office of the Company Secretary plays a key role in this process by overseeing the preparation and timely submission of the quarterly Governance, Risk and Compliance Report. This report outlines identified risks, corresponding compliance matters, mitigation actions, and progress updates.

Significant focus is placed on strengthening in-year risk mitigation processes to ensure that Risk Action Plans remain on track. Risk assessments are conducted using a structured classification and rating system to identify critical and emerging risks. These assessments incorporate key performance indicators (KPIs) and targets into the Balanced Scorecard, enabling the integration of risk management into performance monitoring.

Quarterly risk reporting ensures that all material risks – those that could impede the achievement of the Entity's strategic goals – are tracked and addressed through defined mitigation strategies and action plans.

T 2.6.1

OVERVIEW OF REVIEW OF ENTITY RISK PROFILE FOR 2024/25

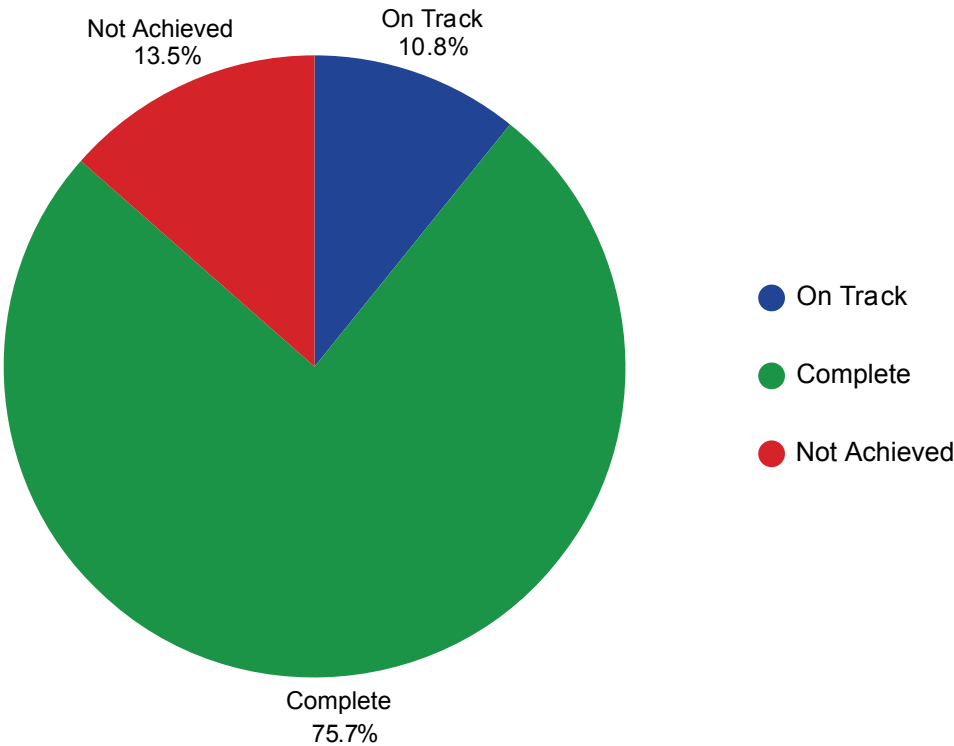
1.Total risks analysis

The entity has identified and assessed an aggregate of eight risks that impact on the achievement of its objectives for the 2024/25 financial year.

2. Risk action plans – 2024/25

The Entity has identified and developed 37 Risk Action Plans (RAPs) to strengthen its control environment for the 2024/25 financial year.

Q4 Status



The entity has 28(76%) completed risk action plans, 04(11%) on track and 05(13%) that are not achieved.

2.7 ANTI-CORRUPTION AND FRAUD

FRAUD AND ANTI-CORRUPTION STRATEGY

Fraud prevention and anti-corruption measures are embedded within the Entity's overall risk management framework. The Risk Committee undertakes quarterly reviews of supply chain processes to detect and address any potential irregularities.

This function is carried out in collaboration with the City of Ekurhuleni (CoE), with the CoE's dedicated hotline serving as an additional mechanism for reporting suspected cases of corruption or irregular conduct. Reported matters are investigated and resolved in line with established procedures.

The Ekurhuleni Housing Company (EHC) aligns its anti-corruption practices with the principles, processes and protocols of the CoE, ensuring ongoing vigilance, robust internal controls and decisive action against any form of fraud or misconduct.

T 2.7.1

2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

Supply chain management (SCM) policy was reviewed and amended accordingly to align with the legislative requirements and National Treasury-issued circulars.

Furthermore, in line with MSCM regulation 3©, which requires at least an annual review of the implementation of the SCM policy, the approved SCM policy was reviewed during the period under review, and relevant amendments were made in line with the amended regulations.

2.10 WEBSITES

Table 2.8: Title here

Entity Website: Content and Currency of Material		
Documents published on the Municipality's / Entity's website	Yes / No	Publishing date
Current annual and adjustment budgets and all budget-related documents	Yes	1-Dec-2025
All current budget-related policies	No	N/A
The previous annual report (Year -1)	Yes	1-Apr-24
The annual report (Year 0) published/to be published	Yes	1-Dec-2024
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards	No	N/A
All service delivery agreements (Year 0)	No	N/A
All long-term borrowing contracts (Year 0)	No	N/A
All supply chain management contracts above a prescribed value (give value) for Year 0	No	N/A
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14(2) or (4) during Year 1	No	N/A
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	N/A
Public-private partnership agreements referred to in section 120 made in Year 0	No	N/A
All quarterly reports tabled in the council in terms of section 52 (d) during Year 0	No	N/A

COMMENT ON ENTITY'S WEBSITE CONTENT AND ACCESS

This does not apply to the Ekurhuleni Housing Company.

T 2.10.1.1

Supply chain processes

The system of demand management must allow for the analysis of proper needs, the establishment of a supplier database, the implementation of the Integrated Development Plan (IDP) projects and the drafting of proper specifications. Circular 62 issued by the National Treasury requires that municipalities develop a procurement plan for all procurement needs.

The system of acquisition must allow for compliance with all the ranges of procurement as legislated.

The following bid committees are established to allow for the smooth implementation of the competitive bidding process:

- Bid Specification Committee
- Bid Evaluation Committee
- Bid Adjudication Committee.

Members of all bid committees were appointed by the Accounting Officer. All bids are dealt with by all the committees.

Challenges

During the year, staff capacity constraints were still a legendary challenge and, as such, negatively impacted the team and workflow processes within the entity.

Risk

Action has been taken to strengthen the internal control environment to address weaknesses identified by the Auditor-General and internal audit.

T 2.8.1

2.9 BY-LAWS

This section is not applicable to the Ekurhuleni Housing Company

2.11 PUBLIC SATISFACTION ON ENTITY SERVICES

PUBLIC SATISFACTION LEVELS

No satisfaction surveys were undertaken during the 2024/25 year due to budget constraints.

T 2.11.1



CHAPTER 3

SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)



INTRODUCTION

The Ekurhuleni Housing Company (EHC) planned to achieve 17 departmental key performance indicators (KPIs) for the annual. Eight departmental targets were achieved while nine were not achieved.

The collection rate has been lower than the previous financial year due to hostility between tenants and the Entity. There was, however, a positive shift shown in two complexes where credit control programmes were affected, namely Delville Ext 09 and Chris Hani Village.

Although there has been a noted change in the trajectory of better collections from the previous collection rate at the two respective complexes, significant changes are still required for the Entity to remain sustainable, as non-paying rental units remain in the majority. The increase in operational and maintenance costs associated with occupied properties also needs to be provisioned for.

T 3.0.1





Madimetja Kekana
Revenue/Client Services Manager

COMPONENT A: PROPERTY MANAGEMENT

INTRODUCTION TO PROPERTY MANAGEMENT

The Property Management division of the Entity plays a pivotal role in the overall customer experience of our esteemed tenants. We earnestly strive to ensure that their stay in our complexes is one that they will cherish as a convenient plus comfortable transition in their respective journeys of economic advancement.

We strive to achieve this by continuously improving the implementation of efficient and effective building maintenance plans, resolving tenant maintenance calls within 30 days and keeping abreast of technological developments that pertain to better quality service delivery. community development and engagement programmes contribute to fostering a conducive environment for young families to flourish.

The key functions of the property management division pertain to tenant management services (i.e. vacancy and occupations, lease renewals and community development); facilities management services (i.e. repairs and maintenance; logged maintenance calls from tenants), overall cleaning and gardening services, in addition to safety and security services.

The division has an annual target for occupation of 98% and a set vacancy rate of 2%. In the 2024/2025 financial year, the Entity achieved 94% annual occupation with a variance of 6%.

The target for lease renewals remains at 100% and 3.4% was achieved. The Entity is effecting turnaround strategies to remedy the situation, with evictions being a last resort.

3.1. REPAIRS AND GENERAL MAINTENANCE

The repairs and maintenance unit accomplished 67.33% of the works carried out for the 2024/2025 financial year, with a further 70.37% completed within the 30-day target.

Although the unit remains short staffed, the Entity is in the process of recapacitating on all fronts. Furthermore, a new company van has been procured via a transversal contract in addition to the Entity initiating a mutual working relationship with a major hardware store, which will enable the division to source spares within supply chain management protocols.

The Entity continues to uphold its resolution that maintenance calls lodged by tenants owing more than R5000.00 will not be attended to until such time as their accounts are brought up to date; however, maintenance calls that will potentially cause structural damage will be timeously resolved.

Customer complaints

Annual total number of cases reported	485
Annual total number of cases resolved	327
Percentage resolved within 30 days	70.37%

A total of 485 maintenance calls were lodged for the financial year 2024/2025, in which 327 were resolved at a rate of 67.33%. The Entity fell short of the target of 80% of annual complaints resolved within 30 days, sitting at 70.37%.

Challenges

As the Entity forges forward with organisational renewal, it remains steadfast in serving tenants who honour their lease agreements. The implementation of credit control measures has stoked progression in the quest for adequate rent collection. The impact of underperformance in rent collection has impacted the overall maintenance plans of the complexes and strained the coffers of the organisation and; moreover, service delivery. The complexes under management of the entity are noted in Table 3.1.

Table 3.1: Complexes under management of the Entity

Item	Complexes	Total units
1.	AIRPORT PARK	300
2.	DELVILLE	360
3.	PHAROE PARK	440
5.	CHRIS HANI	332
6.	PHAROE SHOPS	7
	Total	1439

3.2 SECURITY SERVICES

Security performance plays a critical role in the implementation of the turnaround strategy of the organisation. A security service is provided to five complexes on a 24-hour basis. This ensures the safety of our tenants and the protection of the Entity’s assets from being exposed to vandalism. In addition, this security ensures the prevention of theft and deterrence of criminal activities inside complexes.



BIOMETRIC ACCESS CONTROL SYSTEM REFURBISHMENT AND CCTV INSTALLATION PROJECT

Shayingozi Security Solutions was appointed to refurbish the biometric access control system and the installation of CCTV Cameras at Delville Extension 3&9, plus Chris Hani complex. The scope included the installation of high-quality CCTV cameras to monitor electrical distribution boxes that were being tampered with for illegal electricity connections by tenants, installing biometric fingerprint reading scanners (i.e. loading tenants into the system), refurbishing exit and entrance turnstiles, in addition to refurbishing boom gates and replacing gate motors to ensure efficiency of the system.

ZIVese CAMPAIGN

The purpose of the campaign was to revive relations with tenants, to invite them to declare their status and to regularise sub-letters and renew leases. The audit further aimed to verify the occupancy status across the Entity’s properties. The occupation audit covered tenant verifications in addition to physical site visits. The occupancy status of lease agreements was assessed for adherence to the lease renewal procedures and rental rate adjustments according to Social Housing Regulatory Authority (SHRA) standards. The

lease compliance review included ensuring compliance with terms and conditions, identifying any discrepancies between lease agreements and actual occupancy. Occupation documentation included detailed information on each occupied rental unit.

TABLES 3.2.1 – 3.2.10 ARE NOT APPLICABLE

3.3 CLEANING AND GARDENING SERVICES

The entity contracted Muziwozwano Garden and Cleaning Services in September 2024 to provide a clean and conducive environment for the tenants. The expectation is that the Entity gets value for money. Weekly cleaning and gardening services performance monitoring and evaluation forms are distributed to ensure that the work is done to the required standard.

Due to the financial constraints the Entity has been experiencing, a deviation was taken to rationing of the cleaning staff. The cleaning company opted to rotate their staff. The reduced cleanliness in the complexes in the initial stages due to a go-slow by the cleaning staff was notable, but the work rate has since improved. The complexes remain fairly well-maintained relative to the circumstances.

T 3.3.1



PEST CONTROL SERVICES

Leya Corporate Services was appointed on 14 August 2023 for a period of 36 months. The services are limited to the Chris Hani Complex.

FIRE COMPLIANCE SERVICES

The entity is in the process of appointing a contractor for annual fire compliance for all complexes.

TABLES 3.3.1 – 3.3.7 ARE NOT APPLICABLE TO THE EKURHULENI HOUSING COMPANY



Pheladi Mojapelo
Development Manager

COMPONENT B: PROPERTY DEVELOPMENT

INTRODUCTION TO PROPERTY DEVELOPMENT

The role of the property development division is to facilitate and develop new housing stock for management, with Ekurhuleni Housing Company (EHC) acting as a developer, by appointing contractors and professionals to refurbish, convert and build affordable housing solutions for ongoing rental management or on-selling as necessary. Over the past term and since its incorporation in 1998, the City has acted as a developer for the delivery of social housing projects. Since 2016, EHC has secured grants from the Social Housing Regulatory Authority (SHRA) and the province, and it has acted as an implementing agent for social housing projects.

EHC aims to improve access to social and affordable housing products and alleviate the housing demand and backlog in the City of Ekurhuleni (CoE). This is part of a longer-term vision, which will include a commitment towards creating and sustaining a new culture of accessible and quality housing solutions.

The EHC has a property portfolio of social rental units in five complexes, with a total of 1432 units as follows:

- Pharoe Park Complex (440 units)
- Airport Park Complex (300 units)
- Delville Complex (360 units)
- Chris Hani Village Phase 1 (144 units)
- Chris Hani Village Phase 2 (188 units), including 9 commercial units

The EHC has a five-year target to develop 788 social housing units with contributions made by several projects, as noted in Table 3.2.

Project	Project
EHC: Implementing Agent	
Clayville Ext 45 Social Housing	Clayville Ext 45 Social Housing
Kempton Park	
CoE: Implementing Agent	CoE: Implementing Agent
Queen Street Social Housing Development	Queen Street Social Housing Development
Portion 62 Airport Park Ext.2	Portion 62 Airport Park Ext.2

The Queen Street and Airport Park Ext 2 Projects are at the implementation stage. Twenty units were targeted for completion for Queen Street and 16 units were targeted for completion for the Airport Park project by June 2025. However, delays in the payment of contractors resulted in slow progress in completing the units. Budget has been allocated to proceed with the implementation of the projects in the 2025/26 financial year. The completed units will be transferred to EHC for management.

Budget is allocated to proceed with the implementation of the projects in the 2025/26 financial year. The completed units will be transferred to EHC for management.

3.4 MANAGEMENT OF STOCK TRANSFER PROCESS

The City of Ekurhuleni (CoE) owns and manages rental housing stocks within the municipality. This stock is to be transferred to the Ekurhuleni Housing Company (EHC) for management and maintenance to achieve the following specific objectives:

- To strategically consolidate the EHC mandate as the only entity entrusted with the management of all rental stock on behalf of the shareholder;
- To improve the effectiveness and efficiency of the management and, therefore, the use of municipal stock;
- To ensure better quality of housing management service to the tenants;
- To improve rental collection within the parameters set by City of Ekurhuleni

The Human Settlements Department is finalising an item for Council for approval to transfer rental stock to EHC.

Council has taken a resolution to conclude a lease agreement with EHC for the Germiston Fire Station Phase 2 project, whereby EHC will tenant and manage the property while ownership remains with the City.

3.5 PROJECT IMPLEMENTATION

PROJECTS AT IMPLEMENTATION

There are five projects at various stages. Clayville Ext 45 and Kempton Park/Long Street are at a standstill due to budget constraints and outstanding planning activities at Kempton Park project. Airport Park Ext 2 and Queen Street project are at implementation. The Germiston Fire Station Phase 2 project is completed. The City of Ekurhuleni (CoE) is the implementing agent for Airport Park Ext 2 and Queen Street projects.

Clayville Ext 45 Social Housing Project (452 units)

Clayville Ext 45 Integrated Housing Development, also known as the Clayville/Tembisa Mega Project as a development caters for the 'entry-level' housing market, which includes the development of 452 social rental multi-story units.

The project is co-funded by CoE and the Social Housing Regulatory Authority (SHRA). A Consolidated Capital Grant Agreement was concluded with the SHRA for R122 million for the project.

The project came to a standstill in October 2023 due to budget constraints. Engagements were held with SHRA to explore the option to hand over the project to them for completion through a private developer. There is currently no security on site; however, CoE is exploring options to secure the site. The total progress was at 46% before the project came to a standstill.

Kempton Park/Long Street Social Housing Project (84 units)

This project is located along Long Street in Kempton Park. Ekurhuleni Housing Company (EHC) is the implementing agent for the project. The project is at a standstill due to outstanding planning activities and budget constraints. The project will be handed back to the City to complete the outstanding planning activities before the appointment of the contractor to complete the project.

Germiston Fire Station Phase 2 (Chris Hani Village) Social Housing Project (197 Units)

One hundred and forty-four units were delivered during Phase 1 of the project, and these are fully tenanted by the EHC. Phase 2 comprises 197 units, nine of which are commercial, a crèche and a multi-purpose centre. The project is 100% complete, and the units are fully tenanted.

The CoE Council has taken a resolution to conclude a lease agreement with EHC for the tenancy and management of the property.

Airport Park Ext 2 Social Housing Project (144 Units)

Erf 62, Airport Park Ext 2 is situated within the Germiston area, along Joubert Street and Refinery Road M37, within the existing EHC Airport Park complex. The CoE is the implementing agent. Sixteen units are under construction to be handed over to the EHC. However, the contractor's appointment came to an end on 30 June 2025. CoE is in the process of appointing a new panel of contractors and consultants, who will be appointed for the completion of the project. A project assessment will be undertaken to determine the project cost to completion. This will be utilised by EHC to apply to SHRA for grant funding.

Queen Street Social Housing Project

CoE is the implementing agent. Twenty units are under construction to be handed over to EHC. However, the contractor's appointment came to an end on 30 June 2025. CoE is in the process of appointing a new panel of contractors and consultants, who will be appointed for the completion of the project.

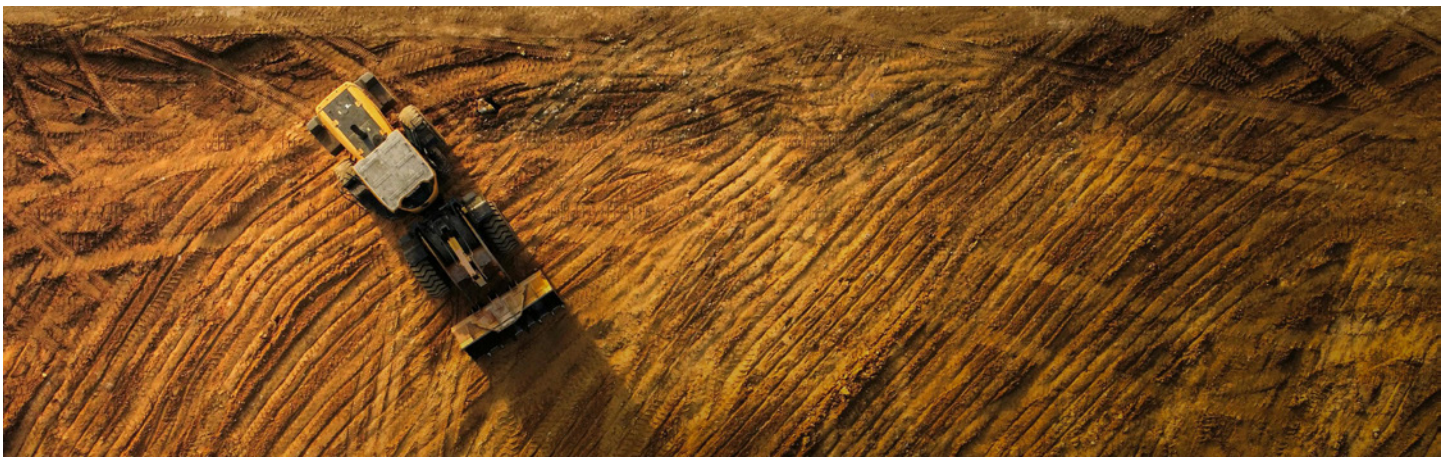
3.6 PROJECT PACKAGING PROGRAMME

EHC has a pipeline of projects at various stages of readiness for implementation as follows:

- Six projects at concept and feasibility stage
- Two projects at the implementation stage
- Two projects at a standstill.

The Entity relies on funding from the City and the Social Housing Regulatory Authority (SHRA) to fund development projects. The Entity has experienced various challenges in the rollout of the social housing programme and project due to budget constraints. The Ekurhuleni Housing Company (EHC)-CoE Interdepartmental Steering Committee was established, with the objective of facilitating the coordination, planning, packaging, design, budgeting and implementation of the social housing programme and projects towards achieving the mandate to deliver on social housing. The Entity is exploring options to partner with the private sector on the completion of projects.

Engagements have commenced with stakeholders on the Public-Private partnerships (PPs) and development finance institutions for project packaging and capital raising for project acquisition and implementation projects in the social housing project pipeline. The target is to deliver 1536 units over the next five years.



3.6 BUILDING ACQUISITION FRAMEWORK AND PROGRAMMING

CLAYVILLE EXT 45 VANDALISM ON SITE



KEMPTON PARK/LONG STREET PROGRESS



GERMISTON FIRE STATION PHASE 2



AIRPORT PARK EXT 2



QUEEN STREET



Capital Expenditure Year 0: Housing Services					
					R' 000
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from the original budget	Total Project Value
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					
					T 3.5.6

None for the 2024/25 reporting period.

Long Term Contracts (20 Largest Contracts Entered into during Year 0)					
Name of Service Provider (Entity or Municipal Department)	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project manager	Contract Value

None for the 2024/25 reporting period.



COMPONENT C:

COMMUNITY DEVELOPMENT

INTRODUCTION TO COMMUNITY DEVELOPMENT

Tenant and stakeholder engagement

The purpose of establishing strong relationships between Ekurhuleni Housing Company (EHC) and its tenants is to support meaningful community development through trust, collaboration and shared responsibility. This approach is central to EHC's broader community development engagement programme, which aims to actively involve tenants in shaping operational processes and enhancing service delivery. By fostering open communication and mutual understanding, these relationships enable EHC to align its services more effectively with the needs and expectations of tenants, ultimately contributing to more responsive, inclusive and sustainable community outcomes. This is achieved through the following:

- Implementation of tenant and stakeholder engagement;
- Facilitating the involvement of tenants and key stakeholders in community development activities;
- Tenant training to discuss the landlord and tenant's responsibilities and the lease;
- Maintaining tenant communication forums;
- Developing community development programmes;
- Enhancing customer service and customer perception;
- Establishing community engagement projects;
- Improving the physical environment by contributing to maintenance and promoting safety.

Community development activities

Mandela Day

In honour of Mandela Day, EHC staff dedicated 67 minutes on 18 July 2024 to engage with tenants at the Chris Hani complex. The initiative formed part of EHC's commitment to building stronger community relations and fostering a culture of service excellence. Through meaningful interactions and on-site activities, the engagement aimed to strengthen the relationship between tenants and the organisation, while addressing service-related concerns and expectations.

List of activities at Chris Hani Village

- a. Soup Kitchen and bread (for unhoused people)
- b. Fitting of padlocks
- c. Wire replacements to the washing lines
- d. Cleaning and painting of 189 units
- e. Setting up of external walls
- f. Cleaning of common areas
- g. Issuing of thank you letters to tenants.

3.7 COMMUNITY DEVELOPMENT ACTIVITIES

3.7.1 Door-to-door revenue and lease renewal engagement

On 15 July 2023 door-to-door revenue and lease renewal door to-door tenant engagement was held at Chris Hani Village with the aim of the following:



3.7.2 The MMC human settlement door-to-door campaign with the EHC

As part of the City's efforts to assist the entity, the Member of the Mayoral Committee (MMC) of Human Settlements delivered notices to the non-compliant occupants of the EHC units (PAD) as part of the City's efforts to assist the entity on 19 August 2024.



3.7.3 Ward 35 – Cllr Mpambani public meeting with Chris Hani Village tenants held on 12 September 2024

The meeting aimed to address community concerns, provide updates on community employment opportunities and discuss any challenges tenants may be facing.



3.7.4 Meeting between the EHC and the tenants committee Chris Hani Village on 14 September 2024

The purpose of the meeting was to address tenant concerns, discuss issues related to property maintenance, rent and living conditions. The meeting provided a platform for tenants to raise collective grievances, negotiate improvements and ensure transparency in communication, ultimately working towards enhancing the quality of life for all tenants.

Key discussion points:

1. Regularisation process
2. Rental issues
3. Granting of permits
4. Maintenance issues

3.7.5 Public meeting with the CEO – Mr Nkamana and tenants of all complexes

As part of the continuation of public meeting engagements with tenants across the Ekurhuleni Housing Company (EHC) complexes with the objective to re-establish the relationships with tenants, the chief executive officer (CEO), Mr Nkamana, hosted meetings with tenants in all the complexes on 21 September 2024 (Airport and Pharoe Park) and on 24 September 2024 (Delville Ext 3 & 9).

Key Discussion Points

1. Ziveze Campaign
2. Leasing matters
3. Rental matters
4. Tenants' intimidation by other tenants
5. Enforcement of the Court Order
6. Maintenance and Repairs Obligations



3.7.6 Fire, alcohol and drug awareness campaign for children and youth

Purpose of the campaign

As part of EHC's ongoing commitment to community well-being and youth development, a fire, alcohol and drug awareness campaign was implemented across social housing communities, with a particular focus on children and youth. The campaign aimed to educate young residents on key safety issues and promote responsible choices through targeted engagement and collaborative partnerships.

The objectives of the campaign included the following:

Education on fire safety: To equip children and youth with essential knowledge about fire prevention, emergency response and safety practices, thereby contributing to a safer living environment.

Substance abuse awareness: To raise awareness about the dangers and consequences of alcohol and drug abuse, encouraging informed decision making and resilience among young residents.

Empowerment and support: To inspire youth to take proactive roles in safeguarding their health and safety, while connecting them to relevant support structures such as SANCA, the Germiston Fire Station and the SAPS Social Crimes Unit.

Strengthening partnerships: The campaign fostered collaboration between EHC, tenants and key external stakeholders, enhancing community trust and reinforcing the collective responsibility for youth development and community safety.



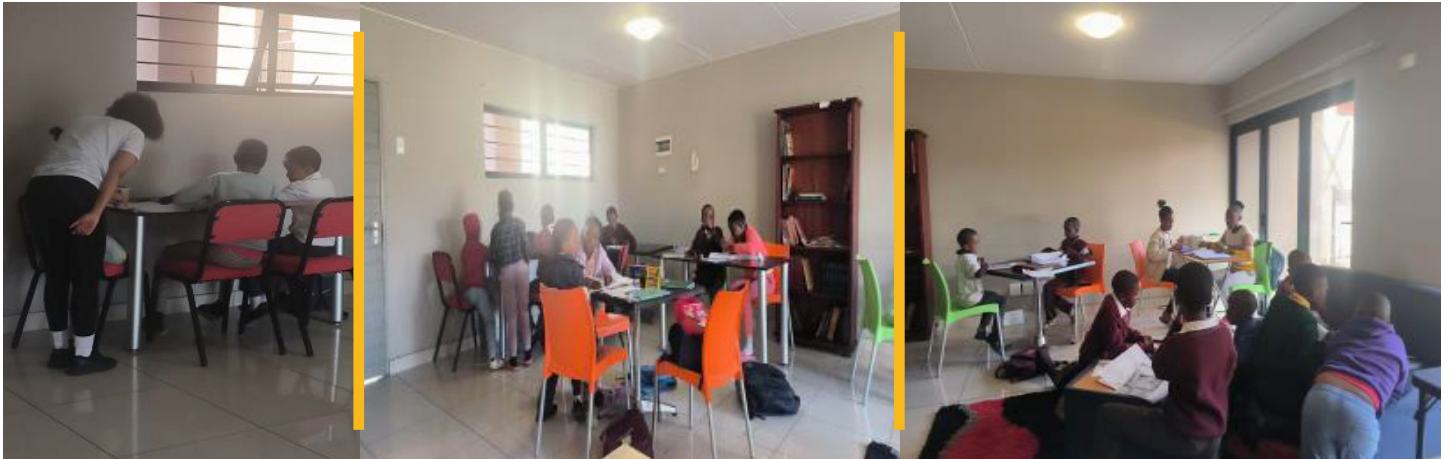
3.7.7 Indoor fun day activities

The community development fun day offered a range of engaging indoor activities designed to encourage participation, creativity and teamwork while gathering valuable insights for future community programmes.



3.7.8 Homework centre and mini library update – Chris Hani Village

The Homework Centre was opened in Chris Hani Village to provide a safe, supportive and structured learning environment for children in Grades 2 to 10. The centre aims to assist learners with their schoolwork, improve academic performance and promote a positive attitude towards education. the centre offers access to educational resources, tutoring support and a quiet space to study.



3.7.9 Youth month community development event

In honour of historic legacy, the Ekurhuleni Housing Company (EHC) hosted a Youth Event on 30 June 2025. The youth event was a success, achieving its aim of empowering young people and strengthening community bonds. The active participation of the youth, support from stakeholders and collaboration with community members from Dukathole contributed greatly to the event's positive outcomes.



3.8 FINANCIAL SERVICES

R'000					
Details	2023/24	2024/25			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total operational revenue	122 170	84 062	106 169	111 960	25%
Expenditure:					
Employees	19 810	27 923	23 334	22 441	-24%
Repairs and maintenance	2 081	3 855	4 603	875	-341%
Other	92 044	51 849	73 555	152 018	66%
Total operational expenditure	113 935	83 627	101 492	175 334	52%
Net operational expenditure	-8 235	-435	-4 677	-63 374	101%
T 3.25.5					

3.9 HUMAN RESOURCE SERVICES

INTRODUCTION TO HUMAN RESOURCE SERVICES

In the 2024/25 financial year, the human resources department was pivotal in capacitating the organisation to deliver on its core mandate of providing sustainable and affordable housing. We focused on attracting critical skills, fostering a culture of performance and accountability, and ensuring full compliance with our legislative and transformation objectives. This report details our efforts to build a resilient, skilled and motivated workforce dedicated to serving the citizens of Ekurhuleni.

The priorities and achievements of human resources were the recruitment and selection of critical vacancies to drive the turnaround strategy.

High vacancy rates continue to pose a challenge for Ekurhuleni Housing Company (EHC), which affects all operational departments.

The Entity has experienced a slump in filling of vacancies due to budgetary constraints; however, the Entity has made significant strides in filling critical vacancies under the prevailing budget constraints. This has facilitated the smooth running of the Entity and has driven the turnaround strategy. The Entity has prioritised recruitment for critical vacancies.

The Entity's performance management system was implemented fully for all staff in this period. This is an ongoing process to set objectives, monitor progress and provide feedback

T 3.26.1

SERVICE STATISTICS FOR HUMAN RESOURCE SERVICES

Financial Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year 0		Year 1			Year 2	Year 3	
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objective xxx									
Functional and Capacitated Organisation	Review organisational structure & resource the new structure.	Review organisational structure.	Resource the new structure	Developed performance management strategy, aligned to organizational strategy.	Updated organizational design and resource requirements				
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are ‘universal municipal indicators’. * ‘Previous Year’ refers to the targets that were set in the Year -1 Budget/IDP round; *‘Current Year’ refers to the targets set in the Year 0 Budget/IDP round. *‘Following Year’ refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in									
T 3.25.3									

Skills Matrix														
Management level	Gender	Employees in post as at 30 June 2022/23	Number of skilled employees required and actual as at 30 June 2022/23											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
		No.	Actual: End of year 1	Actual: End of year 0	Year 0 Target	Actual: End of year 1	Actual: End of year 0	Year 0 Target	Actual: End of year 1	Actual: End of year 0	Year 0 Target	Actual: End of year 1	Actual: End of year 0	Year 0 Target
MM and s57	Female	2	0	0	0	1	0	0	0	0	0	0	1	0
	Male	1	0	0	0	0	0	0	0	0	0	0	0	0
Councillors, senior officials and managers	Female	1	0	0	0	0	0	0	0	0	0	0	0	0
	Male	5	0	0	0	0	0	0	0	0	0	0	0	0
Technicians and associate professionals*	Female	0	0	0	0	0	0	0	0	0	0	0	0	0
	Male	1	0	0	0	0	0	0	0	0	0	0	0	0
Professionals	Female	12	0	0	0	2	0	0	0	0	0	0	2	0
	Male	4	0	0	0	0	0	0	0	0	0	0	0	0
Sub total	Female	15	0	0	0	0	0	0	0	0	0	0	0	0
	Male	11	0	0	0	0	0	0	0	0	0	0	0	0
Total		26	0	0	0	3	0	0	0	0	0	0	3	0
*Registered with professional Associate Body e.g CA (SA)														T 4.5.1

Financial Performance Year 0: Human Resource Services						R'000
Details	Year -1	Year 0				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	120	125	100	95	-32%	
Expenditure:						
Employees	125	244	250	248	2%	
Repairs and Maintenance	25	244	250	248	2%	
Other	45	244	250	248	2%	
Total Operational Expenditure	195	732	750	744	2%	
Net Operational Expenditure	75	607	650	649	6%	
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual						T 3.26.6

Capital Expenditure Year 0: Human Resource Services						R'000
Details	Year -1	Year 0				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total All	260	326	378	31%		
Project A	100	130	128	22%		280
Project B	80	91	90	11%		150
Project C	45	50	80	44%		320
Project D	35	55	80	56%		90
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.						T 3.26.6

COMMENT ON THE PERFORMANCE OF HUMAN RESOURCE SERVICES OVERALL

Recruitment and selection of executive management

The Entity has made significant strides to fill critical vacancies under the prevailing budget constraints. This has facilitated the smooth running of the Entity and has driven the turnaround strategy. The Entity has prioritised recruitment for critical vacancies.

Employee wellness

EHC seeks to foster a workforce that is mentally and physically fit, motivated and health-conscious, while also enhancing staff performance and morale. EHC organised an employee wellness session for its staff in collaboration with the City of Ekurhuleni Wellness Department, titled Self-Empowerment through Changing Times. This session focused on self-awareness and stress management.

Performance management

The Entity performance agreements have been aligned with strategic objectives.

The Entity expenditure is based on CAPEX.

T 3.26.7

- Digital transformation to support efficiency and performance;
- Strengthening ICT governance, policy compliance and cybersecurity;
- Enhancing internal communication and remote working capability;
- Supporting departments with tailored technology solutions;
- Ensuring systems reliability, data integrity, and ICT risk mitigation.



3.10 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

This component includes information and communication technology (ICT) services.

INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Executive summary

The 2024/2025 financial year marked a pivotal phase for the ICT Division at Ekurhuleni Housing Company (EHC), driven by infrastructure optimisation and strategic alignment with the broader organisational turnaround. ICT successfully supported internal operations, governance systems and service delivery improvements through targeted investments, risk mitigation and capability enhancement.

This report outlines key achievements, challenges, business continuity, governance alignment and the roadmap for the 2025/2026 financial year.

Strategic objectives and alignment

In alignment with EHC’s corporate strategic objectives, the ICT Division focused on:

- Digital transformation to support efficiency and performance;
- Strengthening ICT governance, policy compliance and cybersecurity;
- Enhancing internal communication and remote working capability;
- Supporting departments with tailored technology solutions;
- Ensuring systems reliability, data integrity, and ICT risk mitigation.

Area	Milestone/Output
Cybersecurity Enhancement:	Introduced multi-factor authentication (MFA) and completed penetration testing and risk audits, also rolled out Information Security Awareness Workshops.
Policy Frameworks:	Developed and approved ICT Information Security Policy, Record & Document Management Policy, Information and Communication Technology User Account Management Policy and an Information and Communication Technology Change Management Policy.
Digital Tools Rollout:	Rolled out Microsoft OneDrive to ensure User Data and information backup on Cloud.
Strategic Partnerships:	Initiated discussions with the City of Ekurhuleni for Managed ICT Support and cost-sharing models.

Challenges encountered

Challenge	Response / Mitigation
Ageing End-user equipment:	Procurement of phased workstation upgrades initiated (100% completed).
Budget limitations:	Optimised Internet Service Provider and Telkom Rental Hardware Devices by Migrating to an Integrated ISP and cloud-based Softphone System, and ISP to manage costs.
Limited internal capacity:	Intern recruitment through the EWC partnership to bolster the support function.

ICT BUSINESS CONTINUITY

Encrypted cloud-based telecommunication business continuity management solution

Telecommunications / Internet service provider (ISP): ICT finalised the voice solution, combined with Internet connectivity, both of which provide interdependency to each other. This solution is aimed at ensuring business continuity in the event of disaster, where none of the Entity’s sites are accessible by moving away from Telkom rental hardware devices (switchboards and telephone handsets).

This solution is integrated with Microsoft Office 365 to make phone calls and receive calls on both a personal computer (PC) and phone devices. It also allows extension remote operation of the switchboard using a PC, which includes receiving and directing of telephone calls into internal staff extensions and remote sites.

The implementation of business continuity management

To ensure business continuity, the ICT department conducted an in-depth environment analysis of the current ICT infrastructure to assess potential risks and opportunities for improvement. The highest risk that was identified was the outdated active directory and solar server that the Entity is currently using. The servers are very old and present with limitations in capacity that hinder the Entity to implement the remaining solar system modules. The solar

data are currently only backed up locally, and it remains the sole server being used for data backup. Upon further assessment, it was found that the server is no longer upgradeable due to compatibility issues.

In support of this solution, the Entity also developed a hybrid model–remote and flexitime working policy, to ensure risk, governance and compliance in the event of a disaster.

Through engagements with the service provider, Business Connexion (BCX), an assessment was conducted to establish the entity’s readiness to migrate the current server to Cloud Computing for data backup, information security, and disaster recovery planning (DRP). The assessment feedback was positive, and a quotation was received. However, due to budget constraints, the Entity has been unable to implement the migration.

With the support of the City of Ekurhuleni Risk Department, the Entity conducted a business impact analysis (BIA) on its operations. The BIA report considered the progress that the Entity is making thus far, particularly with the implementation of a cloud-based telephone system, development of the hybrid model–remote and flexitime policy, as well as the plan of migrating to Cloud Computing for business continuity and DRP purposes. These include all the other ICT policies that were reviewed and approved in the financial year under review, including a five-year digital and automation strategic plan.

GOVERNANCE, RISK AND COMPLIANCE

- ICT audit completed as part of internal controls review;
- No critical IT incidents or breaches reported;
- Risk register updated quarterly and aligned to enterprise risk management.

HUMAN RESOURCES AND CAPACITY

Staff category	Number
Permanent ICT staff	1
Interns (2024/25)	1

OUTLOOK FOR 2025/2026

The ICT department will continue to drive digital transformation through:

- Increased cybersecurity audits and user awareness training;
- Further expansion of cloud adoption and cost optimisation;
- Further procurement of phased workstation upgrades;
- Improved knowledge management and internal communications.

We remain committed to supporting EHC’s strategic transformation with secure, responsive and forward-looking technology solutions.

T 3.27.

SERVICE STATISTICS FOR ICT SERVICES

The entity uses email for Helpdesk support to log service calls. However, due to the limited number of Microsoft 365 licenses, the email has been reallocated to another end-user.

T 3.2



ICT Services Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0		Year 1	Year 3		
		Target	Actual	Target	Actual		Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
Service Objective xxx									
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; *'Current Year' refers to the targets set in the Year 0 Budget/IDP round. *'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.									T 3.27.3

For 2024/25, under the ICT service objective, there were no targets.

Employees: ICT Services					
Job Level	Year -1	Year 0			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%
Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.					
T3.27.4					



Please refer to Chapter 5 on employee costs.

Financial Performance Year 0: ICT Services					
R'000					
Job Level	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational Expenditure	75	607	650	649	6%
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual					T 3.27.5

Please refer to Chapter 5 on employee costs.

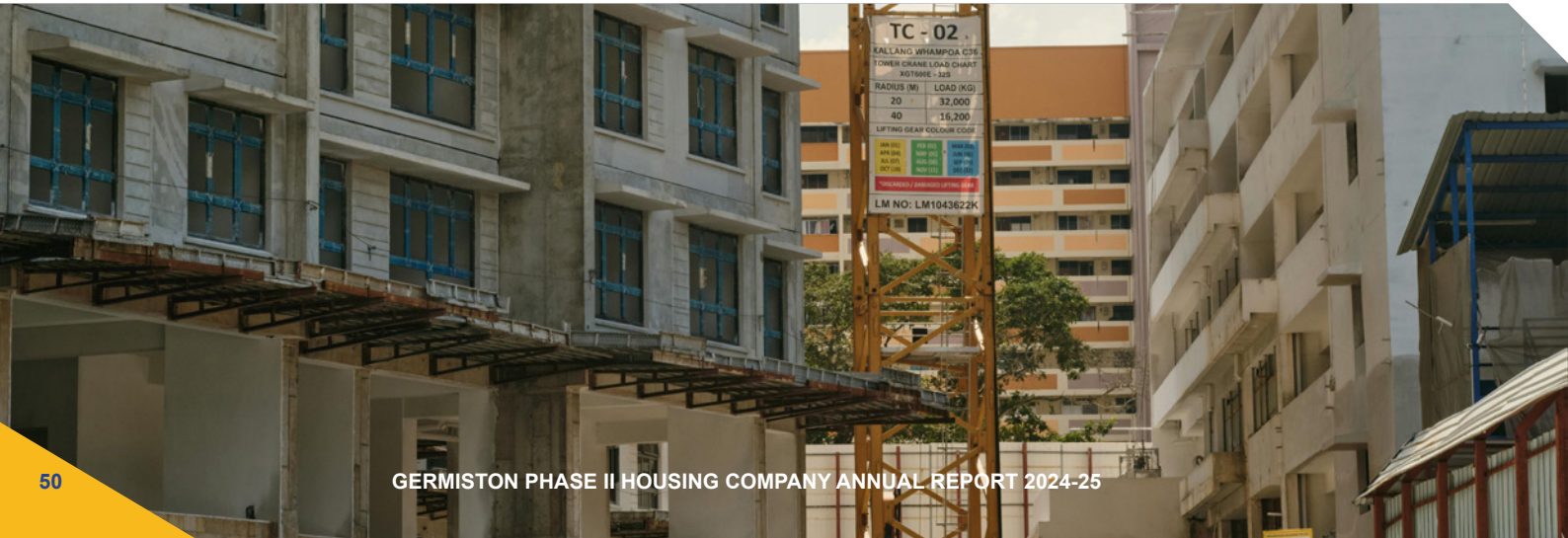
Capital Expenditure Year 0: ICT Services					
R'000					
Job Level	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					T 3.27.6

For 2024/25, under the ICT service objective, there were no targets.

COMMENT ON THE PERFORMANCE OF ICT SERVICES OVERALL

ICT made strong progress in 2024/2025, aligning closely with EHC’s strategic goals. Key achievements included improvements in cybersecurity, updated ICT policies and the rollout of cloud-based tools to enhance efficiency and business continuity. The successful implementation of multi - factor authentication and hybrid work policies highlights our commitment to digital transformation. Despite challenges such as budget constraints and ageing infrastructure, the team applied effective solutions such as phased upgrades, strategic partnerships and intern recruitment. While some infrastructure issues remain, the division is well-positioned for future growth, resilience and cloud migration.

T3.27.7



3.11 PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

This component includes property, legal, risk management and procurement services.

INTRODUCTION TO PROPERTY, LEGAL, RISK MANAGEMENT AND PROCUREMENT SERVICES

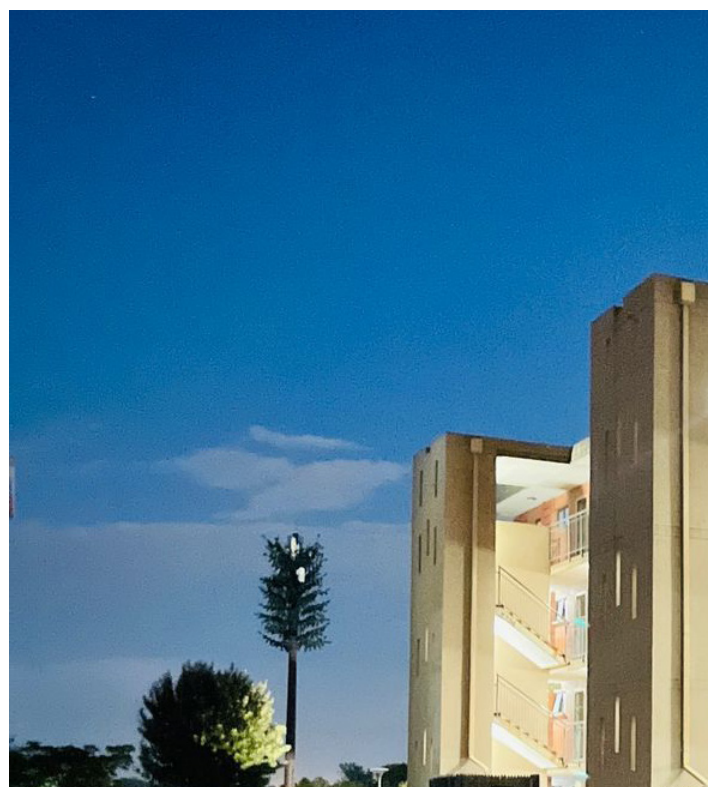
During the year under review, Ekurhuleni Housing Company (EHC) implemented a range of strategic measures across its support functions to strengthen governance, enhance operational efficiency and support the Entity's mandate of providing sustainable rental housing.

Property management

- Introduced tighter tenant recognition processes and improved credit control through the TPN system, ensuring fair allocation of units and improved revenue collection;
- Strengthened maintenance response times and introduced planned maintenance schedules, resulting in reduced downtime and improved tenant satisfaction;
- Enhanced security interventions at high-risk complexes, contributing to the reclaiming of hijacked properties and safeguarding company assets;

Legal services

- Streamlined legal processes by recognised litigation on illegal subletting, arrears recovery and eviction matters, thereby protecting the integrity of the property portfolio;
- Improved contract management by introducing recognised templates and closer monitoring of service level agreements, reducing legal exposure;
- Supported governance compliance by ensuring alignment with the Municipal Finance Management Act (MFMA), Municipal Systems Act and Social Housing Act.



Risk management

- Implemented a structured risk register linked to strategic and operational plans, enabling proactive identification and mitigation of key risks;
- Strengthened internal controls through collaboration with Internal Audit, resulting in improved audit outcomes;
- Enhanced business continuity planning to safeguard operations and ensure service delivery in the event of disruption.

Procurement and supply chain management

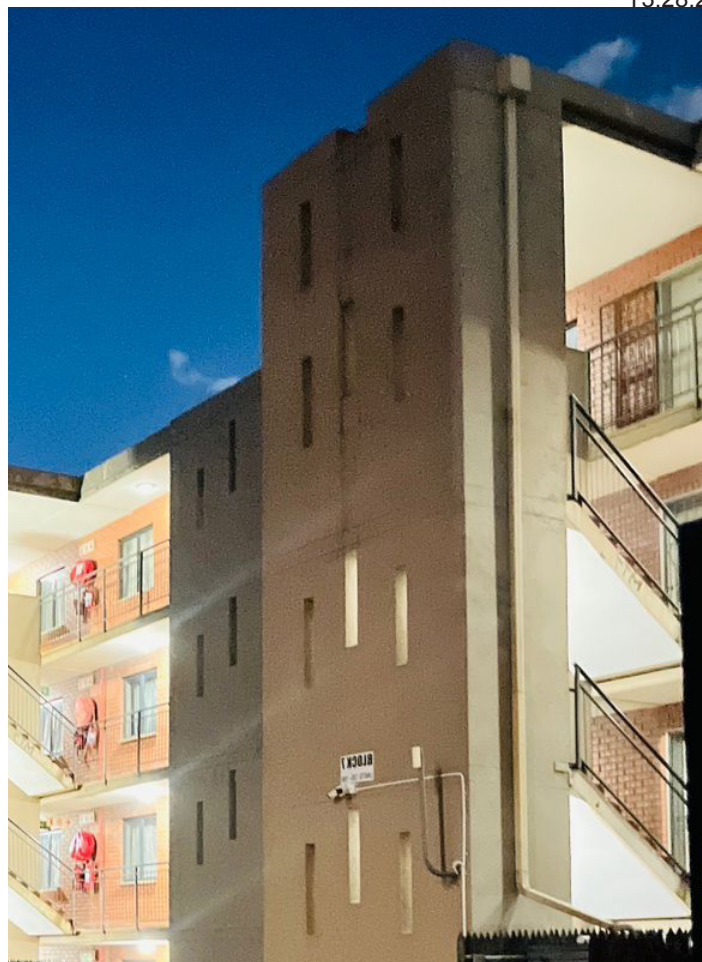
- Introduced tighter compliance controls with MFMA and supply chain management (SCM) regulations, reducing irregular and fruitless expenditure;
- Adopted demand and procurement planning tools that improved turnaround times and aligned sourcing with operational priorities;
- Promoted cost efficiency by negotiating better contract terms with suppliers and enhancing supplier performance monitoring.

T3.28.1

SERVICE STATISTICS FOR PROPERTY, LEGAL, RISK MANAGEMENT AND PROCUREMENT SERVICES

EHC achieved notable efficiencies during the year, including improved revenue collection and a reduction in arrears, faster turnaround times on litigation and contract management, strengthened internal controls that led to better audit outcomes, and reduced procurement lead times that improved value-for-money results. In addition, enhanced security measures, tenant management initiatives and improved maintenance responsiveness contributed to greater operational effectiveness across the complexes.

T3.28.2



Property; Legal; Risk Management; and Procurement Services Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0		Year 1	Year 3		
		Target	Actual	Target	Actual	Target			
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
Service Objective xxx									
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are ‘universal municipal indicators’. * ‘Previous Year’ refers to the targets that were set in the Year 0 Budget/IDP round; *‘Current Year’ refers to the targets set in the Year 1 Budget/IDP round. *‘Following Year’ refers to the targets set in the Year 2 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.									T 3.28.3



Employees: Property; Legal; Risk Management; and Procurement Services					
Job Level	Year -1	Year 0			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%
Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.					
T3.28.4					

Not applicable, please refer to Chapter 2.

Financial Performance Year 0: Property; Legal; Risk Management and Procurement Services					
R'000					
Job Level	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational Expenditure	75	607	650	649	6%
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					T 3.28.5

Not applicable, please refer to Chapter 2.

Capital Expenditure Year 0: Property; Legal; Risk Management and Procurement Services					
R'000					
Job Level	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.					T 3.28.6

COMMENT ON THE PERFORMANCE OF PROPERTY SERVICES OVERALL

Overall referenced in Chapter 2.

T 3.28.7

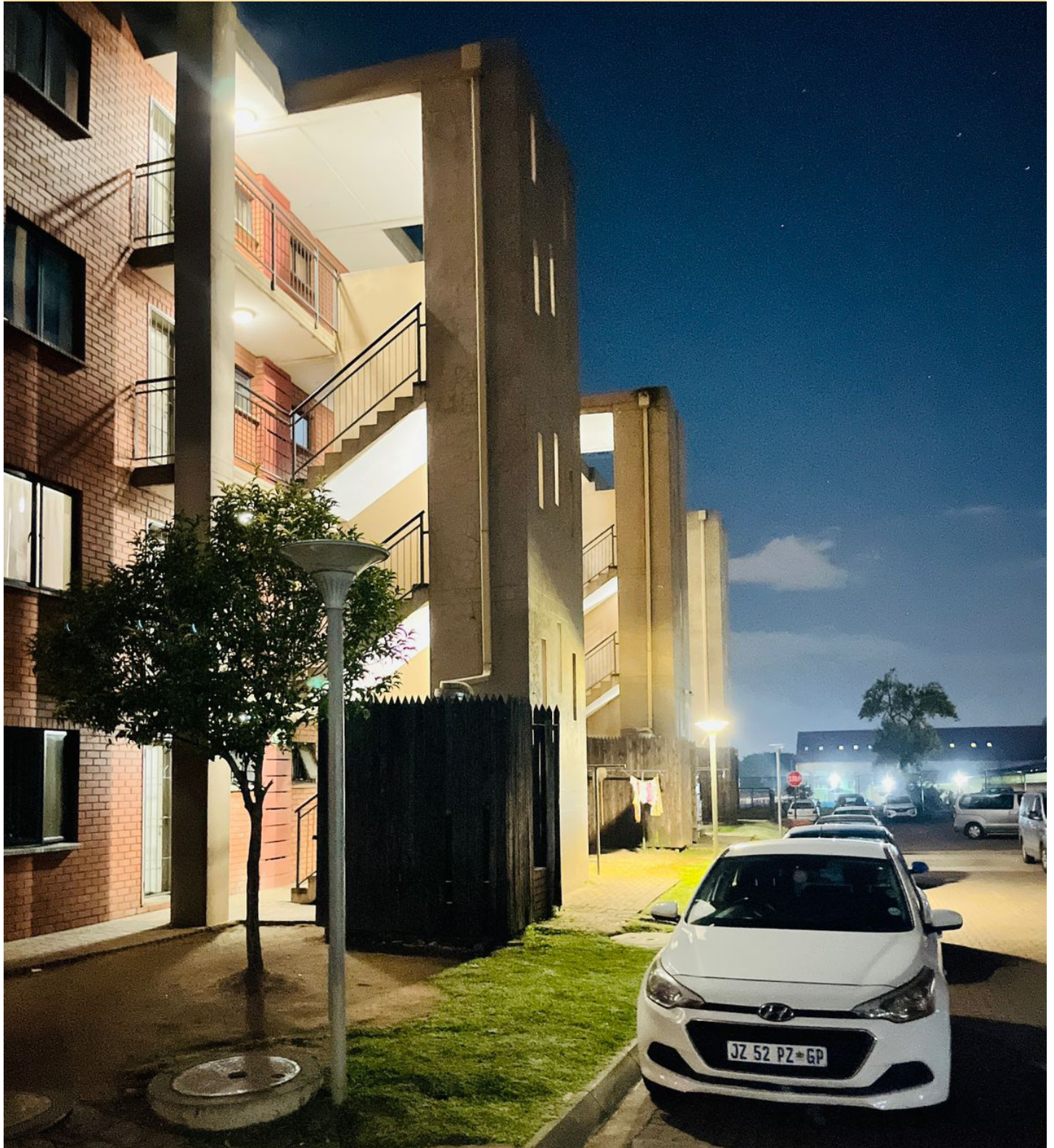
COMPONENT J: MISCELLANEOUS

This component includes the provision of airports, abattoirs, municipal courts and forestry as municipal enterprises.

INTRODUCTION TO MISCELLANEOUS

None for the 2024/25 financial year.

T 3.29



COMPONENT K:

This component includes the annual performance scorecard report for the current year:

Plan Number: Plan Name																	
No.	Strategic Focus Area (IDP)	Key Performance Indicator	Baseline (Previous years actual)	Demand	Backlog	Annual Target (Year)	5 Year Target	Means of verification	Unit of Measure	Quarterly Target	Quarterly actual	Status (Achieved/ Not Achieved)	Measures taken to improve performance	Performance Monitoring Quality Assurance comment	Management Response	Internal Audit Comment	Portfolio of Evidence
Note: Set out key plans as per performance scorecard e.g Plan 1: Sustain and build natural environment, Plan 2: Economic Development and job creation, Plan 3: Quality living environment, Plan 4: Safe, healthy and secure environment, Plan 5: Empowering our citizen, Plan 6: Promoting cultural diversity, Plan 7: Good governance, Plan 8: Financial viability and sustainability.																	
T 3.30																	

Not applicable, please refer to Chapter 3 on the Service Delivery Budget Implementation Plan (SDBIP)



Company Scorecard 2024/25 FY



COMPONENT D: ORGANISATIONAL PERFORMANCE SCORECARD

ANNUAL PLANS FOR ENTITY'S CONTRIBUTION TOWARDS STRATEGIC PRIORITIES: DEPARTMENTAL SDBIP

Outcome	Performance Indicator (Output)	Baseline 2023/2024 audited	Annual Target (2024/2025)	Target for 2024/2025 SDBIP per Quarter								Annual		Indicator Definition	Portfolio of Evidence
				Q1 Planned Target	Actual	Q2 Planned Target	Actual	Q1 Planned Target	Actual	Q2 Planned Target	Actual	Annual Target	Annual Actual Output Rating		
Improved financial sustainability	1B Total capital expenditure as a percentage of Total capital budget	23%	100%	5%	72,10%	30%	98,90%	60%	9,20%	100%	64%	100%	64%	The indicator measures the total capital expenditure on capital projects. Formula Expenditure year to date / (2) Total approved CAPEX budget for the year Adjusted to: This indicator measures the extent to which budgeted capital expenditure has been spent during the financial year. Capital expenditure is all costs incurred by the municipality to acquire, upgrade and renew physical assets such as property, plants, buildings, technology or equipment. Formula: 1) Actual Capital Expenditure / (2) Budgeted Capital Expenditure X100	Approved: Solar capital expenditure report. Adjusted:
Improved financial sustainability	EHC1.1 Revenue collected as a percentage of amount billed	30%	60%	30%	21%	40%	25%	50%	21%	60%	24%	60%	23%	The indicator measures the percentage of revenue collected as a percentage of amount billed. Revenue collected includes arrears collections. Formula: (1) Revenue collected during the period under review/ (2) revenue billed for the period under assessment X 100	Solar system reports and Finance quarterly reports.
Improved financial sustainability	LED3.32 Percentage of municipal payments made to service providers who submitted complete forms within 30 days of invoice submission	96%	95%	1%	95%	95%	86%	95%	90%	95%	97%	95%	94%	The percentage of municipal payments made to service. The formula is: (((1) Number of municipal payments within 30-days of complete invoice receipt made to service providers / (2) Total number of complete invoices received (30 days or older)) x 100	Signed report confirming invoice receipt date by SCM manager Signed payment report by financial manager. SOLAR system report– HR994

Outcome	Performance Indicator (Output)	Baseline 2023/2024 audited	Annual Target (2024/2025)	Target for 2024/2025 SDBIP per Quarter								Annual		Indicator Definition	Portfolio of Evidence
				Q1 Planned Target	Actual	Q2 Planned Target	Actual	Q1 Planned Target	Actual	Q2 Planned Target	Actual	Annual Target	Annual Actual Output Rating		
Improved financial sustainability	7B Number of revenue enhancement strategies developed	New	1	0	Not due for reporting	1	1	0	Not due for reporting	0	Not due for reporting	1	1	The indicator measures the development revenue enhancement strategy	Copy of a Strategy and Board Resolution
Improved administration and controls	LED1.11 Percentage of total municipal operating expenditure spent on contracted services physically residing within the municipal area	New	6%	6%	16%	6%	29%	6%	35%	6%	3%	6%	19%	This indicator measures the value of municipal operating expenditure that has been spent on payments to contracted organisations with physical address within the municipal area as a percentage of the total operating expenditure on payments to all contracted organisations. Contracted services are inclusive of consultancy services and refer to services rendered by any entity outside of the municipality secured through a public procurement process. Indicator formula: (1) Rvalue of operating expenditure on contracted services within the municipal area / (2) Total municipal operating expenditure on contracted services.	Signed expenditure report on municipal operating expenditure spent on contracted services
Improved administration and controls	1FM1.12 Total operating expenditure as a percentage of Total operating budget	New	95%	35%	182%	50%	137%	70%	89%	95%	174%	95%	174%	The indicator measures the extent to which operating expenditure has been spent during the financial year. Operating expenditure (non-capital spending) is costs which the municipality incurs through its normal operations. Indicator Formula: (1) Actual operating expenditure / (2) Budgeted operating expenditure This indicator results will be reported quarterly.	Signed Excel spreadsheet as extracted from Budget statements for the period
Improved administration and controls	FM6.13 Percentage of tender cancellations	New	0%	0%	0%	0%	67%	0%	50%	0%	0%	0%	60%	This indicator measures the percentage of tender cancellations in relation to the total number of tender business cases that were recorded, advertised, and closed. Indicator formula: (1) Number of tenders cancelled / (2) Total number of tenders advertised and closed. The indicator is reported quarterly.	Signed and dated SCM report containing tender cancellations in relation to the total number of tender business cases that were recorded, advertised and closed.

Outcome	Performance Indicator (Output)	Baseline 2023/2024 audited	Annual Target (2024/2025)	Target for 2024/2025 SDBIP per Quarter								Annual		Indicator Definition	Portfolio of Evidence
				Q1 Planned Target	Actual	Q2 Planned Target	Actual	Q1 Planned Target	Actual	Q2 Planned Target	Actual	Annual Target	Annual Actual Output Rating		
Portfolio Expansion and Growth	Number of project applications submitted to SHRA for approval of grant funding: Queen Street	0	2	0	Not due for reporting	0	Not due for reporting	1	0	1	0	1	0	The indicator measures the number of project applications to SHRA to unlock project funding for Queen Street Social Housing project	Proof of submission of project application to SHRA for funding approval.
To achieve a high level of tenant management and responsive customer care	14B Percentage of customer maintenance complaints resolved within 30 days	61,28%	80%	80%	48%	80%	49%	80%	44%	80%	73%	80%	53%	The indicator measures the percentage of customer maintenance complaints resolved within 30 days. Formula: Number of complaints resolved/ complaints *100.	Complaints register/ report. Job cards or completion certificates most s
To achieve a high level of tenant management and responsive customer care	Number of Stakeholder Management Strategy developed	New	1	0	Not due for reporting	1	1	0	Not due for reporting	0	Not due for reporting	1	1	This indicator measures the strategy developed and approved by the Board	Board Resolution
Improved administration and controls	15B Percentage of tenant profiles updated with renewed leases	0	50%	20%	34%	30%	24%	0%	27%	50%	18%	50%	18%	The indicator measures the entity's amendments to master data based on lease renewals. Formulae: Number of tenant profiles updated / total number of tenants with leases	Solar system Reports and lease renewals
Functional and capacitated organisation	Percentage of implementation of Board Resolutions per quarter	60%	100%	100%	64%	100%	95%	100%	25%	100%	87%	100%	80%	This indicator measures the percentage implementation of board resolutions per quarter. Formulae: Number of Board resolution implementation per quarter over number of Board resolution taken by the Board e.g., 13 of 15=%	Resolution register and schedule of matters arising.

Outcome	Performance Indicator (Output)	Baseline 2023/2024 audited	Annual Target (2024/2025)	Target for 2024/2025 SDBIP per Quarter								Annual		Indicator Definition	Portfolio of Evidence
				Q1 Planned Target	Actual	Q2 Planned Target	Actual	Q1 Planned Target	Actual	Q2 Planned Target	Actual	Annual Target	Annual Actual Output Rating		
Functional and capacitated organisation	GG1.22 Percentage of vacant posts filled within 3 months	0%	100%	33%	50%	67%	100%	0%	Not due for reporting	0%	Not due for reporting	100%	100%	The percentage of posts for which an appointment decision has been made within three months of the authority to proceed with filling the post. 'Vacant posts' in this instance, refers to all budgeted posts on the Entity organogram for which a recruitment process has been initiated. A position is considered 'filled' when a recruitment decision is made and an offer of appointment formally accepted by a recruit, regardless of the start date. 'Authority to proceed with filling a post' refers to the point of time at which the relevant official recognised the filling of a vacancy in terms of relevant municipal policies and procedures. This refers to an individual post and does not apply to bulk recruitment. ((1) Number of vacant posts filled within 3 months since the date (dd/mm/yyyy) of authority to proceed with filling the vacancy / (2) Number of vacant posts that have been filled) x 100	Signed Corporate Services Report
Functional and capacitated organisation	18B Percentage of senior and middle management and all staff with signed performance agreements	TBA	100%	0%	Not due for reporting	100%	100%	0%	Not due for reporting	0%	Not due for reporting	100%	100%		

CHAPTER 4

ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)





Quinton Ndukuya
EM Corporate Services

INTRODUCTION

Ekurhuleni Housing Company (EHC) is a small organisation consisting of the following departments: Office of CEO; Operations; Finance and Corporate Service. The organogram reflects 34 funded positions of which capacity in the company still poses a challenge, with most of the initiatives on hold due to the financial constraints.

The Social Housing Regulatory Authority (SHRA) appointed a management consulting firm, Africa International Advisors, to assist the EHC with the development of a turnaround strategy. The turnaround strategy focused on the following key strategic outcomes:

- Improved financial sustainability;
- Improved administration and control;
- Re-established relationships between the EHC and its tenants;
- Development of a functional and capacitated organisation.

One of the strategic outcomes was the development of a functional and capacitated organisation, which entailed the following:

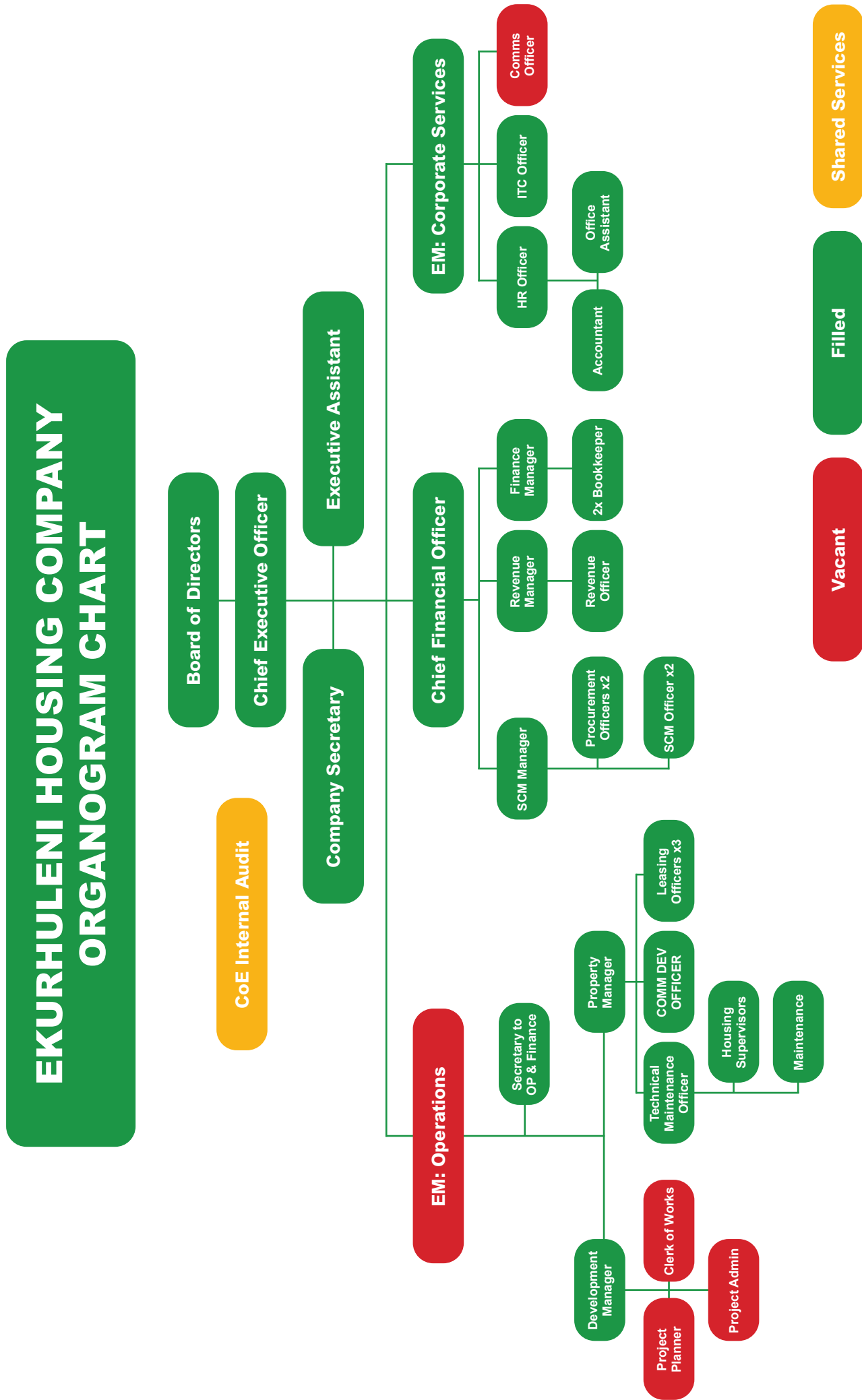
- Re-designing the current organisational structure so that it was fully aligned to the turnaround strategy;
- Filling critical vacancies.

The employment equity profile of EHC is balanced as most population groups are represented in the staff establishment. The staff complement of 30 comprises a majority of female employees at 63.3% and 36.6% male employees. At the executive level, there are two female executives and two male executives, reflecting 50% each. The percentage of female members at senior management level remains the same at 20%.



EHC STRUCTURE

Figure 4.1: Organogram of Ekurhuleni Housing Company (EHC)



COMPONENT A:

INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

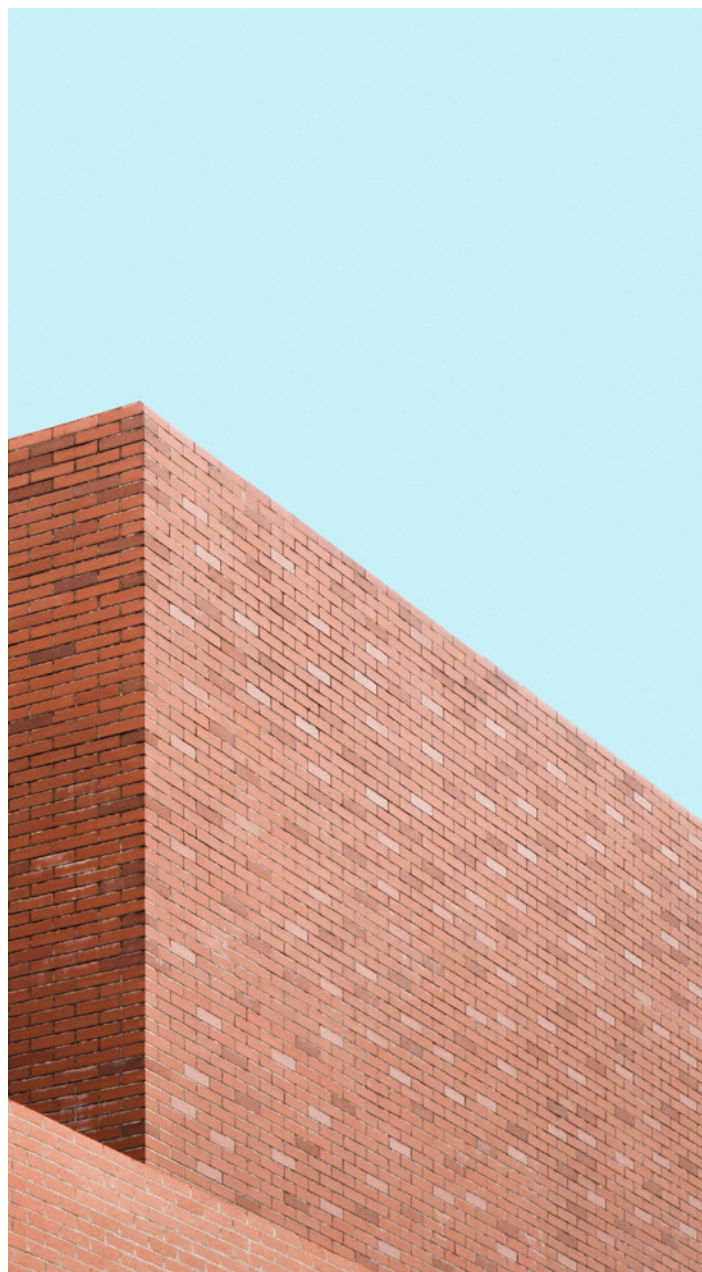
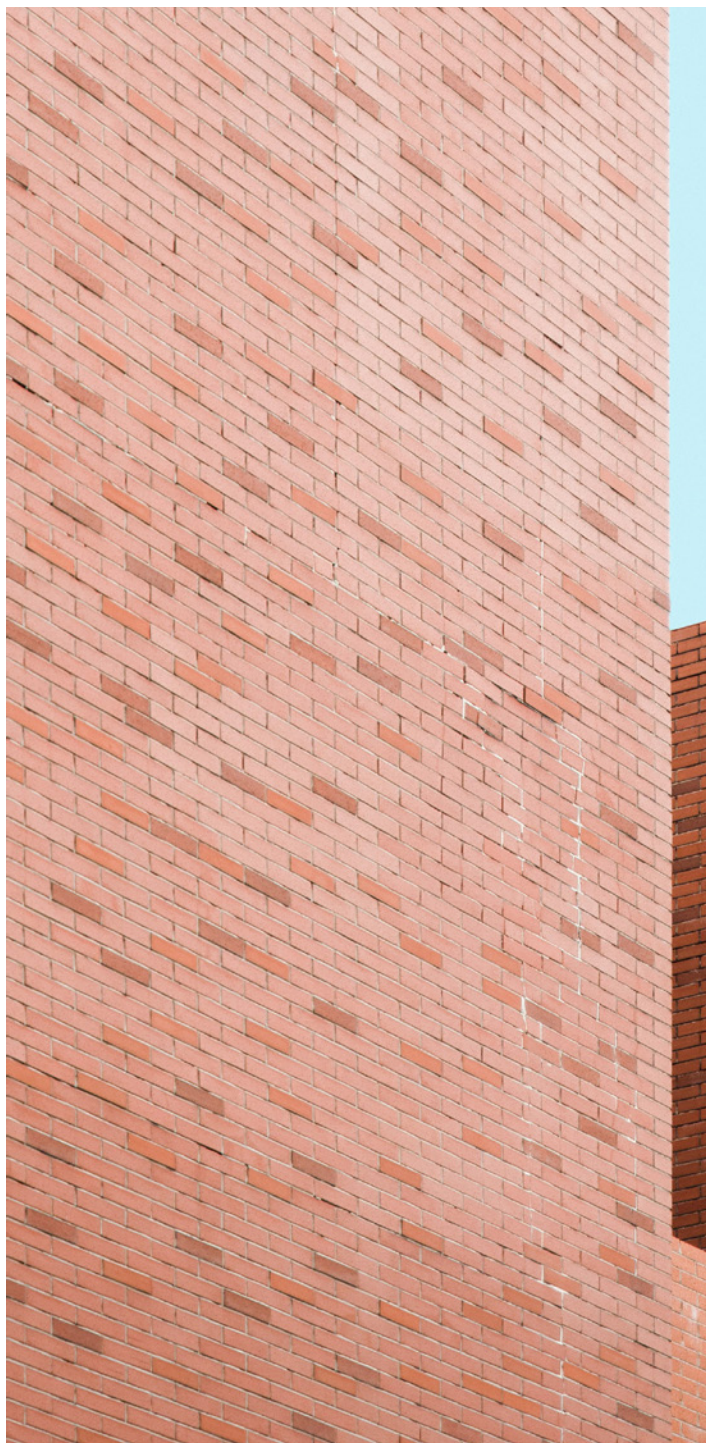
Employees					
Description	Year -1	Year 0			
	Employees No.	Approved Posts No.	Employees No.	Vacancies No.	Vacancies %
Financial Services (Incl of SCM Services)	10	1	10	1	%
HR Services	1	0	1	0	%
ICT Services	1	1	1	1	%
Property, Legal, Risk Management and Office of the CEO	24	12	24	12	%
Totals	36	14	36	14	—
Headings follow the order of services as set out in chapter 3. Service totals should equate to those included in the Chapter 3 employee schedules. Employee and Approved Posts numbers are as at 30 June, as per the approved organogram.					T 4.1.1

Vacancy Rate: Year 0			
Designations	*Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Financial Services(Incl of SCM Services)	10	1	10,00
HR Services	1	0	0,00
ICT Services	1	1	100,00
Property , Legal , Risk Management and Office of the CEO	24	12	50,00
Total	36	14	38,89
			T 4.1.2

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
Year -2	1	2	200%
Year -1	1	2	200%
Year 0	1	2	200%
* Divide the number of employees who have left the organisation within a year, by total number of employees who occupied posts at the beginning of the year			
T 4.1.3			

COMMENT ON VACANCIES AND TURNOVER

The entity is filling vacant positions based on its critical nature and budget funding during periods of low collection. The City of Ekurhuleni provided a secondment in an acting capacity for the Entity during the period of vacancy.



COMPONENT B:

MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The total number of corporate service (human resources (HR) and information and communication technologies (ICT)) policies stands at 45. Some of these policies may appear to be redundant, as various aspects of the same topic are divided into separate policies. Ekurhuleni Housing Company (EHC) is addressing this issue by consolidating policies to focus on specific subjects. In the ICT sector, two policies have been developed to improve governance: the Business Continuity Policy and the Records and

Archiving Policy. One policy in ICT, the Information Security Policy, has undergone a review. In addition, a new remuneration policy has been approved to enhance the compliance framework of corporate services.

Corporate Services plans to evaluate the following policies: the Remuneration Policy, Leave Management Policy, Acting Allowance Policy and the Flexi Time and Work from Home Policy.

T 4.2.0

4.2 POLICIES

HR Policies and Plans				
	Name of policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
3	Code of Conduct for Employees	100%	0%	
4	Delegations, Authorisation & Responsibility	100%	0%	
5	Disciplinary Code and Procedures	100%	0%	
6	Essential Services	0%	0%	
7	Employee Assistance / Wellness	100%	0%	
8	Employment Equity	0%	0%	
9	Exit Management	100%	0%	
10	Grievance Procedures	100%	0%	
11	HIV/Aids	100%	0%	
12	Human Resource and Development	0%	0%	
13	Information Technology	100%	0%	
14	Job Evaluation	100%	0%	
15	Leave	100%	0%	30 May 2025
16	Occupational Health and Safety	100%	0%	
17	Official Housing	0%	0%	
18	Official Journeys	0%	0%	
19	Official transport to attend Funerals	100%	0%	
20	Official Working Hours and Overtime	100%	0%	
21	Organisational Rights	0%	0%	
22	Payroll Deductions	0%	0%	
23	Performance Management and Development	100%	0%	
24	Recruitment, Selection and Appointments	100%	0%	
25	Remuneration Scales and Allowances	100%	100%	
26	Resettlement	0%	0%	
27	Sexual Harassment	0%	0%	
28	Skills Development	0%	0%	
29	Smoking	0%	0%	
30	Special Skills	0%	0%	
31	Work Organisation	0%	0%	
32	Uniforms and Protective Clothing	100%	0%	
33	Acting Policy	100%	100%	30 May 2025
34	Remuneration	100%	100%	30 May 2025
35	Leave Management Policy	100%	100%	30 May 2025

T 4.2.1

COMMENT ON WORKFORCE POLICY DEVELOPMENT

Due to the accumulation of policies pending review, policies will be submitted primarily based on legislative urgency on a quarterly schedule.

T 4.2.1.1

4.3 INJURIES, SICKNESS AND SUSPENSIONS

Table 4.5:

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
Required basic medical attention only					
Temporary total disablement					
Permanent disablement					
Fatal					
Total	0	0		0	0

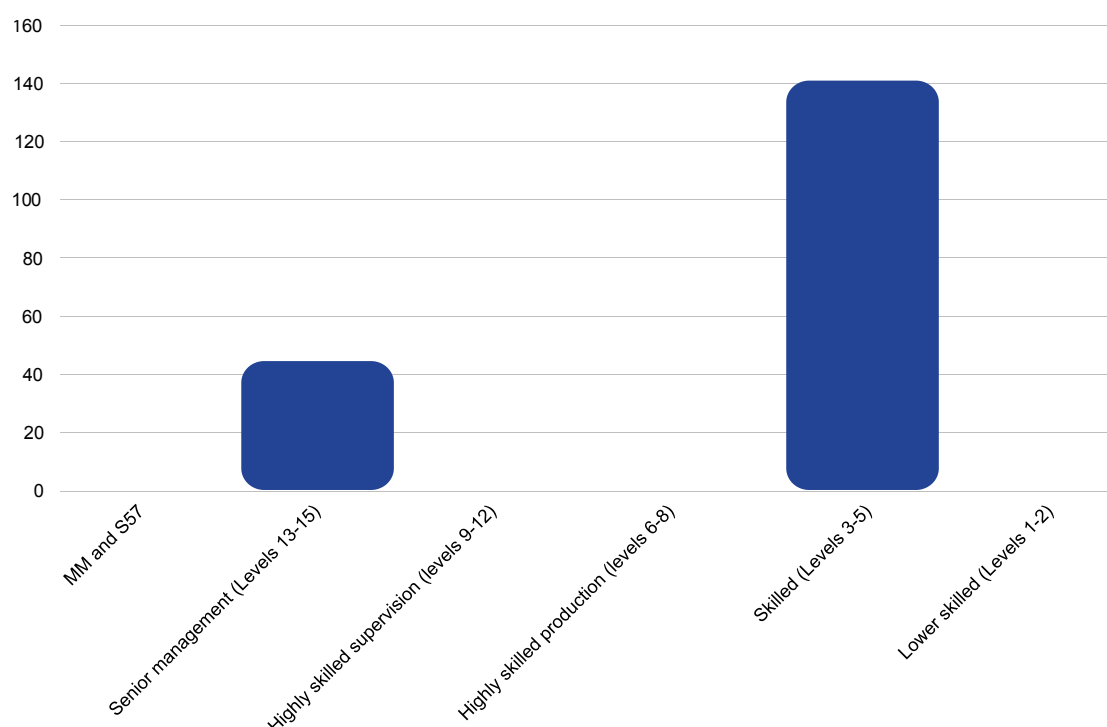
T 4.3.1

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
Lower skilled (Levels 1-2)						
Skilled (Levels 3-5)	141	0%	141	11	12,80	7927
Highly skilled production (levels 6-8)						
Highly skilled supervision (levels 9-12)						
Senior management (Levels 13-15)	39	0%	39	5	2,40	28658
MM and S57						
Total	180	0%	180	16	11,25	36585

* - Number of employees in post at the beginning of the year
 *Average is calculated by taking sick leave in column 2 divided by total employees in column 4

T 4.3.2

Number of sick leave excluding IOD.



COMMENT ON INJURY AND SICK LEAVE

No injuries were reported in the year under review.

T.4.3.4

Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
Finance Manager	Financial Misconduct	14-Mar-24	Disciplinary ongoing	Ongoing

T.4.3.5

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of alleged misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
Finance Manager	Gross misconduct Rand value not determined	Precautionary Suspension	Ongoing

T.4.3.6

COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT

Precautionary suspension pending an investigation into serious allegations of misconduct is ongoing.

T 4.3.7



4.4 PERFORMANCE REWARDS

Performance Rewards By Gender					
Designations	Beneficiary profile				
	Gender	Total number of employees in group	Number of beneficiaries	Expenditure on rewards Year 1 R' 000	Proportion of beneficiaries within group %
Lower skilled (Levels 1-2)	Female	0	0	0	
	Male	0	0	0	
Skilled (Levels 3-5)	Female	0	0	0	
	Male	0	0	0	
Highly skilled production (levels 6-8)	Female	0	0	0	
	Male	0	0	0	
Highly skilled supervision (levels 9-12)	Female	0	0	0	
	Male	0	0	0	
Senior management (Levels 13-15)	Female	0	0	0	
	Male	0	0	0	
MM and S57	Female	0	0	0	
	Male	0	0	0	
Total					
Has the statutory municipal calculator been used as part of the evaluation process ?					Yes/No
Note: MSA 2000 S51(d) requires that ... 'performance plans, on which rewards are based should be aligned with the IDP'... (IDP objectives and targets are set out in Chapter 3) and that Service Delivery and Budget Implementation Plans (developed under MFMA S69 and Circular 13) should be consistent with the higher level IDP targets and must be incorporated appropriately in personal performance agreements as the basis of performance rewards. Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column (as illustrated above).					T 4.4.1

COMMENT ON PERFORMANCE REWARDS

No performance bonuses have been paid during the period.

T 4.4.1.1

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

A skills development framework and skills development plan were not developed due to capacity constraints

T 4.5.0



4.5 SKILLS DEVELOPMENT AND TRAINING

Skills Matrix													
Management level	Gender	Employees in post as at 30 June 2022/23		Number of skilled employees required and actual as at 30 June 2022/23									
				Learnerships			Skills programmes & other short courses			Other forms of training			
		No.	Actual: End of year 1	Actual: End of year 0	Year 0 Target	Actual: End of year 1	Actual: End of year 0	Year 0 Target	Actual: End of year 1	Actual: End of year 0	Year 0 Target	Actual: End of year 1	Actual: End of year 0
MM and s57	Female	0	0	0	0	0	0	0	0	0	0	0	0
	Male	1	0	0	0	0	0	0	0	0	0	0	0
Councillors, senior officials and managers	Female	2	0	0	0	0	0	0	0	0	0	0	0
	Male	3	0	0	0	0	0	0	0	0	0	0	0
Technicians and associate professionals*	Female	1	0	0	0	0	0	0	0	0	0	0	0
	Male	1	0	0	0	0	0	0	0	0	0	0	0
Professionals	Female	15	0	0	0	0	0	0	0	1	0	1	0
	Male	4	0	0	0	0	0	0	0	1	0	0	0
Sub total	Female	18	0	0	0	0	0	0	0	0	0	0	0
	Male	9	0	0	0	0	0	0	0	0	0	0	0
Total		27	0	0	0	3	0	0	0	0	0	3	0
*Registered with professional Associate Body e.g CA (SA)													
													T 4.5.1

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4) (a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4) (b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
				and (d))		
Financial Officials						
Accounting officer	0	1	1	0	1	0
Chief financial officer	0	1	1	1	1	1
Senior managers	0	5	5	1	5	1
Any other financial officials	0	3	3	3	3	3
Supply Chain Management Officials	0			0		
Heads of supply chain management units	0	0	0	0	0	0
Supply chain management senior managers	0	0	0	0	0	0
TOTAL	0	10	10	5	10	5
* This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007)						T 4.5.2

Skills Development Expenditure													
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1										
			Learnerships		Skills programmes & other short courses		Other forms of training		Total				
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual			
MM and S57	Female	0	0	0	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0	0	0	0
Legislators, senior officials and managers	Female	0	0	0	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0	0	0	0
Professionals	Female	0	0	0	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0	0	0	0
Technicians and associate professionals	Female	0	0	0	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0	0	0	0
Clerks	Female	0	0	0	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0	0	0	0
Service and sales workers	Female	0	0	0	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0	0	0	0
Elementary occupations	Female	0	0	0	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0	0	0	0
Sub total	Female	0	0	0	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0	0	0	0
Total		0	0	0	0	0	0	0	0	0			
*% and *R value of municipal salaries (original budget) allocated for workplace skills plan.												%*	*R
T4.5.3													

COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS

The Chief Executive Officer's compliance with minimum competency requirements has been postponed to the financial year 2025/2026. This remains within the 18-month compliance threshold
The supply chain management and finance departments are fully compliant.

T 4.5.4

COMPONENT D:

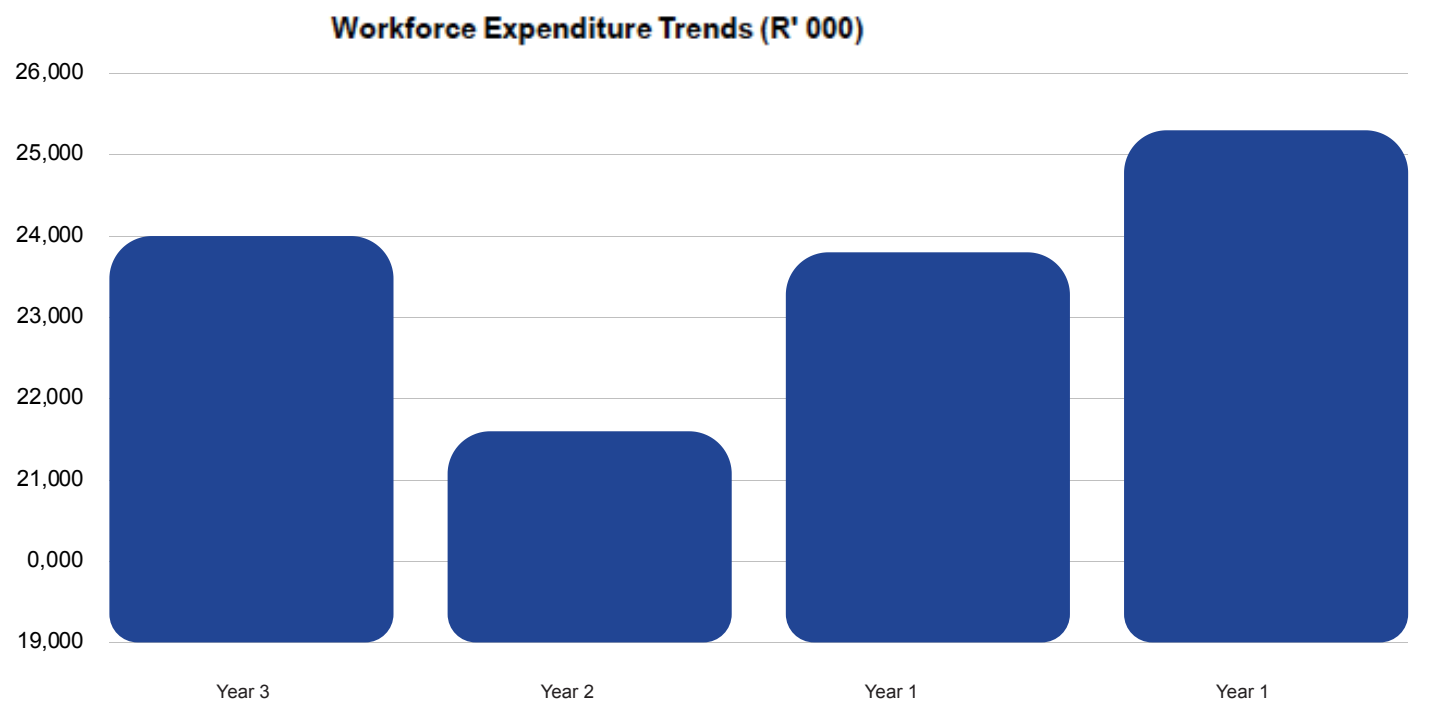
MANAGING THE WORKFORCE EXPENDITURE

INTRODUCTION TO WORKFORCE EXPENDITURE

The organisation has decreased its workforce expenses by bringing most of the recruitment functions in-house. Employee wellness services have been contracted out to the City of Ekurhuleni. The head office has moved to its own facilities, eliminating any rental payment obligations. Although not ideal due to financial limitations, training and development efforts have been restricted to compliance and legislative requirements. Overtime has been confined to projects that generate income.

T 4.6.0

4.6 EMPLOYEE EXPENDITURE



Source: MBRR SA22 T 4.6.1

COMMENT ON WORKFORCE EXPENDITURE

EHC has continued to implement prudent cost-containment measures to ensure financial sustainability while maintaining core service delivery. By recognising recruitment functions, contracting employee wellness services through the City of Ekurhuleni and relocating to its own facilities, the Entity has significantly reduced operational overheads. Furthermore, limiting training to compliance and legislative priorities and restricting overtime to income-generating projects reflects a disciplined approach to balancing resource constraints with organisational effectiveness.

T 4.6.1.1

CHAPTER 5

FINANCIAL PERFORMANCE





Nontobeko Ndimande
CFO

INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

The annual financial statements of the Ekurhuleni Housing Company (EHC) are prepared in accordance with all requirements of the standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance

with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

The annual financial statements are prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

The Entity has implemented Government Gazette No. 42514 issued on 7 June 2019 'Municipal Cost Containment Regulations' in order to contain costs. It was able to contain costs among discretionary expenditure items such as consultancy services, domestic and foreign travel, catering and refreshments, acquisition of ICT equipment, and conferences and meetings, to name a few.

T 5.0.1

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

INTRODUCTION TO FINANCIAL STATEMENTS

The table below provides an overview of the financial performance of the Ekurhuleni Housing Company (EHC), focusing on the financial health of the Entity. It should further be noted that the Statements of Revenue Collection Performance by vote and by source are included in Appendix K.

Section 1.4 in Chapter 1 of this report provides a summary of financial health and performance.

The financial health of EHC is significantly compromised by sustained periods of deteriorated revenue collection. The Entity is challenged to maintain the existing rental stock while the annual collection rate for the financial year ended 30 June 2025 was 24% (2023/24: 20%), indicating a 4% improvement from the prior year. The targeted collection rate is 60%.

Revenue (excluding capital transfers and contributions)

The Entity's original budget for revenue was R84,1 million. In the adjustment budget, the original budget was increased by R22,1 million, consisting of R1,5 million operational grant, SHRA grant of R1,8 million and R17 million for interest on outstanding debtors.

The actual revenue is above budget by R1.1 million.

The actual amount received for the operating grant from the City of Ekurhuleni (CoE) was R20.5 million.

Included in revenue from non-exchange transactions is the Social Housing Regulatory Authority (SHRA) grant of R1.8 million. The SHRA grant is based on a consolidated capital grant (CCG) agreement. The condition of the grant was met and therefore the Entity received and recognised R1.8 million as income.

Expenditure

Debt impairment exceeded the budget by R32.8 million. This is due to a decrease in the collection rate. The collection is negatively affected by rent payment boycotted by tenants and the hijacking of units.

Total expenditure exceeds budget by R33.3 million due to increased finance costs and penalties, legal fees, security services and utilities.

Revenue (capital transfers)

In the 2024/25 financial year, the Entity received drawdown payments from SHRA to the total value of R1.8 million for the completion of the Germiston Fire Station Phase 2. The payments received were recognised as income and paid to the contractor and professional service provider during the year.

T 5.1.0

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Description	2024/25											2023/24			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousands	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Financial Performance															
Property rates			–			–									
Service charges			–			–									
Investment revenue	1 020	-111	910			910	1 031		122	113%	101%				
Transfers recognised - operational	19 246	4 073	23 319			23 319	22 330		-989	96%	116%				
Other own revenue	63 795	18 145	81 940			81 940	83 888		1 948	102%	131%				
Total Revenue (excluding capital transfers and contributions)	84 062	22 107	106 169			106 169	107 250		1 081	101%	128%				
Employee costs	27 923	(4 589)	23 334			23 334	22 802		-532	98%	82%				
Remuneration of councillors	2 426	–	2 426			2 426	2 016		-410	83%	83%				
Debt impairment	6 324	18 010	24 334			24 334	57 006		32 672	234%	901%				
Depreciation & asset impairment	6 614	-999	5 615			5 615	5 684		69	101%	86%				
Finance charges	3 680	1 094	4 773			4 773	5 410		637	113%	147%				
Materials and bulk purchases			–			–									
Transfers and grants			–			–									
Other expenditure	36 660	4 349	41 009			41 009	41 907								
Total Expenditure	83 627	17 865	101 492			101 492	134 825		33 333	133%	161%				
Surplus/ (Deficit)	434	4 243	4 677			4 677	(27 575)								
Transfers recognised - capital			–			–									

Description	2024/25										2023/24				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousands	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Surplus/ (Deficit) after capital transfers & contributions	434	4 243	4 677			4 677	(27 575)		(32 252)	-590%	-6348%				
Share of surplus/ (deficit) of associate			–			–	–								
Surplus/ (Deficit) for the year	434	4 243	4 677			4 677	(27 575)		(32 252)	-590%	-6348%				
Capital expenditure & funds sources															
Capital expenditure															
Transfers recognised - capital			–			–									
Public contributions & donations			–			–									
Borrowing			–			–									
Internally generated funds	434	4 243	4 677			4 677	4 677		–	100%	1077%				
Total sources of capital funds	434	4 243	4 677			4 677	4 677		–	100%	1077%				
Cash flows															
Net cash from (used) operating	16 041	17 028	33 069			33 069	1 470		(31 599)	4%	9%				
Net cash from (used) investing	-434	(4 243)	(4 677)			(4 677)	(2 625)		2 052	56%	604%				
Net cash from (used) financing	173	–	173			173	340		167	196%	196%				
Cash/cash equivalents at the year end															
															T 5.1.1

5.2 GRANT

Grant Performance						R' 000
Description	2023/24	2024/25			2024/25 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
Operating Transfers and Grants						
National Government:	–	–	–	–		
Equitable share						
Municipal Systems Improvement						
Department of Water Affairs						
Levy replacement						
Other transfers/grants [insert description]						
Provincial Government:	–	–	–	–		
Health subsidy						
Housing						
Ambulance subsidy						
Sports and Recreation						
Other transfers/grants [insert description]						
District Municipality:	19 036	19 246	20 746	20 545		
City of Ekurhuleni	19 036	19 246	20 746	20 545	107%	99%
Other grant providers:	26 770	–	2 573	1 785		
SHRA	26 770	–	2 573	1 785	100%	69%
Total Operating Transfers and Grants	45 806	19 246	23 319	22 330		
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Full list of provincial and national grants available from published gazettes.						T 5.2.1

COMMENT ON OPERATING TRANSFERS AND GRANTS

City of Ekurhuleni (CoE) operational grants are required to subsidise the rentals of social housing units. Ekurhuleni Housing Company (EHC) received the following grants in this financial year:

- R20.5 million operational grant from CoE;
- R 1.8 million conditional grants from Social Housing Regulatory Authority (SHRA) (conditions met for the Germiston Fire Station Phase 2).

5.3 ASSET MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

Ekurhuleni Housing Company (EHC) participated in the development of the Kempton Park and Clayville Social Housing Projects, the Kempton Park, Long Street development of 84 social housing units and the Clayville Ext 45 development of 452 social rental multi-storey units. There was no funding from the City of Ekurhuleni (CoE) for capital projects for the current financial year.

Repair and Maintenance Expenditure: 2024/25					R' 000
	Original Budget	Adjustment Budget	Actual	Budget variance	
Repairs and Maintenance Expenditure	3 855	4 603	886	77%	
					T 5.3.4

COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE

The Entity is managing social housing rental stock that is predominantly affected by rental boycotts and unit hijacking. The conditions of the buildings are deteriorating due to insufficient revenue generation and collection. The original budget was R3.9 million, the budget was increased to R4.6 million due to cash flow constraints and the cancellation of the repairs and maintenance panel. Of the budget, 77% was not spent. Maintenance focused only on paying tenants and common areas.

The Entity is not generating sufficient revenue to budget for the planned maintenance and to achieve the set standard ratio of 8%.

COMMENT ON FINANCIAL RATIOS

Liquidity ratio: The norm range between 1.5 to 2:1.

EHC has liquidity ratio below the norm at 0.3 (0.3:2023/24). The ratio is below the norm due to municipal services debt of R67.6 million (R56 million: 2023/24).

Cost cover ratio: The norm ranges between 1 month and 3 months.

EHC pays 0.8.1 (3.1: 2023/24) months of expenditure.

Debt coverage ratio: EHC's ratio is 1.2.1 (1.1: 2023/24)

The ratio indicates that the Entity is dependent on grants to cover debts. The Entity can cover its debt 1.2 times based on revenue generated (excluding grants). However, the Entity is not collecting 100% of the revenue generated; only 24% was collected.

Payment of creditors

EHC pays its creditors within 30 days of receipt of the invoice. During the financial year 98% of creditors were paid within 30 days.

Repairs and maintenance

EHC is committed to providing quality facility management solutions and maintaining its stock, which is dependent on the revenue collection.

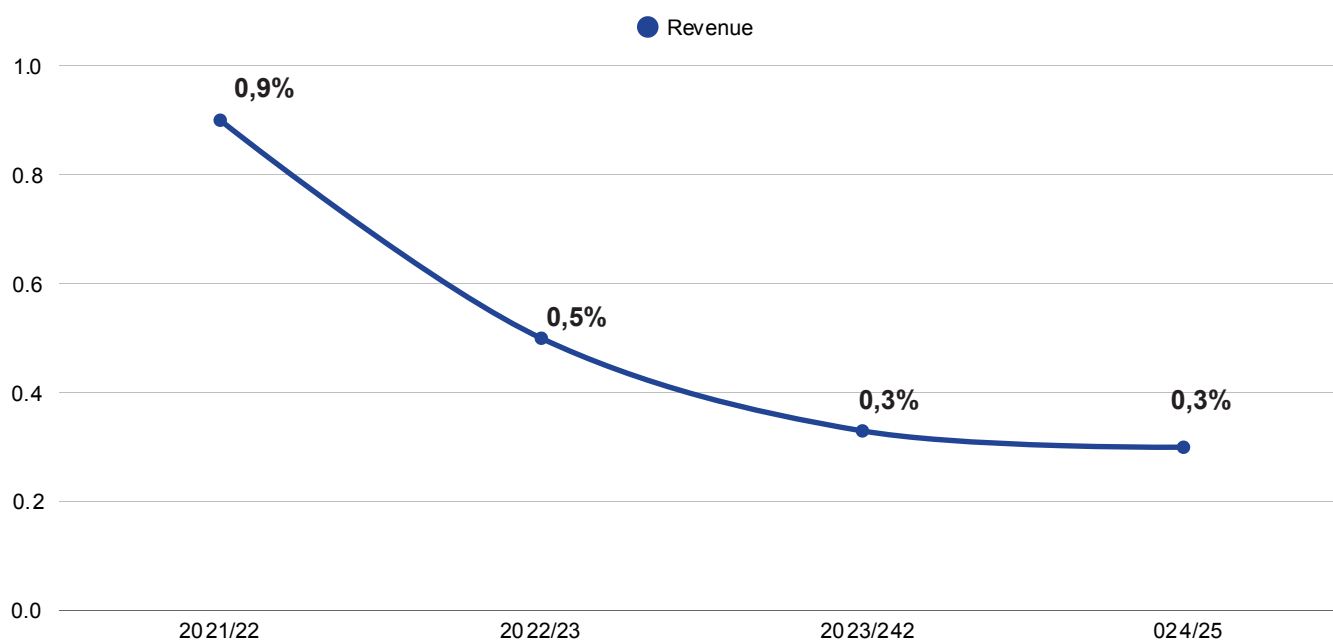
Employee cost ratio

The percentage is slightly increasing due to the filling of critical vacancies.

Overall, the financial ratios confirm that the Entity is financially viable and can meet its commitments. However, the Entity is not sustainable in the absence of operational grants received.

5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

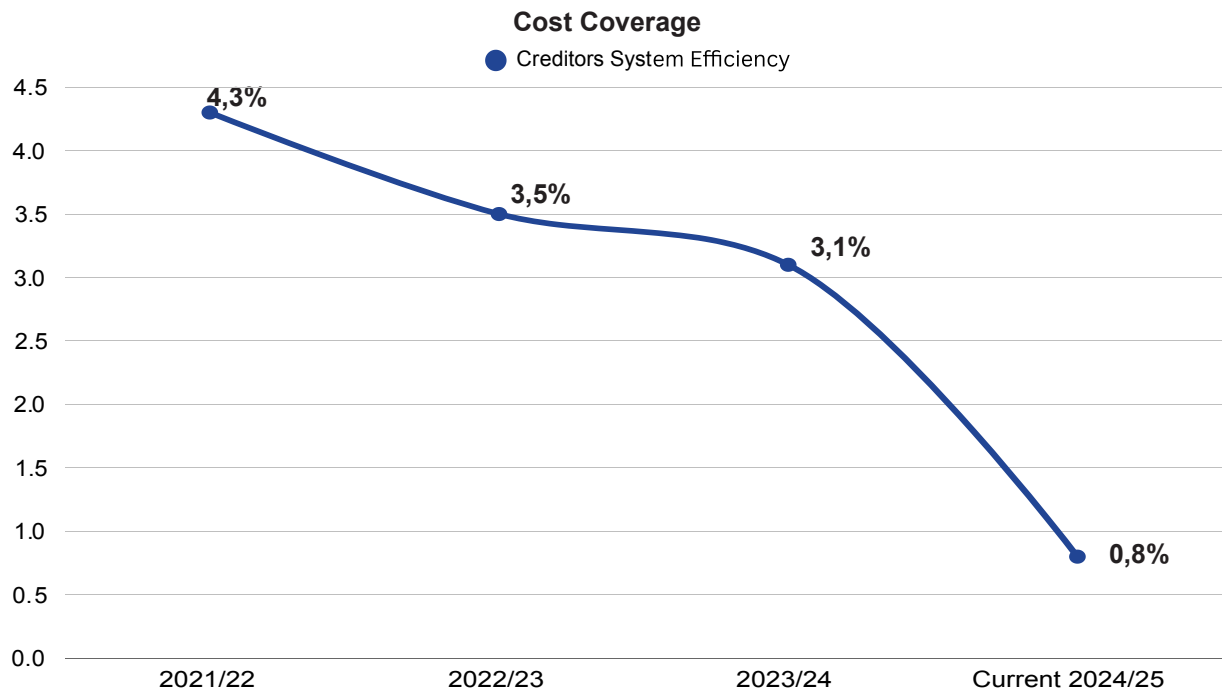
Liquidity Ratios



Liquidity Ratio – Measures the municipality's ability to pay its bills and is calculated by dividing the monetary assets (due within one year) by the municipality's current liabilities. A higher ratio is better.

Data used from MBRR SA8

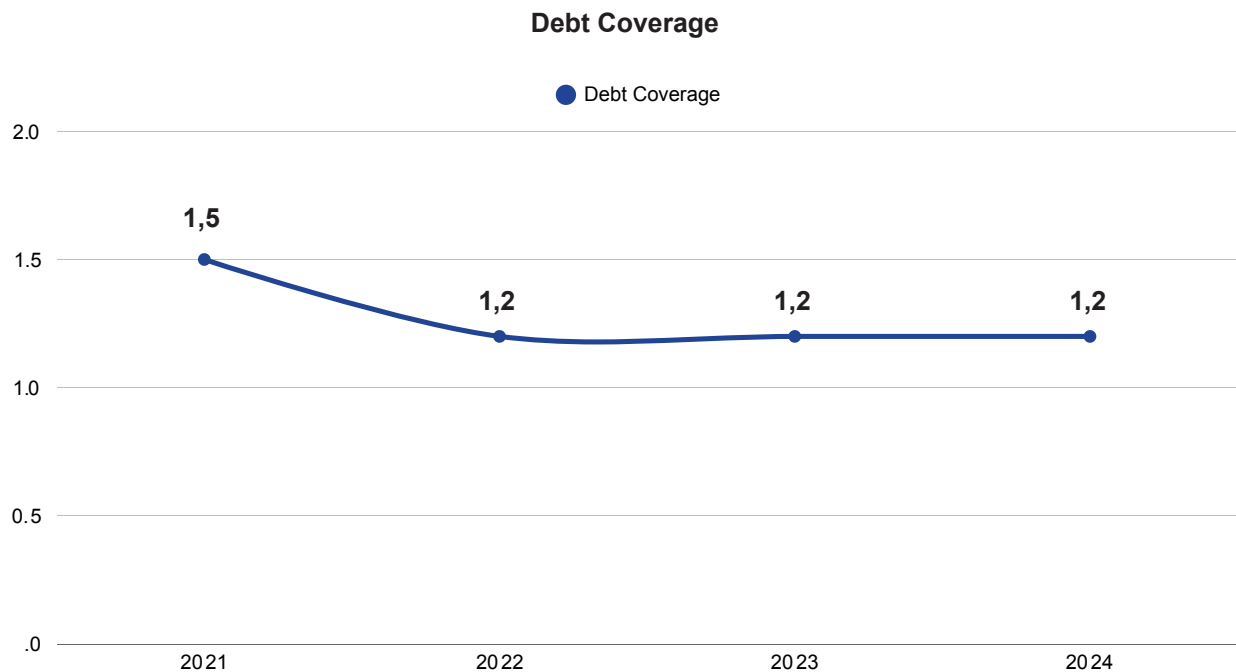
5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS



Cost Coverage – It explains how many months expenditure can be covered by the cash and other liquid assets available to the Municipality excluding utilisation of grants and is calculated

Data used from MBRR SA8

T 5.4.2
Not applicable
T 5.4.3
Not applicable

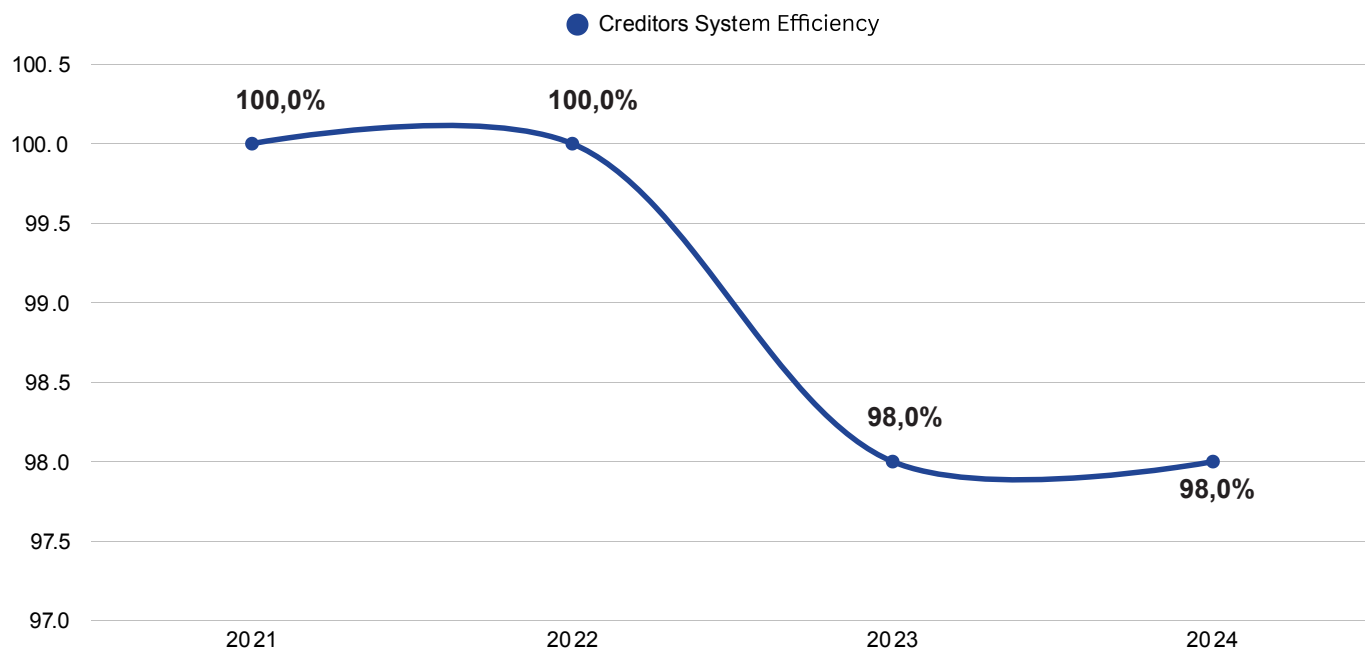


Debt Coverage – The Number of times debt payments can be accompanied within Operating revenue (excluding grants). This in turn represents the ease with which debt payments can be accommodated by the municipality

Data used from MBRR SA8

T 5.4.4

Creditors System Efficiency

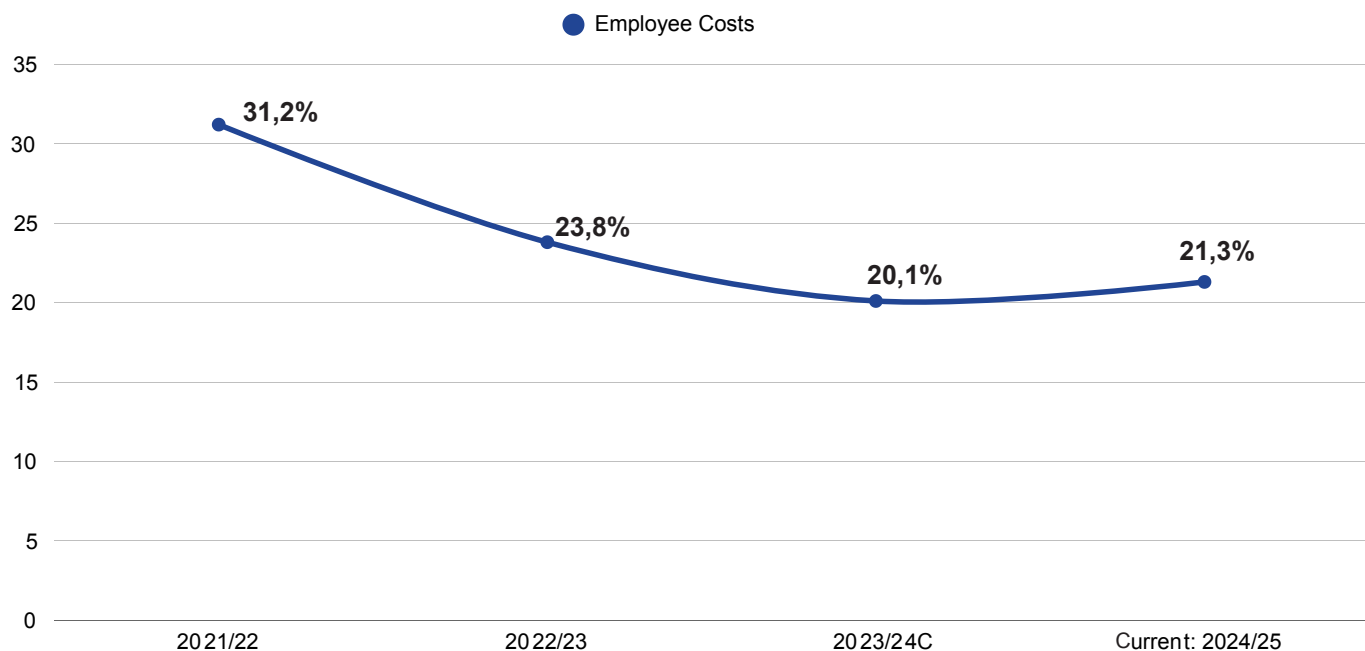


Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outsourcing trade creditors divided by credit purchases

Data used from MBRR SA8

T 5.4.

Employee Costs

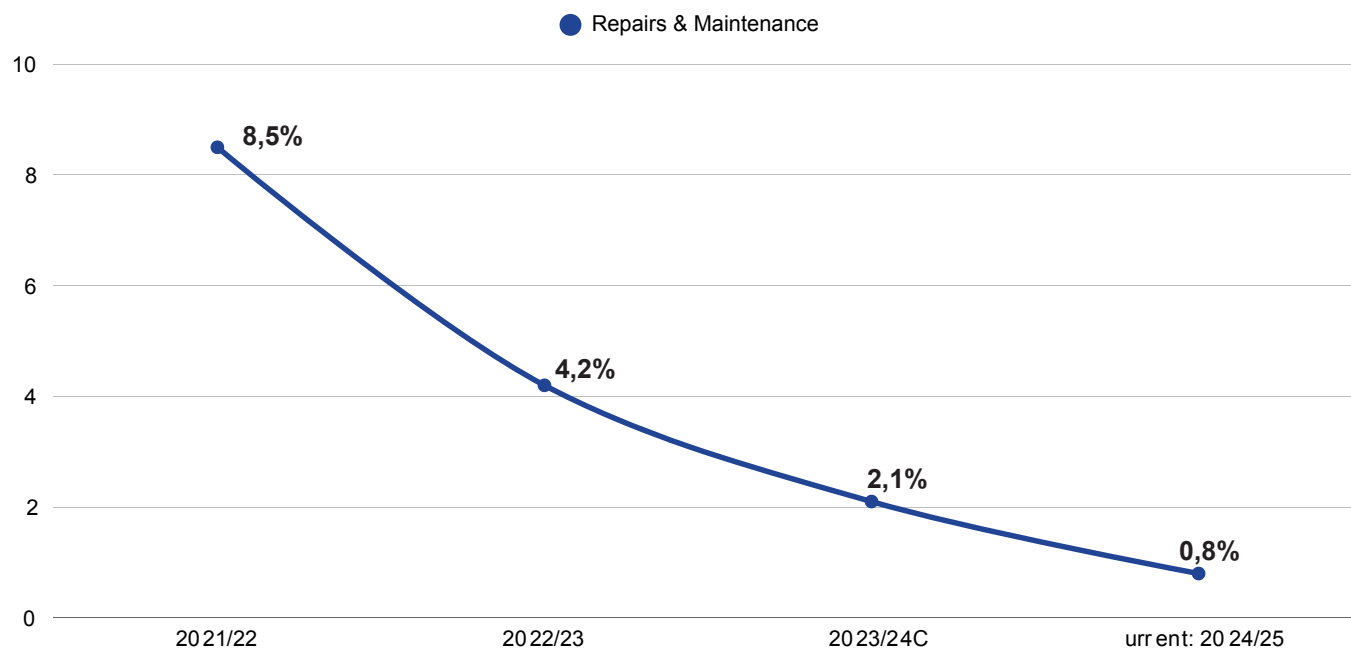


Employee Cost – Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue

Data used from MBRR SA8

T 5.4.7

Repairs & Maintenance



Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outsourcing trade creditors divided by credit purchases

Data used from MBRR SA8

T 5.4.2
Not applicable

COMMENT ON FINANCIAL RATIOS

Liquidity ratio: Ekurhuleni Housing Company (EHC) has a healthy liquidity ratio as it is able to cover its debts; however, this has significantly deteriorated.

The cost cover ratio has deteriorated significantly and reflects that EHC pays 0.8 months of expenditure.

The debt coverage ratio indicates that the Entity is dependent on grants to cover debts. This ratio will be improved with the pipeline for growth and expansion while maintaining effective operating costs.

The percentage is slightly increasing due to the filling of critical vacancies.

Repairs and maintenance are low. EHC is committed to providing quality facility management solutions and maintaining its stockholding, which is dependent on revenue collection.

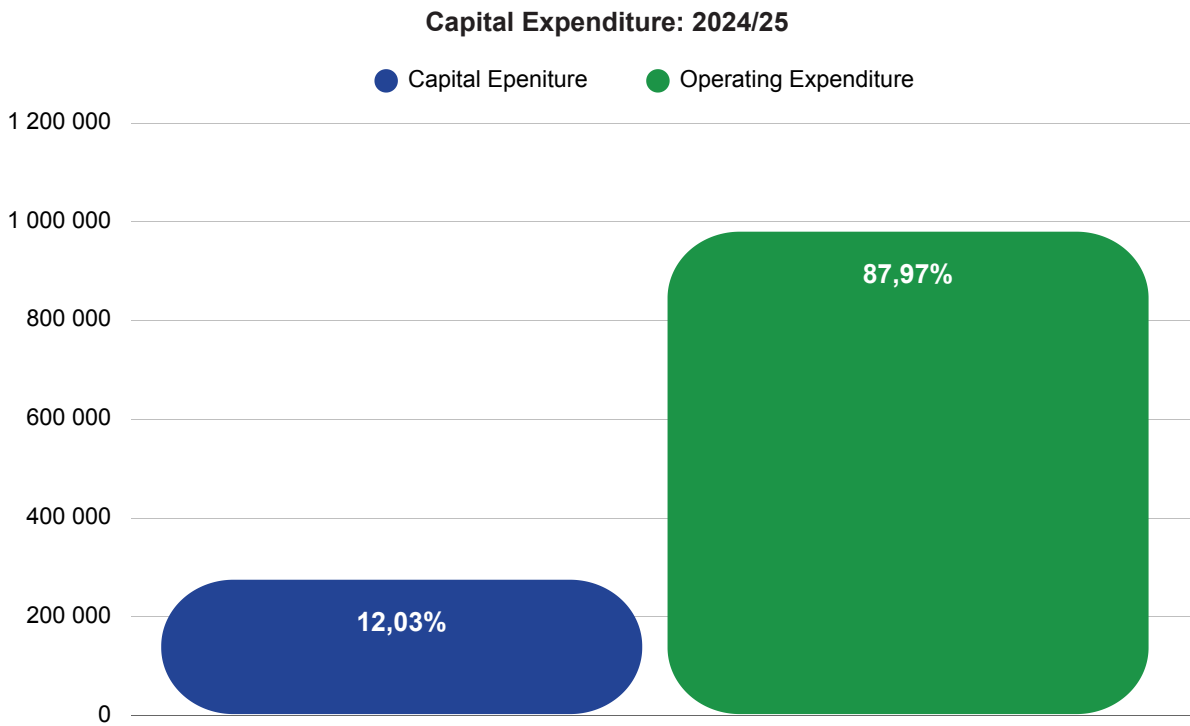
Overall, the financial ratios confirm that the Entity is financially distressed and is not sustainable in the absence of operational grants received.

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

INTRODUCTION TO SPENDING AGAINST THE CAPITAL BUDGET

The Entity spent 12.03% of its total budget on capital expenditure as there were no major capex projects for the year under review.

5.5 CAPITAL/ EXPENDITURE



COMMENT ON SOURCES OF FUNDING

Capital expenditure is funded from grants and the surplus from operating revenue.

During this financial year, there was no capital budget for social housing projects, only the capital outlay for the tools of trade, such as computers and office equipment, access control and vehicles.

This is funded from operating revenue.

The Entity completed the Germiston Fire Station Phase 2 project funded by the Social Housing Regulatory Authority (SHRA) through a consolidated capital grant. An amount of R1.8 million was received and paid to the contractor and professional service provider.

T5.6.1.1

COMPONENT C: CASHFLOW MANAGEMENT AND INVESTMENTS

5.6 CASH FLOW

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

Ekurhuleni Housing Company (EHC) is dependent on grants and cash surplus from the prior year to fund investment activities. The Entity is focused on achieving a 95% collection rate while growing

its rental stock portfolio to ensure EHC is sustainable.

COMMENT ON CASH FLOW OUTCOMES

The Entity generated R1.8 million from operating activities, while the cash utilised for investing activities was R2.6 million. The cash/ cash equivalents at the end of the year are R1.8 million.

T 5.9

Cash Flow Outcomes

R'000

Description	2023/24	Current: 2024/25		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	14 385	38 151	49 038	19 442
Government - operating	19 036	19 246	20 746	20 545
Government - capital	26 770	–	2 573	1 785
Interest	1 040			1 031
Dividends	–	–	–	–
Payments				
Suppliers and employees	(39 386)	(41 356)	(39 288)	(41 333)
Finance charges	-2	–	–	–
Transfers and Grants				
NET CASH FROM/(USED) OPERATING ACTIVITIES	21 843	16 041	33 069	1 470
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE				
Decrease (Increase) in non-current debtors				
Decrease (increase) other non-current receivables				
Decrease (increase) in non-current investments				
Payments				
Capital assets	(24 130)	(434)	(4 677)	(2 625)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(24 130)	(434)	(4 677)	(2 625)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans				
Borrowing long term/refinancing				
Increase (decrease) in consumer deposits	165	173	173	340
Payments				
Repayment of borrowing				
NET CASH FROM/(USED) FINANCING ACTIVITIES	165	173	173	340
NET INCREASE/ (DECREASE) IN CASH HELD	(2 123)	15 780	28 565	-815
Cash/cash equivalents at the year begin:	17 463	15 340	15 340	15 340
Cash/cash equivalents at the year end:	15 340	31 120	43 905	14 525
Source: MBRR A7				T 5.9.1

COMMENT ON CASH FLOW OUTCOMES

EHC utilised R1.1 million from its prior year cash surplus to fund the capital expenditure. R1.8 million from investing activities was funded by the Social Housing Regulatory Authority (SHRA) Capital grant.

T 5.9.1.1

5.7 BORROWING AND INVESTMENTS

INTRODUCTION TO BORROWING AND INVESTMENTS

Ekurhuleni Housing Company (EHC) has no borrowings.

The Entity has short-term deposits with ABSA bank for tenant deposits held. The balance of the short-term deposits as at 30 June 2025 was R4.3 million.

T 5.10.1

5.8 PUBLIC-PRIVATE PARTNERSHIPS

PUBLIC-PRIVATE PARTNERSHIPS

Ekurhuleni Housing Company (EHC) does not have any public-private partnerships.

COMPONENT D: OTHER FINANCIAL MATTERS

5.9 SUPPLY CHAIN MANAGEMENT

SUPPLY CHAIN MANAGEMENT

Ekurhuleni Housing Company (EHC) Supply Chain Management (SCM) Policy was reviewed and amended accordingly, to align it with the legislative requirements and National Treasury issued Circulars. It was amended and adopted by Council during May 2017. Furthermore, in line with MSCM regulation 3, which requires at least an annual review of the implementation of the SCM policy, the approved SCM policy was reviewed during the period under review, and it requires no amendments.

MSCM Regulation 7(3) states that each municipality must establish a supply chain management unit to implement its supply chain management policy. Furthermore, MSCM 7(4) states that

a supply chain management unit must, where possible, operate under the direct supervision of the Chief Financial Officer or an official to whom this duty has been delegated in terms of section 82 of the Act. The Supply Chain Management Unit, in terms of the legislation, is responsible for the following prescribed functions:

- Demand management;
- Acquisition management;
- Disposal management;
- Logistics management;
- Performance management;
- Risk management.

The system of internal control is adequate to provide reasonable assurance that objectives will be met. Risk exposure is effectively controlled and managed.

T 5.12.1

5.10 GRAP COMPLIANCE

GRAP COMPLIANCE

GRAP (Generally Recognised Accounting Practice) provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and informative for the municipality. GRAP also ensures that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable the National Treasury to assess the pace of progress and consider the implications.

Ekurhuleni Housing Company (EHC) complies with GRAP.

T 5.1

EHC Team



CHAPTER 6



COMPONENT A : AUDITOR-GENERAL REPORT

Report of the auditor-general to the Gauteng Provincial Legislature and council of the City of Ekurhuleni Metropolitan Municipality on Germiston Phase II Housing Company SOC Ltd trading as Ekurhuleni Housing Company

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of Germiston Phase II Housing Company SOC Ltd trading as Ekurhuleni Housing Company set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of Germiston Phase II Housing Company SOC Ltd trading as Ekurhuleni Housing Company as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Companies Act 71 of 2008 (Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the municipal entity in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material impairment

7. As disclosed in note 6 to the financial statements, the consumer debtor's balance has been significantly impaired. The allowance for impairment amounts to R147 089 873 (2023-24: R189 718 373), which represents 94% (2023-24: 100%) of total consumer debtors. The contribution to the allowance for impairment was R57 538 613 (2023-24: R60 093 546).

Material loss – consumer debtors

8. As disclosed in note 27 to the financial statements, material losses amounting to R100 167 114 (2023-24: R4 431 654) were incurred because of a write-off of irrecoverable consumer debtors.

Material impairment of investment property

9. As disclosed in note 28 to the financial statements, a material impairment loss on investment property amounting to R41 847 522 was incurred because of the Clayville development being fully impaired in the current year.

Responsibilities of the accounting authority for the financial statements

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the MFMA and the Companies Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
11. In preparing the financial statements, the accounting authority is responsible for assessing the municipal entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

12. My 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 my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 6, forms part of my auditor's report.

Report on the audit of the annual performance report

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
15. I selected the following material performance indicator relating to achieve a high level of tenant management and responsive customer service presented in the annual performance report for the year ended 30 June 2025. I selected those indicators that measure the municipal entity's performance on its primary mandated functions and that are of significant national, community or public interest.
- Percentage of customer maintenance complaints resolved within 30 days
16. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipal entity's planning and delivery on its mandate and objectives.
17. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the municipal entity's mandate and the achievement of its planned objectives
 - all the indicators relevant for measuring the municipal entity's performance against its primary mandated and prioritised functions and planned objectives are included
 - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents.
18. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
19. I did not identify any material findings on the reported performance information for the development priority.

Other matter

20. I draw attention to the matter below.

Achievement of planned targets

21. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or underachievements.
22. The table that follows provides information on the achievement of planned targets and lists the key indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages xx to xx.

To achieve a high level of tenant management and responsive customer service

Targets achieved: 33%		
Key indicator not achieved	Planned target	Reported achievement
Percentage of customer maintenance complaints resolved within 30 days	80%	53%

Report on compliance with legislation

23. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the municipal entity's compliance with legislation.
24. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
25. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipal entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
26. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

27. The accounting authority is responsible for the other information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act of South Africa. The other information does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported on in this auditor's report.

28. My opinion on the financial statements, and my reports on the audit of the annual performance report and compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
29. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
30. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

31. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
32. I did not identify any significant deficiencies in internal control.

Auditor-General

Johannesburg

30 November 2025



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected material performance indicators and on the municipal entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipal entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipal entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause the municipal entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.



Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003 (MFMA)	Sections 99(2)(b), 99(2)(c), 95(d), 87(8), 87(6)(c) Sections 122(1), 126(2)(b), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii) Sections 97(h), 97(e), 97(f) Sections 96(2)(a), 96(2)(b), 99(2)(g) Sections 102(1), 102(2)(a), 172(3)(a) Sections 87(5)(b), 88(1)(a) Sections 116(2)(b), 116(2)(c)(ii), 112 (1)(j)
Municipal Supply Chain Management Regulations, 2017	Regulations 12(1)(c), 16(a), 17(a) and (c), 17(a) and 17(b), 13(c), 43, 19(a) and (b), 36(1)(a), 12(3) Regulations 27(2)(a) and (e), 22(1)(b) and 22(2), 28(1)(a)(i), 21(b), 29(1) (a) and (b), 29(5)(a)(ii) and (b)(i) Regulations 38(1)(d)(ii) and (g)(iii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 32, 5, 44, 46(2)(f)
Municipal Budget and Reporting Regulations, 2009	Regulations 73(1), 73(2), 75(1), 75(2)
Companies Act 71 of 2008	Sections 46(1)(a), (b), (c), 112(2)(a), 45(2), 45(3)(a)(ii) Sections 45(3)(b)(i), 45(3)(b)(ii), 45(4), 45(2)
Municipal Investment Regulations, 2005	Regulations 3(2), 3(3), 6, 7, 12(2), 12(3), 90(1), 90(2)(a), 90(2)(b)
Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(b), 10(1)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Municipal Systems Act 32 of 2000	Sections 93B(a), 5(2), 7(1) and (2), 5(1) and 5A(1) and (2)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 6(1) and 7(1), 6(8), 7(8), 10(1) and (2) and 11(1), 5(1) and 5(3), 5(6), 5(7), 9(1), 8(5)
Preferential Procurement Regulations, 2022	Regulations 4(1) and 5(1), 4(4) and 5(4)
Construction Industry Development Board Act 38 of 2000	Sections 18(1), 17, 25(7A)

Auditor-General Report on Financial Performance: 2023/24	
Audit report status*	Unqualified audit opinion with no findings on compliance with laws and regulations
Non-compliance issues	Remedial action taken
Expenditure management: Non-compliance with legislation resulted in irregular expenditure.	The Board of Directors considered a report submitted by management and the investigation reports for irregular expenditure. The Board of Directors approved the report to write off the expenditure and certified the expenditure as irrecoverable. The remaining items of irregular expenditure relating to prior years will be investigated in the 2024/25 financial year and submitted to the board for a resolution.
T 6.1.1	

Auditor-General Report on Service Delivery Performance: 2023/24	
Audit report status*	Unqualified audit opinion
Non-compliance issues	Remedial action taken
No material findings.	Not applicable.
T 6.1.1	

COMPONENT B:

AUDITOR-GENERAL OPINION 2024/25

(CURRENT YEAR)

COMMENTS ON AUDITOR-GENERAL’S OPINION YEAR 0

The Ekurhuleni Housing Company (EHC) has achieved an unqualified audit opinion on the financial statements with no findings on pre-determined objectives and compliance with laws and regulations. Financial statements were free from material misstatements.

T6.2.4

COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES

Section 71 of the Municipal Finance Management Act (MFMA) requires municipalities to return a series of financial performance data to the National Treasury at specified intervals throughout the year. The Chief Financial Officer states that these data sets have been returned according to the reporting requirements.

T 6.2.5

GLOSSARY

BIA	Business impact analysis
CCG	Consolidated capital grant
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COE	City of Ekurhuleni
DBSA	Development Bank of Southern Africa
DRP	Disaster Recovery Planning
EHC	Ekurhuleni Housing Company
COE	City of Ekurhuleni
FINGOV	Finance and Governance Committee
GDS	Growth Development Strategy
GPF	Gauteng Partnership Fund
GRAP	Generally Recognised Accounting Practice
HC-REMSE	Human Capital, Remuneration, Social and Ethics Committee
HOD	Head of Department
HSDP	Human Settlement Development Plan
ICT	Information Communications and Technology
IDP	Integrated Development Plan
IRPTN	Integrated Rapid Public Transport Network
KPIs	Key performance indicators
MFMA	Municipal Finance Management Act
MINMEC	Ministers and Members of Executive Councils Meeting
CM	City Manager
MMC	Member of the Mayoral Committee
MSA	Municipal Systems Act
MSCOA	Municipal Standard Chart of Accounts
MSDF	Metropolitan Spatial Development Framework
NASHO	National Association of Social Housing Organisations
NDP	National Development Plan
PESTL	Political, Economic, Social, Technological and Legal
PPP	Public–Private Partnership
RAP	Risk Action Plan
RCG	Restructuring Capital Grant
SALGA	South African Local Government Association
SCM	Supply Chain Management
SDA	Service Delivery Agreement
SDBIP	Service Delivery Budget Implementation Plan
SDF	Service Delivery Framework
SHI	Social Housing Institution
SHIP	Social Housing Investment Programme
SHRA	Social Housing Regulatory Authority
SHSS	Sustainable Human Settlements Strategy
SLA	Service Level Agreement
STROPS	Strategy and Operations Committee

APPENDICES



APPENDIX A

BOARD; COMMITTEE ALLOCATION AND BOARD ATTENDANCE

Name	Designation	No. of meetings attended
L. Mtimde	Non-Executive Director	13
F. Dikgale	Non-Executive Director	23
T. Hangana	Non-Executive Director Resigned 31 July 22and reappointed July 23	23
D. Hlawula	Non-Executive Director	16
These meetings are only for Board and Committee meetings, except for the ad hoc meetings.		

APPENDIX B

COMMITTEES AND COMMITTEE PURPOSES

Board member	Capacity	Race	Gender	Board Committee Membership
L. Mtimde	Non-Executive	A	M	Board Chairperson Member – STROPS Committee
F. Dikgale	Non-Executive	A	M	Chairperson- HC-REMSE Member – STROPS Committee Member – FINGOV Committee
Hlawula	Non-Executive	A	M	Chairperson FINGOV Committee Member – HC-REMSE Committee
T. Hangana	Non-Executive	A	F	Chairperson -STROPS Committee, Member HC-REMSE Committee Member – FINGOV Committee

APPENDIX C

THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Department	Responsible person
Property Development	Pheladi Mojapelo
Finance Manager	Thando Mkhabela
Revenue	Madimetja Kekana
SCM Manager	John Bopape
Property Manager	Richard Tsoka
T C	

APPENDIX D

FUNCTIONS ENTITY

The duties and functions of the Chief Executive Officer (CEO) of the Ekurhuleni Housing Company (EHC):

- I) Exercise the utmost care to ensure reasonable protection of the assets and records of the EHC;
- II) Act with fidelity, honesty, integrity and in the best interest of the EHC in managing the affairs of the EHC and the other municipal entities;
- III) Disclose to the City of Ekurhuleni (CoE) and the Board of Directors all material facts, including those reasonably discoverable, which in any way may influence the decisions or actions of the CoE or the Board of Directors;
- IV) Keep within the sphere of influence of the CEO, to prevent any prejudice to the financial interest of the CoE or EHC, and the CEO may not act in a way that is inconsistent with the responsibilities assigned to the CEO in terms of the MFMA; or use the position of privilege of, or confidential information obtained as accounting officer, for personal gain or to improperly benefit another person.
- V) The CEO is responsible for managing the financial administration of the EHC and must for this purpose take all responsible steps to ensure the following:
 - i) that the resources of the EHC are used effectively, efficiently, economically and transparently;
 - ii) that full and proper records of the financial affairs of the Entity are kept;
 - iii) that the Entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control; and internal audit complying with and operating in accordance with any prescribed norms and standards;
 - iv) that irregular and fruitless and wasteful expenditure and losses are prevented;
 - v) that the expenditure is in accordance with the operational policies of the EHC; and that disciplinary or, when appropriate, criminal procedures are instituted against any official of the Entity who has allegedly committed an act of financial misconduct or an offence in terms of the Municipal Finance Management Act (MFMA) or any other criminal offence.

APPENDIX E

WARD REPORTING

This applies to the Municipality and is not applicable to the Entity.

APPENDIX F1 – F3

WARD INFORMATION

This applies to the Municipality and is not applicable to the Entity.

APPENDIX G

RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2024/25

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during Year 2024/25	Recommendations adopted (enter Yes) If not adopted (provide explanation)
23-May-25	Double mandate given to lawyers	Yes
	EHC indicated that the matter was under investigation, however, requested to provide feedback in the next meeting	
28-Feb-25	Overarching Matters	Yes
	EHC received an approval from SRHA for a capacity building support grant and will report on implementation in Q2.	
28-Feb-25	Overarching Matters	Yes
	Employees of the City owing EHC: The Entity implemented payroll deductions for employees of the City owing rates and services, deductions for rental will be effected in Q2. 8.1.9T he Entity submitted 102 applications to the tribunal, progress will be reported in Q	
22-Nov-24	HR Governance Report	Yes
	AC requested that both Entities submit overall vacancy rates.	
23-Aug-24	Include the movement in filling of senior and executive positions under HR Governance Report in more detail instead of the summary provided under the Overarching Matters	Yes
23-Aug-24	AC requested the Entity to separate the irregular and fruitless and wasteful expenditure.	Yes
23-Aug-24	Audit Committee requested the entity to include the legal cases report on the pack	
23-Aug-24	Audit Committee requested a report of critical vacancies, not only executive management be compiled and be included in the HR governance report.	Yes
23-Aug-24	Audit Committee requested the Entity to provide mitigating plans for the risk of subletting of units by employees of the City	Yes
		T G

APPENDIX H(1)

LONG-TERM CONTRACTS AND PUBLIC-PRIVATE PARTNERSHIPS

Long Term Contracts (20 Largest Contracts Entered into during Year)					
Name of service provider (entity or municipal department)	Description of services rendered by the service provider	Start date of contract	Expiry date of contract	Project manager	Contract value
Muziwozwano Trading Enterprise	Cleaning Services	1 September 2024	31 August 2027	Property Manager	R10 258 230
					T H.1

APPENDIX H(2)

LONG-TERM CONTRACTS AND PUBLIC-PRIVATE PARTNERS PHELADI

Long Term Contracts (20 Largest Contracts Entered into during Year 0)						R' 000
Name of service provider (entity or municipal department)	Description of services rendered by the service provider	Start date of contract	Expiry date of contract	Project manager	Contract value	

None for the 2024/25 reporting period.

APPENDIX I

MUNICIPAL ENTITY/SERVICE PROVIDER PERFORMANCE SCHEDULE

Municipal Entity/Service Provider Performance Schedule									
Name of entity & purpose	(a) Service indicators	Year 0		Year 1		Year 2	Year 3		
	(b) Service targets	Target	Actual	Target	Actual		Target		
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)

APPENDIX J

DISCLOSURES OF FINANCIAL INTEREST

Position	Name	Description of Financial Services
Non-Executive Director	L. Mtimde	Nil
Non-Executive Director	F. Dikgale	Nil
Non-Executive Director	T. Hangana	Nil
Non-Executive Director	D. Hlawula	Nil
Chief Executive Officer	Z Nkamana	Nil
Chief Financial Officer	N. Ndimande	Nil

APPENDIX K(1)

REVENUE COLLECTION PERFORMANCE

Revenue Collection Performance by Vote							R '000
Vote description	2023/24	Current: 2024/25			2024/25 Variance		
	Actual	Original budget	Adjusted budget	Actual	Original budget	Adjusted budget	
Rental	20%	60%	60%	24%	36%	36%	
Total revenue by vote	20%	60%	60%	24%	(36%)	(36%)	
							T K.1

APPENDIX K(2)

REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue Collection Performance by Vote							R '000
Vote description	2023/24	Current: 2024/25			2024/25 Variance		
	Actual	Original budget	Adjusted budget	Actual	Original budget	Adjusted budget	
Service Charges - water revenue	3 665	4 347	4 017	4 140	-5%	3%	
Service Charges - sanitation revenue	1 720	2 041	1 886	1 946	-5%	3%	
Service Charges - refuse revenue	2 251	2 670	2 468	2 544	-5%	3%	
Service Charges - other	78	92	85	79	-17%	-8%	
Rentals of facilities and equipment	51 993	54 435	56 234	56 378	3%	0%	
Interest earned - external investments	1 661	1 020	910	1 031	1%	12%	
Interest earned - outstanding debtors	14 596	—	17 039	18 240	100%	7%	
Transfers recognised - operational	45 806	19 246	23 319	20 830	8%	-12%	
Other revenue	401	211	211	561	62%	62%	
Total Revenue (excluding capital transfers and contributions)	122 170	84 062	106 169	105 750	20,51%	-0,40%	
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A4.							T K.2

APPENDIX L

CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

Conditional Grants: Excluding MIG						R' 000
Details	Budget	Adjustments budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments budget	
Neighbourhood development partnership grant						
Public transport infrastructure and systems grant						
Other Specify:						
SHRA grant for Germiston Fire Station Phase 2		2 572 726	1 785 132			
Total						

TL

APPENDIX M

CAPITAL EXPENDITURE – NEW AND UPGRADE/ RENEWAL PROGRAMMES

This applies to the Municipality and is not applicable to the Entity.



APPENDIX M (1)

CAPITAL EXPENDITURE – NEW ASSETS PROGRAMME

Capital Expenditure - New Assets Programme*							
R' 000							
Description	2023/24	2024/25			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	2025/26	2026/27	2027/28
Capital expenditure by Asset Class							
Heritage assets - Total	-	-		-	-	-	-
Buildings							
Other							
Investment properties - Total	24 067	-	2 573	1 785	-	-	-
Housing development	24 067	-	2 573	1 785	-	-	-
Other							
Other assets	64	434	2 105	1 176	5 709	1 030	1 078
General vehicles	-	0	350	368	-	-	-
Specialised vehicles							
Plant & equipment							
Computers - hardware/equipment	29	390	248	222	409	430	450
Furniture and other office equipment	14	14	7	7	-	-	-
Abattoirs							
Markets							
Civic Land and Buildings							
Other Buildings							
Other Land							
Surplus Assets - (Investment or Inventory)							
Other	21	30	1 500	579	5 300	600	628
Agricultural assets	-	-		-	-	-	-
List sub-class							
Biological assets	-	-		-	-	-	-
List sub-class							
Intangibles	-	-		-	-	-	-
Computers - software & programming							
Other (list sub-class)							
Total Capital Expenditure on new assets	24 131	434	4 678	2 961	5 709	1 030	1 078
Specialised vehicles	-	-		-	-	-	-
Refuse							
Fire							
Conservancy							
Ambulances							
* Note: Information for this table may be sourced from MBRR (2009: Table SA34a)							T M.1

APPENDIX M (2)

CAPITAL EXPENDITURE – UPGRADE/RENEWAL PROGRAMME

This applies to the Municipality and is not applicable to the Entity.

APPENDIX N

CAPITAL PROGRAMME BY PROJECT 2024/25

Capital Programme by Project: 2024/25					
Capital Project	Original Budget	Adjustment Budget	Actual	Variance (Act - Adj) %	Variance (Act - OB) %
Housing					
Germiston Fire Station Phase 2 Social Housing	-	2 573	1 785	-44%	100%
					T N

APPENDIX O

CAPITAL PROGRAMME BY PROJECT BY WARD 2024/25

Capital Programme by Project by Ward: 2024/25			R' 000
Capital Project	Ward(s) affected	Works completed (Yes/No)	
Housing			
Germiston Fire Station Phase 2 Social Housing	35	Yes	
			T O



APPENDIX P

SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS

Not applicable; does not apply to Ekurhuleni Housing Company (EHC).

APPENDIX Q

SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION

Not applicable; does not apply to Ekurhuleni Housing Company (EHC).

APPENDIX R

DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY

Not applicable; does not apply to Ekurhuleni Housing Company (EHC).

APPENDIX S

DECLARATION OF RETURNS NOT MADE IN DUE TIME UNDER MFMA S71

None.

APPENDIX T

NATIONAL AND PROVINCIAL OUTCOMES FOR LOCAL GOVERNMENT

Not applicable to Ekurhuleni Housing Company (EHC).

VOLUME II: ANNUAL FINANCIAL STATEMENTS





Germiston Phase 2 Housing Company (PTY) Ltd.

**GERMISTON PHASE II HOUSING COMPANY SOC LTD TRADING
AS EKURHULENI HOUSING COMPANY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Property development and management of social and rental housing stock
Directors	L Mtimde (Non-Executive Director- Chairperson) T Hangana (Non-Executive Director) F Dikgale (Non-Executive Director) D Hlawula (Non-Executive Director) N Ndimande (Executive Director - Chief Financial Officer) Z Nkamana (Executive Director - Chief Executive Officer)
Registered office	Hanover building Cnr. Hendrik Potgieter & 7th Avenue Edenvale Note: This address is no longer in use, but has yet to be amended in CIPC records. The business address below is current.
Business address	Chris Hani Village Cnr Victoria Street & Linton Jones Street Germiston
Postal address	P O Box 1245 Germiston 1400
Controlling entity	City of Ekurhuleni Domiciled in South Africa
Bankers	ABSA Bank Limited Corporate and Investment Banking
Auditors	Auditor - General South Africa 39 Scott Street Houghton
Company Secretary	Zaza Brenda Malinga
Company registration number	2000/007937/07
Preparer	The annual financial statements were internally compiled by: Nontobeko Ndimande CA (SA) Chief Financial Officer

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Contents

	Page
Directors' Responsibilities and Approval	3
Director's Report	4 - 6
Company Secretary's Certification	7
Statement of Financial Position	8
Statement of Financial Performance	9
Statement of Changes in Net Assets	10
Cash Flow Statement	11
Statement of Comparison of Budget and Actual Amounts	12
Significant Accounting Policies	14 - 30
Notes to the Annual Financial Statements	31 - 53

Abbreviations used:

CoE	City of Ekurhuleni
CIPC	Companies and Intellectual Property Commission
EHC	Ekurhuleni Housing Company
GRAP	Generally Recognised Accounting Practice
ITC	Credit bureau
MPAC	Municipal Public Accounts Committee
NPC	Non-Profit Company
SARS	South African Revenue Services
SCM	Supply Chain Management
SHRA	Social Housing Regulatory Authority
SOC	State Owned Company

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Directors' Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), 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 the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the entity as at 30 June 2025 and the results of its operations and cash flows for the period then ended.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied 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 entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit 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 entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity 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 deficit.

The directors have reviewed the entity's cash flow forecast for the year ending 30 June 2026 and, in the light of this review, combined with the information and explanations given by management, current financial position, liquidity and solvency assessment of the entity, they are satisfied that the EHC has access to adequate resources to continue in operational existence for the foreseeable future, although this is sustainable through continued grant funding from CoE and SHRA. The directors are concerned about the current trend in bad debt impairment which is showing a rapid increase arising from a significant decrease in collection rate. The EHC received support in the form of grant funding from the CoE and SHRA to ensure sufficient funding of the entity's operations.

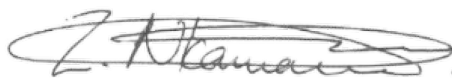
The entity is dependent on the CoE for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the directors are primarily responsible for the financial affairs of the entity, they are supported by the entity's executive management as well as the internal audit function, who assures the controls of the EHC .

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the directors on 29 August 2025 and were signed on its behalf by:



L Mtimde (Non-Executive Director)
Chairperson - Board of Directors



Z Nkamana (Executive Director)
Chief Executive Officer

29 August 2025

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Director's Report

The directors submit their report for the year ended 30 June 2025.

1. Incorporation

The entity was incorporated in the Republic of South Africa on 26 April 2000 and obtained its certificate to commence business.

2. Review of activities

Main business and operations

The entity's main business is property development and management of social and rental housing stock and operates as a municipal entity under the laws of South Africa.

3. Going concern

At 30 June 2025, the entity had an accumulated surplus of R135,624,092 and that the entity's total assets exceed its liabilities by R135,624,192. The current liabilities exceeds the current assets by R66,810,264 due to municipal accounts owed to the shareholder as the tenants are not settling their debt to the entity. The entity made a deficit of R59,433,482 for the year.

The EHC maintained conditional accreditation status from the SHRA, which enables the entity to apply and receive grant funding for portfolio expansion. The entity received approval of capacitation grant from the SHRA for the implementation of the turnaround strategy. The turnaround strategy is focused on resolving the financial sustainability challenges faced by the entity.

The entity entered into a 5 years service delivery agreement with the CoE. The CoE approved grants of R20 745 958 to the entity for the 2024/2025 financial year. A grant of R25 545 958 has been approved for the 2025/2026 financial year.

Based on the assessment of the cash forecast, financial position, accumulated surplus, solvency and liquidity, fair value of investment property, the board of directors are of the view that the entity will continue as a going concern. The entity will be able to settle its obligations as they become due.

The financial statements are prepared on the going concern basis.

4. Subsequent events

The Board of Directors are not aware of any events that occurred between the reporting date and the date the financial statements were authorised for issue that requires adjustments to or disclosure in the financial statements.

5. Accounting policies

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

6. Contributions from owners

There were no changes in the authorised or issued share capital of the entity during the year under review.

The entity was established with an authorised share capital of 1,000 ordinary shares of R1 each of which 100 were issued at par value.

7. Non-current assets

There were material impairments amounting to R46,947,522 on investment property; the project has been halted due to budgetary constraints and has fallen into disrepair as the incomplete structures are vulnerable to the elements and vandalism. There were no material changes in the policy regarding their use during the period under review.

8. Directors

The directors of the entity during the year and to the date of this report are as follows:

Name	Nationality	Date appointed
L Mtimde (Non-Executive Director-Chairperson)	South African	01 June 2023 (Appointed Chairperson: 22 November 2023)

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Director's Report

8. Directors (continued)

T Hangana (Non-Executive Director)	South African	01 March 2022 (Resigned 31 July 2022 and re-appointed 01 June 2023)
F Dikgale (Non-Executive Director)	South African	01 March 2022
D Hlawula (Non-Executive Director)	South African	01 March 2022
T Mkhabela (Executive Director - Acting Chief Financial Officer)	South African	04 February 2016 (Appointed Acting Chief Financial Officer: 07 August 2023 to 30 November 2024)
N Ndimande (Executive Director - Chief Financial Officer)	South African	01 December 2024
Z Nkamana (Executive Director - Chief Executive Officer)	South African	01 September 2024
M Matjokotja (Executive Director- Acting Chief Executive Officer)	South African	03 April 2023 to 06 August 2023 (Re-appointed: 01 December 2023 to 31 May 2024. Re-appointed 01 July 2024 to 30 August 2024)

9. Secretary

The secretary of the entity is Zaza Brenda Malinga of:

Business address

Hanover building
Cnr Hendrik Potgieter & 7th Avenue
Edenvale
1400

Postal address

P O Box 1245
Germiston
1400

10. Corporate governance

General

The entity is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the entity supports the highest standards of corporate governance and the ongoing development of best practice.

The entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King IV report on Corporate Governance for South Africa. The board of directors reviews management reports at board meetings on a quarterly basis.

The salient features of the entity's adoption of the Code is outlined below:

Board of directors

The Board:

- retains full control over the entity, its plans and strategy;
- ensures that the entity complies with its mandate and responsibilities including, its plans and strategy;
- acknowledges its responsibilities towards strategic development, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising 5 non-executive directors, all of whom are independent directors as defined in the Code; and 2 executive directors.
- has established a Board directorship continuity programme.

Remuneration

The remuneration of the Executive Directors and Non-Executive Directors' fees are determined by the shareholder. The remuneration of key management and directors' fees are disclosed in note 35 of the annual financial statements.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Director's Report

10. Corporate governance (continued)

Board meetings

The board had 4 ordinary board meetings, 4 special board meetings, 3 strategic sessions, and 1 annual general meeting during the period under review. This does not include ad hoc meetings. The board schedules to meet at least 4 times per annum.

Non-executive directors have access to all members of senior management of the entity.

Audit committee

The audit committee of the City of Ekurhuleni provides an audit committee function to the entity as per council resolution. This is in compliance with section 166 (6) b of the Municipal Finance Management Act, 2003

Internal audit

The internal audit department of the City of Ekurhuleni provided internal audit function to the entity. This is in compliance with the Municipal Finance Management Act, 2003.

11. Controlling entity

The entity's controlling entity is City of Ekurhuleni domiciled in South Africa.

12. Bankers

ABSA Bank Limited.

13. Auditors

Auditor - General South Africa
39 Scott Street
Houghton

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns and notices in terms of the Companies Act and that all such returns and notices are true, correct and up to date.



pp

Zaza Brenda Malinga
Company Secretary

Johannesburg
29 August 2025

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Current tax receivable	3	3,051,000	939,692
Receivables from exchange transactions	4	8,261,735	5,984,511
VAT receivable	5	253,823	-
Consumer debtors	6	9,258,355	359,956
Cash and cash equivalents	7	14,525,017	15,340,320
		35,349,930	22,624,479
Non-Current Assets			
Investment property	8	201,755,476	246,333,550
Property, plant and equipment	9	1,296,452	1,651,872
Intangible assets	10	29,133	50,983
		203,081,061	248,036,405
Total Assets		238,430,991	270,660,884
Liabilities			
Current Liabilities			
Deferred Operating lease	11	-	121,283
Payables from exchange transactions	12	93,521,002	62,390,163
VAT payable	13	-	186,995
Provisions	14	2,402,455	2,419,820
Tenant deposits	15	6,236,737	5,897,231
		102,160,194	71,015,492
Non-Current Liabilities			
Unspent conditional grants and receipts	16	646,605	646,605
Deferred tax	17	-	3,941,115
		646,605	4,587,720
Total Liabilities		102,806,799	75,603,212
Net Assets		135,624,192	195,057,672
Contributions from owners	18	100	100
Accumulated surplus		135,624,092	195,057,572
Total Net Assets		135,624,192	195,057,672

* See Note 41

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	19	55,971,721	51,632,551
Rental from retail property		390,000	360,000
Recoveries	20	8,296,488	7,713,912
Other income	21	599,928	400,861
Interest received	22	19,271,457	16,256,588
Total revenue from exchange transactions		84,529,594	76,363,912
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies: CoE	19	25,644,970	19,035,901
Other grants: SHRA	19	1,785,132	26,770,229
Total revenue from non-exchange transactions		27,430,102	45,806,130
Total revenue	19	111,959,696	122,170,042
Expenditure			
Employee related costs	23	(22,440,754)	(19,809,749)
Remuneration of Non-Executive Directors	23&35	(2,297,297)	(2,653,140)
Depreciation and amortisation	24	(5,732,732)	(6,132,819)
Finance costs and penalties	25	(5,468,654)	(3,766,881)
Lease rentals on operating lease	26	(388,364)	(776,728)
Impairment of consumer debtors	27	(57,559,092)	(60,093,545)
Impairment of investment property	28	(41,847,522)	-
Repairs and maintenance	29	(875,264)	(2,081,137)
Loss on disposal of assets and liabilities	9	-	(152,074)
General expenses	30	(38,724,614)	(29,609,188)
Total expenditure		(175,334,293)	(125,075,261)
Deficit before taxation		(63,374,597)	(2,905,219)
Taxation	31	3,941,115	11,140,217
(Deficit) surplus for the year		(59,433,482)	8,234,998

* See Note 41

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Statement of Changes in Net Assets

	Contributions from owners	Accumulated surplus / deficit	Total net assets
Figures in Rand			
Balance at 01 July 2023	100	186,822,574	186,822,674
Changes in net assets			
Deficit for the year	-	8,234,998	8,234,998
Total changes	-	8,234,998	8,234,998
Restated* Balance at 01 July 2024	100	195,057,574	195,057,674
Changes in net assets			
Deficit for the year	-	(59,433,482)	(59,433,482)
Total changes	-	(59,433,482)	(59,433,482)
Balance at 30 June 2025	100	135,624,092	135,624,192
Note(s)	18		

* See Note 41

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Customers		9,125,188	6,396,139
Grants		27,430,102	45,806,130
Interest income		1,088,143	1,040,226
Other receipts		6,571,937	7,988,721
		44,215,370	61,231,216
Payments			
Employee costs		(24,578,159)	(23,352,392)
Suppliers		(15,661,219)	(15,266,386)
Finance costs and penalties		(245,669)	(2,236)
Taxation paid	32	(2,111,308)	(767,456)
		(42,596,355)	(39,388,470)
Net cash flows from operating activities	33	1,619,015	21,842,746
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(839,794)	(63,487)
Work in progress - investment property	8	(1,594,524)	(24,066,855)
Net cash flows from investing activities		(2,434,318)	(24,130,342)
Cash flows from financing activities			
Receipts/(repayment) of deposits charged		-	165,038
Net cash flows from financing activities		-	165,038
Net increase/(decrease) in cash and cash equivalents		(815,303)	(2,122,558)
Cash and cash equivalents at the beginning of the year		15,340,320	17,462,878
Cash and cash equivalents at the end of the year	7	14,525,017	15,340,320

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
30 June 2025											
Financial Performance											
Interest received	1,020,445	16,928,608	17,949,053	-	-	17,949,053	19,271,457	-	1,322,404	107 %	1,889 %
Transfers recognised - operational	19,245,958	4,072,726	23,318,684	-	-	23,318,684	25,644,970	-	2,326,286	110 %	133 %
Other own revenue	63,795,236	1,105,891	64,901,127	-	-	64,901,127	67,043,269	-	2,142,142	103 %	105 %
Total revenue	84,061,639	22,107,225	106,168,864	-	-	106,168,864	111,959,696	-	5,790,832	105 %	133 %
Employee costs	(27,922,851)	4,588,824	(23,334,027)	-	-	(23,334,027)	(22,440,754)	-	893,273	96 %	80 %
Remuneration of Non-Executive Directors	(2,426,268)	-	(2,426,268)	-	-	(2,426,268)	(2,297,297)	-	128,971	95 %	95 %
Depreciation and amortisation	(6,613,977)	998,987	(5,614,990)	-	-	(5,614,990)	(5,732,732)	-	(117,742)	102 %	87 %
Finance costs and penalties	(3,679,589)	(1,093,531)	(4,773,120)	-	-	(4,773,120)	(5,468,654)	-	(695,534)	115 %	149 %
Impairment of consumer debtors	(6,324,454)	(18,009,780)	(24,334,234)	-	-	(24,334,234)	(57,559,092)	-	(33,224,858)	237 %	910 %
Impairment of Investment Property	-	-	-	-	-	-	(41,847,522)	-	(41,847,522)	100 %	100 %
Other expenditure	(34,328,402)	(4,349,167)	(38,677,569)	-	-	(38,677,569)	(39,988,242)	-	(1,310,673)	103 %	116 %
Total expenditure	(81,295,541)	(17,864,667)	(99,160,208)	-	-	(99,160,208)	(175,334,293)	-	(76,174,085)	177 %	216 %
Surplus/(Deficit)	2,766,098	4,242,558	7,008,656	-	-	7,008,656	(63,374,597)	-	(70,383,253)	(904)%	(2,291)%
Taxation	2,331,695	-	2,331,695	-	-	2,331,695	(3,941,115)	-	(6,272,810)	(169)%	(169)%
Surplus/(Deficit) for the year	434,403	4,242,558	4,676,961	-	-	4,676,961	(59,433,482)	-	(64,110,443)	(1,271)%	(13,682)%

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Comments to the Statement of Comparison of Budget and Actuals (Statement of Financial Performance)

Budget adjustment was approved in terms of section 28 of the MFMA. The following is the explanation of variance of 5% or more between the final budget and actual outcome.

1. Transfers recognised - Operational

Additional monies (R5.1m) were allocated to settle the final agreed amount to the contractor for the Clayville project.

2. Remuneration of Non-Executive Directors.

The actual expenditure is lower than budget by 17% due to meetings held in the last quarter of the year not processed due to 20 meetings threshold per the shareholder directive been reached.

3. Finance costs and penalties.

The actual expenditure exceeded the budget by 15%. This mostly consists on interest on overdue municipal accounts. Due to the low rental collection, the entity is not able to pay the debts owed to CoE.

4. Impairment of Consumer Debtors.

The actual expenditure exceeds budget by 134% due to the low rental collection for the current financial year.

5. Impairment of Investment Property

The Clayville project has been halted and, based on its state of repair and management not having formal plans to restore and continue this work in the foreseeable future, the project was impaired in full.

6. Other expenditure.

The actual expenditure is lower than budget by 8% due to reduction in spending due to reduced spending on repairs and maintenance due to the cancellation of the panel.

7. Taxation.

Due to the high impairment of debtors and unbudgeted impairment of investment property, the entity ended with a tax loss for the period.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024
-----------------	---------	------	------

1. Significant accounting policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual financial statements are prepared in accordance with all requirements of the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

The financial statements are prepared on the going concern basis. These financial statements are prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise.

1.2 Presentation currency

The annual financial statements are presented in South African Rand, which is the functional currency of the entity. Amounts in the financial statements are rounded to the nearest South African Rand.

1.3 Significant judgements and sources of estimation uncertainty

In the process of applying the entity's accounting policies, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Impairment of property, plant and equipment

The calculation in respect of the impairment of property, plant and equipment is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment.

Provisions, contingent liabilities and contingent assets

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Useful lives of property, plant and equipment and Investment property held at cost

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate.

The estimated residual values of assets are based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment of consumer debtors

The calculation in respect of the impairment of consumer debtors is based on an assessment of the extent to which debtors have defaulted on payments already due and an assessment of their ability to make payments. This was performed per service categories across all debtor classes. Accordingly, no further credit provisions are required in excess of the present allowance for doubtful debts.

Going concern

Management's assessment of going concern is based on the entity's cash forecast, financial position, accumulated surplus, solvency, and liquidity. The entity is supported by the shareholder through the service delivery agreement and is eligible to receive grants from the SHRA as it maintains the conditional accreditation status. In addition to the entity's financial position, management's judgement on whether the entity will continue as a going concern is based on the continued support from the shareholder and maintaining its accreditation status with the SHRA.

The entity assessed going concern and performed a valuation on the investment property during the year ended 30 June 2023, noting no risks to the going concern assessment factoring shareholder support and no risk of impairment as the fair value significantly exceeds the carrying amount disclosed in the annual financial statements. The entity is implementing a turnaround strategy to address the sustainability of the entity. The entity's turn around strategy is focusing on financial sustainability through cost reduction initiatives, taking steps to enhance revenue collection and securing alternative sources of revenue; Improving administration and controls to improve revenue collection and ensure continued cost and credit control; and re-establishing relationship with tenants.

Impairment of financial assets at amortised costs

The entity assesses its financial assets at amortised cost for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for financial assets at amortised cost is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balance in the portfolio and scaled to the estimated loss emergence period.

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. All debtors of significant balances are tested for impairment on an individual basis by an age analysis of the outstanding balance and evaluation thereof through application of company approved policies and known factors that could influence outstanding balances.

Budget information

A difference of 5% or more between budget and actual amounts is regarded as material. All material differences are explained in the notes to the financial statements.

Segment Reporting

The entity is assessed and reported as one segment. No segmental reporting was applied.

The entity's geographical area of operation is assessed as a single geographical area. All operations of the entity are within the Germiston area.

1.4 Investment property

Investment property includes property (land or a building, or part of a building, or both land and buildings held to earn rentals and/or for capital appreciation rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

Investment property is recognised as an asset when, and only when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity and the cost or fair value of the investment property can be measured reliably.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.4 Investment property (continued)

Investment property is for social housing initiatives and is assessed as a non-cash generating asset.

At initial recognition, the entity measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where the entity acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Cost model

Investment property is subsequently measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount using the straight-line method over the estimated useful lives of the assets.

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	Useful life
Property - land	indefinite
Property - buildings	32- 50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The entity separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 8).

The entity discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 8).

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.5 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The depreciation rates are based on the following estimated useful lives:

Item	Depreciation method	Useful life
Furniture and office equipment		3-16 years
IT equipment		2-7 years
Other equipment		3-10 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.6 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the Entity.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Useful life
Computer software, other		2-5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

In accordance with the Standards of GRAP 104 the financial assets of the entity are classified as follows:

- Financial asset at amortised cost, being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current asset.
- Financial instruments measured at cost, being investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.7 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other investments	Financial asset measured at cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Tenants' deposits	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost are subject to an impairment review.

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.7 Financial instruments (continued)

The entity derecognises financial assets (or part of a financial assets) when the contractual rights to the cash flows from the financial asset expire, are settled or waived or when the entity has transferred all of the significant risks and rewards of ownership using trade date accounting.

On derecognition of a financial asset (or part of a financial asset), the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished (when the obligation specified in the contract is discharged, cancelled, expires or waived).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Gains and losses relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the statement of financial performance.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.8 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.9 Leases

A lease is classified as operating lease if a significant portion of the risks and rewards of ownership are retained by the lessor.

Operating leases - lessor

The operating lease agreements are entered for a period of 12 months, subject to the renewal there after. Based on the contingency of the renewal and an annual increase, the entity does not recognize revenue on the straight line basis. The entity accounts for revenue on the actual invoicing that is representative of the time pattern in which the benefit is derived from the leased asset.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.10 Impairment of non-cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

Designation

At initial recognition, the entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an entity's objective of using the asset.

The entity designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The entity designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the entity designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.10 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.11 Employee benefits

Identification

Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service.

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

(a) As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

(b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

Short-term compensated absences

The entity recognises the expected cost of short-term employee benefits in the form of compensated absences as follows:

(a) in the case of accumulating compensated absences, the expected cost of compensated absences is recognised as an expense as the employees render services that increases their entitlement; or

(b) in the case of non-accumulating absences, when the absences occurs.

The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Recognition and measurement

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.12 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Contingent assets and contingent liabilities are not recognised. A contingent liability is disclosed in a note to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed in a note to the financial statements where an inflow of economic benefits or service potential is probable.

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost; and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Revenue from exchange transactions refers to revenue that accrued to the entity directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably.

When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on the actual invoicing that is representative of the time pattern in which the benefit is derived from the leased asset.

Revenue relating to recoveries for refuse, water and sewerage is recognised on a monthly basis by applying the approved tariffs to each occupied unit. Tariffs for water are determined per category size of the unit. Refuse and sewerage tariffs are determined at a standard rate per revenue category for all units.

Other income is recognised as it accrues.

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The entity assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds.

Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow.

Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Transfers, including grants and receipts

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Services in-kind

The entity recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity disclose the nature and type of services in-kind received during the reporting period.

1.16 Comparative figures

When the presentation or classification of items in the annual financial statements is amended due to better presentation and/or better understandability and/or comparability and/or due to the implementation of a new or amended standard, prior period comparative amounts are reclassified. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

In vain as contained in the definition of fruitless and wasteful refers to a transaction, event or condition which was undertaken without value or substance, and which did not yield any desired results or outcome. Reasonable care means applying due diligence (careful application, attentiveness, caution) to ensure that the probability of a transaction, event or condition not being achieved as planned is being managed to an acceptable level.

On discovery, the entity reports particulars of the fruitless and wasteful expenditure in the notes to the financial statements. The expenditure is recognised in the statement of financial performance according to the nature of the transaction until the investigation has been completed to determine the appropriate action that must be taken by the Accounting Officer or Accounting Authority.

Fruitless and wasteful expenditure is removed from the notes when it is either (a) condoned by the relevant authority; (b) it is transferred to receivables for recovery; or (c) it is not condoned and is irrecoverable. A receivable related to fruitless and wasteful expenditure is measured at the amount that is expected to be recovered and must be de-recognised when the receivable is settled or subsequently written off as irrecoverable. Where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.18 Irregular expenditure (continued)

When confirmed, irregular expenditure incurred is reported in the notes to the financial statements. The expenditure is recognised in the statement of financial performance according to the nature of the transaction until the investigation has been completed to determine the appropriate action that must be taken by the Accounting Officer or Accounting Authority. The amount to be recorded in the notes must be equal to the value of the irregular expenditure incurred inclusive of VAT.

Irregular expenditure is removed from the notes when it is either (a) condoned by the relevant authority; (b) it is transferred to receivables for recovery; or (c) it is not condoned and is irrecoverable. A receivable related to irregular expenditure is measured at the amount that is expected to be recovered and must be de-recognised when the receivable is settled or subsequently written off as irrecoverable. Where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Budget information

The approved budget covers the period from 01/07/2024 to 30/06/2025.

The approved budget is prepared in accordance with GRAP standards on an accrual basis, and are consistent with accounting policies as adopted by the Council for the preparation of this financial statements, and presented by economic classification linked to performance outcome objectives. The budget and the financial statements are on the same basis of accounting.

These figures are those approved by Council both at the beginning and during the year, following a period of consultation with the public as part of the Integrated Development Plan (IDP). The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comments to material differences are provided in the notes to the financial statements.

1.20 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

The entity discloses the details controlling entities, regardless of whether transactions have occurred during the period; where transactions have occurred, these are disclosed along with related balances payable or receivable, including commitments and remuneration of senior/executive management..

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

1.21 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Reporting date means the date of the last day of the reporting period to which the financial statements relate. The entity adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date. The entity does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2025 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023 Improvements to the Standards of GRAP 2023	No effective date has yet been determined by the minister of finance	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	No effective date has yet been determined by the minister of finance	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Not expected to impact results but may result in additional disclosure

3. Current tax receivable

Opening Balance	939,692	1,153,175
Current year tax (payable) receivable	-	(3,610,345)
Over payment of provisional tax	1,897,824	3,270,811
Tax paid - Prior year	3,610,345	-
Interest receivable current year	56,792	126,051
Interest refunds - Prior year	(3,453,653)	-
	3,051,000	939,692

TAX RATE RECONCILIATION

	30 June 2025	%	30 June 2024	%
(Loss)/Profit before tax	(63,374,597)	-	(2,905,219)	-
Subtotal	(63,374,597)	-	(2,905,219)	-
SHRA grant income exemption	481,986	(1)	(7,227,962)	249
Current year tax	17,035,230	(27)	4,377,802	(151)
Temporary differences	(13,576,101)	-	(5,019,246)	173
Prior year tax receivable	-	-	(3,270,811)	113
	3,941,115	(28)	(11,140,217)	384

4. Receivables from exchange transactions

Deposits	230,938	230,938
Related party receivables-City of Ekurhuleni	6,950,174	4,783,897
Other receivables	751,770	779,910
Prepaid expenses	199,303	189,766
Staff debtors	129,550	-
	8,261,735	5,984,511

Non-financial asset receivables included in receivables from exchange transactions above are as follows:

Prepaid expenses	199,303	189,766
Financial asset receivables included in receivables from exchange transactions above	8,062,432	5,794,745

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
4. Receivables from exchange transactions (continued)		
Total receivables from exchange transactions	8,261,735	5,984,511
Trade and other receivables past due but not impaired		
At 30 June 2025, other receivables of R350,174 (30 June 2024: R350,174) were past due but not impaired. R350 174 relates to municipal services accounts with credit balances as per the confirmation of balances as at 30 June 2025.		
The ageing of amounts past due but not impaired is as follows:		
Over 6 months past due	350,174	350,174
5. VAT receivable		
VAT	253,823	-
6. Consumer debtors		
Gross balances		
Housing rental	156,348,228	190,078,329
Less: Allowance for impairment		
Housing rental	(147,089,873)	(189,718,373)
Net balance		
Housing rental	9,258,355	359,956
Housing rental		
Current (0 -30 days)	814,574	1,057,712
31 - 60 days	4,369,271	5,807,427
61 - 90 days	4,074,511	5,591,319
91 - 120 days	3,975,338	5,442,906
121 - 365 days	143,114,534	172,178,963
	156,348,228	190,078,327
Reconciliation of allowance for impairment		
Balance at beginning of the year	(189,718,373)	(134,056,481)
Changes to allowance	(57,538,613)	(60,093,546)
Allowance utilised for write-offs	100,167,113	4,431,654
	(147,089,873)	(189,718,373)

Consumer debtor's collateral

Tenants deposits held as collateral on amounts owing is R6,236,737 (30 June 2024: R5,897,231) The deposit is held for repairs to the unit and arrears when the tenant vacates.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

6. Receivables from exchange transactions (continued)

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At year end, receivables to the value of R 8,443,781.12 , (2024: R88,231) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	4,369,271	88,231
2 months past due	4,074,511	-

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	338	994
Bank balances	9,788,252	10,892,339
Short-term deposits: tenants deposits	4,736,427	4,446,987
	14,525,017	15,340,320

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for tenant deposits	15	4,736,427	4,446,987
Tenants' deposits are held in a liquid investment account.			

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
ABSA-current account - 4052348660	2,730,750	4,324,296	10,705,218	2,730,750	4,324,296	10,705,218
ABSA-call account - 4078340070	2,831,300	2,658,911	2,485,371	2,831,300	2,658,911	2,485,371
ABSA- current account-4099270252	1,040,225	977,065	1,040,225	1,040,225	977,065	913,567
ABSA- current account-4099506067	4,083	4,615	4,532	4,083	4,615	4,532
ABSA- current account-4050383636	1,746,736	1,586,147	575,993	1,746,736	1,586,147	575,993
ABSA-call account- 4078340151	1,905,126	1,788,076	1,671,373	1,905,126	1,788,076	1,671,373
ABSA-current account-4101506844	4,265,644	4,000,084	1,106,594	4,265,644	4,000,084	1,106,594
ABSA-current account-4102528398	814	131	126	814	131	126
Total	14,524,678	15,339,325	17,589,432	14,524,678	15,339,325	17,462,774

8. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	296,512,102	(94,756,626)	201,755,476	294,726,970	(48,393,420)	246,333,550

Reconciliation of investment property - 30 June 2025

	Opening balance	Additions	Impairments	Depreciation	Total
Investment property	246,333,550	1,785,132	(41,847,522)	(4,515,684)	201,755,476

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

8. Investment property (continued)

Reconciliation of investment property - 30 June 2024

	Opening balance	Additions- Work in progress	Depreciation	Total
Investment property	226,733,626	24,066,855	(4,466,931)	246,333,550

Investment property in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Investment property

Investment property - Cost	77,665,913	77,665,913
Impairment	(41,847,522)	-
	35,818,391	77,665,913

The entity commenced construction on Clayville Ext 45 project in the 2020/21 financial year. The project is co-funded by CoE and SHRA (Refer to note: 43). The entity has accounted for the cumulative expenditure funded by SHRA as work in progress. Expenditure funded by CoE is recorded in the CoE's books. This has been delayed due to on-going disputes with contractors and has been halted. Based on the current state of the property and management having no plans to restore the property in the foreseeable future, the full project value of R46,947,522 has been impaired.

Phase 2 of Chris Hani Village is completed, practical completion certificate was issued as at 30 June 2024. Occupancy certificate was not issued at reporting date pending completion of the snag list (Refer to note 43).

Carrying value of Investment property that is taking a significantly longer period of time to complete than expected

Investment property: Clayville Ext 45	41,847,522	41,847,522
1. Sinapi Global 3TMDK International JV have "surrendered" the project since 18 March 2022. EHC has therefore terminated the contract.		
2. The Proconse contract has been terminated due to Non-performance by the contractor for a prolonged period, although the contractor was put on terms 3 times. The contractor communicated that they have been placed under liquidation hence they couldn't access funds.		
3. Professional service provider and a new contractor was appointed with effect from December 2022 for the completion of works at erf 6551 Clayville Ext 45.		
	41,847,522	41,847,522

Carrying value of Investment property where construction or development has been halted either during the current or previous reporting period(s)

Investment property: Clayville Ext 45	41,847,522	41,847,522
The project was funded by the CoE for the 2023/24 financial year. During the financial year the project came to a standstill due to budget constraints.		
	41,847,522	41,847,522

The full amount of this asset has been impaired in 2025.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

8. Investment property (continued)

Details of property

Investment property at cost - Airport Park and Delville Ext 3 & Ext 9 (old)

- Purchase price: 1 December 2008	1,484,465	1,484,465
- Additions since purchase or valuation	29,070,639	29,070,639
- Capitalised expenditure	134,833	134,833
	30,689,937	30,689,937

Investment property at cost - Pharoe Park

- Purchase price: 1 December 2008	1,995,063	1,995,063
- Additions since purchase or valuation	9,848,291	9,848,291
- Capitalised expenditure	28,869,635	28,869,635
	40,712,989	40,712,989

Investment property at cost - Chris Hani Village

- Purchase price: 1 December 2008	137,975	137,975
- Additions since purchase or valuation	114,052,283	78,233,893
- Accumulated work in progress	1,785,132	35,818,390
	115,975,390	114,190,258

Investment property at cost - Delville Ext. 9 (New) and Clayville Ext. 45

- Purchase price: 1 December 2008	201,535	201,535
- Additions since purchase or valuation	67,084,729	67,084,729
- Accumulated work in progress (net of impairment)	-	41,847,522
	67,286,264	109,133,786

Total

Terms and conditions

- Purchase price: 1 December 2008	3,819,038	3,819,038
- Additions since purchase or valuation	220,055,942	208,304,406
- Capitalised expenditure and accumulated work in progress	30,789,600	82,603,526
	254,664,580	294,726,970

Erf 59, 61 and 62 Airport Park Ext 2 Township registration division I.R. measuring 1.3394, 1.1486 and 1.5477 hectares respectively, erf 905, 906, 907 and 908 Delville Ext 3 Township measuring 4708, 4212, 4400 and 2007 square meters, as well as R/71/110-IR Germiston, and Portion 71 (remaining extent) of the farm Klippoortjie 110-IR, Germiston. The property was developed in 2002. It has 548 social housing rental units.

Erf 122 to 128, 130, 132, 134 to 139, 263, 265, 267, 269 to 271, 287 and 305 to 308 in WEST GERMISTON was developed in 1998. The property has 440 social housing rental units. The properties were registered in the name of Germiston Phase II Housing Company in January 2017.

Erf 808 Germiston-Chris Hani property. The company took control of the property during April 2017. The property is in the process of being registered in the name of Germiston Phase II Housing Company. Transfer duty of R9,862,511 has been added as work in progress and will be capitalised at registration of the property.

Erf 948 Delville Ext 9 property. The company took control of the property in October 2017.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

8. Investment property (continued)

Erf 1/6551, Erf 2/6551 and Erf 3/6551 of Clayville Extension 45. The entity has entered into a land development agreement, granting development rights to EHC for purpose of Social Housing Rental units in Clayville extension 45. The project is currently halted and impairment has been raised on this.

Investment properties were developed for the purpose of earning rental income and meeting housing service delivery needs.

Details of valuation

Investment properties registered in the name of Germiston Phase II Housing Company (SOC) Ltd were valued in June 2023 at fair value of R755 400 000.

Airport Park Extension 2 (Erf 59, Erf 61, & Erf 62) - June 2023 valuation: R130 700 000

Delville Extension 3 Erf 905, 906, 907, 908 and Portion 150 of Farm Klippoortje 110-IR - June 2023 valuation: R 68 600 000

Delville Extension 9 Erf 948 and Portion 71 (remaining extent) of the farm Klippoortje 110-IR & - June 2023 valuation: R236 100 000.

Pharoe Park (Erf 122-128, 130, 132, 134, 135-139, 263, 265, 267, 269, 270-271, 287, 305-308 West Germiston) - June 2023 valuation: R147 500 000

Portion 1, Portion 2 and Portion 3 of Erf 6551 Clayville Ext 45 - June 2023 valuation: R 21 500 000.

Erf 808 Germiston-Chris Hani - June 2023 valuation: R151 000 000

The entity is restricted in terms of section 24 (b) of the MFMA Asset Transfer Regulations, which states that an organ of state may not without the written approval of the parent municipality transfer exempted capital asset to another person, dispose or grant a right to another person to use, control or manage the capital asset or encumber the capital asset in any way.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	55,971,721	51,632,551
From Investment property that generated rental revenue		
Repairs and maintenance	875,264	2,081,137

Part of the Germiston Fire Station Development became owner occupied and primarily for administration purposes and, therefore, was reclassified to PPE.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

9. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	645,981	(527,489)	118,492	645,981	(467,169)	178,812
Office equipment	280,550	(274,523)	6,027	273,825	(256,489)	17,336
IT equipment	1,155,672	(801,262)	354,410	901,356	(680,453)	220,903
Other Equipment	5,767,156	(4,949,633)	817,523	5,188,420	(3,953,599)	1,234,821
Total	7,849,359	(6,552,907)	1,296,452	7,009,582	(5,357,710)	1,651,872

Reconciliation of property, plant and equipment - 30 June 2025

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	178,812	-	(60,320)	118,492
Office equipment	17,336	6,725	(18,034)	6,027
IT equipment	220,903	254,297	(120,790)	354,410
Other equipment	1,234,821	578,737	(996,035)	817,523
	1,651,872	839,759	(1,195,179)	1,296,452

Reconciliation of property, plant and equipment - 30 June 2024

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	245,167	13,500	(14,045)	(65,810)	178,812
Office equipment	36,175	-	-	(18,839)	17,336
IT equipment	338,964	28,987	(15,413)	(131,635)	220,903
Other equipment	2,764,191	21,000	(122,616)	(1,427,754)	1,234,821
	3,384,497	63,487	(152,074)	(1,644,038)	1,651,872

Other equipment consists mainly of security related assets and heat pumps.

No assets were impaired for the period under review.

10. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	109,250	(80,117)	29,133	109,250	(58,267)	50,983

Reconciliation of intangible assets - 30 June 2025

	Opening balance	Amortisation	Total
Computer software, other	50,983	(21,850)	29,133

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

10. Intangible assets (continued)

Reconciliation of intangible assets - 30 June 2024

	Opening balance	Amortisation	Total
Computer software, other	72,833	(21,850)	50,983

Computer software, other relate to development and design of website App.

11. Deferred Operating lease asset (liability)

Office building: Leased	-	121,283
-------------------------	---	---------

Operating lease is in respect of leased office building. The lease period is five (5) years with the annual escalation of 7%. The lease payments include rental and parking. The lease was due to expire on the 31 October 2027, however the entity vacated the premises during the year and, as such, there are no future amounts payable. This is currently disputed by the counterparty to the lease - refer to the contingent liabilities note 45. Future payments were previously disclosed on the understanding that the lease would run for its full term.

Operating Lease- Building 30 June 2024	not later than one year	later than one year and not later than five years	later than five years	Total
Future minimum lease payments	790,697	2,059,799	-	2,850,496

12. Payables from exchange transactions

Accrued 13th cheque bonus	984,921	646,184
Advance payments-consumer debtors	1,057,946	564,805
Payroll creditors	-	13,275
Retentions	190,589	-
Trade payables	91,287,546	61,165,899
	93,521,002	62,390,163

The accrued 13th cheque represents amounts payable in terms of the structuring of contracts of employment. This was accrued to December as a constructive obligation; this has not been paid and the entity is currently

Advance payments - consumer debtors are amounts received in advance from debtors or which appear to have been in excess of what was receivable.

Trade payables include all amounts payable to supplies at year, and are primarily related to the municipal rates and service charges relating to investment properties and payments withheld on the Clayville project.

Payroll creditors include medical aid, pension and similar contributions payable at year end.

13. VAT payable

VAT	-	186,995
-----	---	---------

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

14. Provisions

Reconciliation of provisions - 30 June 2025

	Opening Balance	Additions	Utilised during the year	Total
Legal: Litigation	75,120	-	-	75,120
Leave Pay Provision	1,198,719	(165,571)	-	1,033,148
Provision for interest on tenant's deposits	1,145,982	158,130	(9,925)	1,294,187
	2,419,821	(7,441)	(9,925)	2,402,455

Reconciliation of provisions - 30 June 2024

	Opening Balance	Additions	Utilised during the year	Total
Legal: Litigation	75,120	-	-	75,120
Leave Pay Provision	1,354,120	383,457	(538,858)	1,198,719
Provision for interest on tenant's deposits	1,016,298	174,752	(45,068)	1,145,982
	2,445,538	558,209	(583,926)	2,419,821

The provision represents management's best estimate of the entity's liability.

A provision for leave is recognised for leave due to employees at the end of the reporting date. The provision for leave is calculated by multiplying the number of leave days due to each employee by a daily rate based on the basic salary. The provision is expected to be realised within the next 12 months as employees utilise their leave.

The provision for interest on tenants' deposits is computed from the lease date to the date of vacating the unit.

Provision for litigation is based on the amount claimed by the service provider during the period ended 30 June 2023 for breach of contract. The amount of R75 119 is claimed in terms of the contract for provision of information technology services. The settlement of the amount is pending negotiations with the service provider on the settlement amount.

15. Tenant deposits

Deposits charged	6,236,737	5,897,231
------------------	-----------	-----------

The tenants' deposits consist of two months rental paid by the tenants at the inception of the rental lease. Deposits are held in an interest-bearing account (refer to note 7). The difference is held in the current account to refund tenants as and when they terminate the lease. 2.5% interest on deposit held is allocated to tenants on termination of lease. The deposit and related interest is offset against any cost of damages to rental units and the rental amounts due on termination of lease.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

SHRA: Clayville Ext 45	646,605	646,605
------------------------	---------	---------

Movement during the year

Opening balance	646,605	646,605
Additions -SHRA	1,785,000	24,066,855
Income recognised - SHRA	(1,785,000)	(24,066,855)
	646,605	646,605

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

16. Unspent conditional grants and receipts (continued)

The grant is a conditional grant from SHRA. During the year 2023/24 the grant of R24 million was received and spent for the completion of Germiston Fire Station Phase II. A grant of R1 785 132 (30 June 2024: R26 million) from the SHRA was recognised.

These amount is ring-fenced in a separate bank account.

17. Deferred tax

Deferred tax liability

Opening balance	(3,941,115)	(16,188,323)
Deferred tax movement from reversals of temporary differences	28,268,838	12,247,208
Deferred Tax Asset not recognised	(24,327,723)	-
Total deferred tax liability	-	(3,941,115)

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Reconciliation of deferred tax liability

At beginning of year	(3,941,115)	(16,188,323)
Leave Provision	44,704	(41,959)
Income Received in advance	(133,148)	-
Investment property-Building	2,207,795	1,002,895
Property plant and equipment	-	4,545
Operating lease liability	-	10,194
Provision for bad debts	8,632,271	11,271,533
Tax Loss	17,517,216	-
Deferred Tax Asset Not recognised	(24,327,723)	-
	-	(3,941,115)

Recognition of deferred tax liability

The entity has a net deferred tax liability.

The entity has raised the deferred tax liability. The entity will have sufficient future income to pay the deferred tax liability.

18. Contributions from owners

Authorised

1000 Ordinary shares of par value of R1 each	1,000	1,000
--	-------	-------

Issued

Ordinary	100	100
----------	-----	-----

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

19. Revenue

Rental from investment properties	55,971,721	51,632,551
Rental from retail property	390,000	360,000
Recoveries	8,296,488	7,713,912
Other income	599,928	400,861
Interest received	19,271,457	16,256,588
Government grants & subsidies: CoE	25,644,970	19,035,901
Other grants: SHRA	1,785,132	26,770,229
	111,959,696	122,170,042

The amount included in revenue arising from exchanges of goods or services are as follows:

Rental from investment properties	55,971,721	51,632,551
Rental from retail property	390,000	360,000
Recoveries	8,296,488	7,713,912
Other income	599,928	400,861
Interest received	19,271,457	16,256,588
	84,529,594	76,363,912

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Transfer revenue

Government grants & subsidies: CoE	25,644,970	19,035,901
Other grants: SHRA	1,785,132	26,770,229
	27,430,102	45,806,130

Other grants consist of grants received from the SHRA and recognised as income during the year. A grant of R1 785 132 (30 June 2024: R26 770 229) from the SHRA was recognised.

Revenue recognised in other grants consist of the following:

Clayville Extension 45 Consolidated Capital Grant (CCG)

Germiston Fire station Phase 2 Consolidated Capital Grant (CCG)

The entity met the condition in terms of the CCG agreement for tenancing in Germiston Fire station Phase 2 and received drawdown payment of R0 (30 June 2024: R2 736 557 including VAT on apportionment method of R33 183)

20. Recoveries

Water	3,942,755	3,664,755
Sewerage	1,852,415	1,720,370
Damage and repairs	78,750	77,660
Refuse	2,422,568	2,251,127
	8,296,488	7,713,912

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

21. Other income

Lease administration fees	281,440	11,250
Letters of demand fees	247,566	261,654
Miscellaneous	-	556
Other income - Tenants	-	1,350
SARS interest earned	56,792	126,051
Tender administration fees	14,130	-
	599,928	400,861

22. Interest Received

Interest revenue

Bank	1,031,351	1,660,804
Interest charged on overdue accounts - Tenants	18,240,106	14,595,784
	19,271,457	16,256,588

The amount included in Investment revenue arising from exchange transactions amounted to R1,031,351 (30 June 2024: R1 660 804).

Bank interest include interest from current account, liquid short-term investments and interest earned from property transfer duty. Interest income from the bank is calculated at 5.1% on current and call accounts and 7% on 32 days notice investment. (Refer to note 36: interest rate risk).

23. Employee related costs

Basic	18,739,484	15,899,541
Medical aid - company contributions	998,358	996,571
UIF	53,525	52,579
SDL	208,727	206,040
Leave pay provision charge	246,953	383,456
Provident fund	1,597,830	1,378,202
Cell phone allowance	99,700	112,750
13th Cheques	338,737	592,210
Travel allowance	157,440	188,400
	22,440,754	19,809,749

Remuneration of non-executive directors

Annual Remuneration	2,297,725	2,653,140
---------------------	-----------	-----------

Refer to Related Parties note 35 for additional information.

24. Depreciation and amortisation

Property, plant and equipment	1,195,200	1,644,037
Investment property	4,515,682	4,466,932
Intangible assets	21,850	21,850
	5,732,732	6,132,819

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

25. Finance costs and penalties

Interest paid on Municipal services accounts	5,222,986	3,589,894
Interest - service providers	-	2,236
Interest on tenant's deposits	245,668	174,751
	5,468,654	3,766,881

26. Lease rentals on operating lease

Premises

Contractual amounts	388,364	776,728
---------------------	---------	---------

27. Impairment of consumer debtors

Contributions to debt impairment provision	(42,608,022)	55,661,892
Bad debts written off	100,167,114	4,431,654
	57,559,092	60,093,546

Receivables relating to the Pharoe Park building and deceased individuals were considered to be irrecoverable at year. In addition, the policy for impairment of consumer debtors was adjusted during the period.

28. Impairment of Investment Property

Impairments

Investment property	41,847,522	-
The Clayville development has been halted and, based on its state of repair and management not having formal plans to restore and continue this work in the foreseeable future, the project was impaired in full.		

29. Repairs and maintenance

Contractors

Maintenance of Buildings and Facilities	875,264	2,081,137
---	---------	-----------

Repairs and maintenance relate to investment property (refer to note 8)

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
30. General expenses		
Assessment rates & municipal charges	1,161,666	1,082,994
Auditors remuneration	989,945	966,603
Bank charges	114,387	81,106
Cleaning Services: investment properties	2,783,720	3,406,195
Consulting and professional fees	2,150,333	420,909
Debt collection	427,426	442,021
Electricity	28,143	23,495
Insurance	906,067	684,405
Motor vehicle expenses	2,000	-
Office rental: operating costs and rates	603,158	207,194
Pest control	61,824	51,520
Placement fees	63,981	175,869
Other expenses	11,415	9,690
Printing and stationery	335,569	267,763
Professional bodies-membership fees	119,953	107,091
Refuse: investment properties	3,055,686	3,461,368
Security: investment properties	8,746,388	6,206,805
Sewerage and waste disposal: investment properties	2,892,255	1,874,871
Software licenses	262,316	247,199
Telephone	479,936	712,742
Travel - kilometres claim	-	631
Water: investment properties	13,216,715	8,950,907
Workmen's compensation fund	123,439	127,489
Workshops and office consumables	188,292	100,321
	38,724,614	29,609,188
31. Taxation		
Major components of the tax income		
Current		
Local income tax - current period	(17,517,216)	4,377,802
Local income tax - recognised in current tax for prior periods	-	(3,270,811)
	(17,517,216)	1,106,991
Deferred		
Deferred Tax	13,576,101	(12,247,208)
	(3,941,115)	(11,140,217)
32. Taxation paid		
Normal Income Tax paid - Current year	2,111,308	767,456

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
33. Cash generated from operations		
(Deficit) surplus	(59,433,482)	8,234,998
Adjustments for:		
Depreciation and amortisation	5,732,732	6,132,819
Gain on sale of assets and liabilities	-	152,074
Impairment deficit	41,847,522	-
Debt impairment	57,559,092	60,093,545
Movements in operating lease assets and accruals	(121,283)	37,759
Movements in provisions	(17,365)	(25,717)
Movement in tax receivable and payable	(2,111,307)	213,483
Movement in deferred tax	(3,941,115)	(12,247,208)
Changes in working capital:		
Receivables from exchange transactions	(2,277,224)	(942,919)
Consumer debtors	(66,457,491)	(60,042,641)
Payables from exchange transactions	30,940,249	20,101,527
VAT	(440,818)	135,026
Tenant Deposits	339,505	-
	1,619,015	21,842,746

34. Operating lease

The entity rents out housing units in accordance with Social Housing Regulatory Authority guidelines. The operating lease agreements are entered into for a period of 12 months, subject to a renewal there after. The annual rental increase is subject to the approval of the board and guidance of SHRA. Based on the contingency of the renewal and the increase, the entity has not recognised revenue on a straight line basis over the lease term as the actual invoicing is representative of the time pattern in which the benefit is derived from the leased asset.

35. Related parties

Relationships	
Directors	Refer to directors' report note 8
Controlling entity	City of Ekurhuleni
Other members of the group	Brackpan Bus Company (SOC) NPC East Rand Water Care Company (SOC) NPC M Matjokotja (Acting Chief Executive Officer). Seconded from CoE: term ended 31 May 2024. (Re-appointed 01 July 2024 to 30 August 2024) T Mkhabela (Acting Chief Financial Officer: term ended 30 November 2024) M Mntungwa (Acting Company Secretary): term ended 31 August 2024 N Ndimande (Executive Director - Chief Financial Officer) Z Nkamana (Executive Director - Chief Executive Officer) Z Malinga (Head of Legal/ Company Secretary)
Members of key Management	

The entity received services in kind from its parent municipality. The value of the services received are deemed insignificant. The services were:

- Internal audit functions
- Audit Committee functions
- Risk Committee functions
- Information Technology services

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

35. Related parties (continued)

Related party balances

Amounts included in Receivable / (Payable) from exchange regarding related parties

City of Ekurhuleni	350,174	350,174
City of Ekurhuleni	6,600,000	4,433,723
City of Ekurhuleni	(84,653,886)	(56,232,588)
Z Nkamana	129,550	-

Receivable amount of R350 174 (30 June 2024: R350 174) relates to municipal rates accounts held with the City of Ekurhuleni. The balance receivable will be settled against the amount payable.

Amounts payable of R84 653 886 (30 June 2024: R56 232 588) relates to the municipal rates accounts held with the City of Ekurhuleni. The entity has not been able to settle the arrear amounts due to low revenue collection from rental properties.

An amount of R6 600 000 (30 June 2024: R4 433 723) is receivable from the City of Ekurhuleni for the construction of Clayville Ext 45. Refer to note 43 for additional details of the project.

An amount of R129 550 is recoverable from Z Nkamana for irregular expenditure incurred.

Related party transactions

Purchases from (sales to) related parties

City of Ekurhuleni	7,902,576	15,393,633
--------------------	-----------	------------

Grants received from related parties

City of Ekurhuleni - including VAT on apportionment method of R162 923 (30 June 2024: R210 057)	(24,345,958)	(19,245,958)
---	--------------	--------------

Remuneration of Non-Executive Directors and members of key management

Non-Executive Directors

30 June 2025

Name	Non-Executive Directors' fees	Total
F Dikgale	694,704	694,704
T Hangana	684,016	684,016
D Hlawula	429,658	429,658
L Mtimde	488,919	488,919
	2,297,297	2,297,297

30 June 2024

Name	Non-Executive Directors' fees	Total
F Dikgale	646,618	646,618
T Hangana	661,586	661,586
D Hlawula	611,352	611,352
L Mtimde	544,920	544,920
V Rambau	188,664	188,664
	2,653,140	2,653,140

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

35. Related parties (continued)

Key members of management

30 June 2025

	Basic salary	Medical aid and pension funds	Acting allowance	Total
Name				
Chief Executive Officer: Z Nkamana	1,687,023	136,786	-	1,823,809
Chief Financial Officer: N Ndimande	1,046,633	120,634	-	1,167,267
Company Secretary: Z Malinga	1,185,272	148,064	-	1,333,336
Acting Chief Financial Officer: T Mkhabela	-	-	83,864	83,864
Acting Company Secretary: M Mntungwa	-	-	25,145	25,145
	3,918,928	405,484	109,009	4,433,421

30 June 2024

	Basic salary	Leave pay	Medical aid and pension funds	Acting allowance	Cellphone allowance	Total
Name						
Chief Financial Officer: D Pertab	842,576	216,065	80,791	64,777	4,600	1,208,809
Company Secretary: B Tabane (appointed 01 December 2022)	757,422	49,428	70,663	-	1,150	878,663
Acting Chief Financial Officer: T Mkhabela	-	-	-	161,916	-	161,916
Acting Company Secretary: M Mntungwa	-	-	-	37,717	-	37,717
Acting Company Secretary: B Baloyi	-	-	-	37,717	-	37,717
	1,599,998	265,493	151,454	302,127	5,750	2,324,822

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

36. Risk management

Liquidity risk

Liquidity risk is the risk that the entity will not be able to settle its short term obligation when they fall due. The entity manages its liquidity risk as follows:

1. Performing detail cash forecast, which takes into account short term obligations that will fall due.
2. Continuous review of future commitments and available credit facility.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date.

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	93,521,002	-	-	-
Provisions	2,402,455	-	-	-
Tenant deposits	6,236,737	-	-	-
At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	62,390,163	-	-	-
Provisions	2,419,820	-	-	-
Tenant deposits	5,897,231	-	-	-

Interest rate risk

Interest rate risk is the risk that the value of financial instrument will change as a result of changes in interest rates.

The entity is not exposed to interest rate risk because it does not invest in long term interest bearing instruments such as bonds.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

- Consumer debtors:

The risk of default by tenants on their rental obligations. The entity manages its credit risk for consumer debtors through the use of ITC and affordability reports. Tenant's deposits are held as collateral on amounts owing and for any repairs upon the tenant moving out.

- Cash and cash equivalent:

The entity is exposed to credit risk as a result of cash deposited with banks. The entity manages its credit risk exposure to banks by investing in reputable major banks with good credit rating. At year end, the entity's bank deposits were with ABSA bank, which is rated by Moodys rating agency.

- Credit quality of consumer debtors:

Credit quality is the ability of consumer debtors to pay their obligations when they fall due. This is determined using ITC and affordability reports. The ITC report categorises the debtors into the following:

- (i) Category A - the risk of defaulting is low and the probability of defaulting is also low,
- (ii) Category B and C - the risk of defaulting is neutral and the probability of defaulting is also neutral.
- (iii) Category D,E and F - the risk of defaulting is high and probability of them defaulting is also high.

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

36. Risk management (continued)

The entity selects tenants who falls into category A, B, and C, in order to manage its credit risk.

Financial instruments disclosure

Financial assets at amortised cost

Receivables from exchange transactions	8,062,432	5,794,745
Consumer debtors	9,258,355	359,956
Cash and cash equivalents	14,525,017	15,340,320
	31,845,804	21,495,021

Financial liabilities at amortised cost

Payables from exchange transactions	93,521,002	61,457,033
Tenants deposits	6,236,737	5,897,231
	99,757,739	67,354,264

The entity reviews its foreign currency exposure, including commitments on an ongoing basis. The entity expects its foreign exchange contracts to hedge foreign exchange exposure.

37. Fruitless and wasteful expenditure

Opening balance as previously reported	106,485	1,982,778
Less: Amount written off - current	-	(1,876,293)
Closing balance	106,485	106,485

Fruitless and wasteful expenditure relates to interest charges for late submission of tax returns and provident fund contributions.

Amount written-off

SARS - Interest on late payment of income tax	-	1,876,293
---	---	-----------

Disciplinary steps taken/criminal proceedings

38. Irregular expenditure

Opening balance as previously reported	9,313,777	20,005,554
Add: Irregular expenditure - current year	1,116,459	727,588
Less: Amount written off - current	-	(11,419,365)
Less: Amounts recovered - prior period	(50,000)	-
Closing balance	10,380,236	9,313,777

Irregular expenditure is presented inclusive of VAT

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

38. Unauthorised, Irregular and Fruitless and Wasteful Expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Bidders not disqualified in accordance with the published disqualifying criteria.	None	106,397	663,299
Contravention of SCM Regulation 23 (c) (i)	None	26,100	64,289
Overspending on the operational expenditure budget	None	983,962	-
		1,116,459	727,588

Amount recovered

The investigation for the Irregular expenditure discovered in 2020/21 financial year for the amount of R179 550 was concluded in the current financial year. The expenditure was in contravention of Local Government: Municipal Systems Amendment Act, No 44 of 2003 section 93F (1). The board of Directors resolved that the expenditure should be recovered from the Chief Executive Officer: Mr Zingisani Nkamana. R50,000 was recovered as at 30 June 2025.

Amount written-off

Allowed variation of 15% exceeded	-	(717,483)
Contravention of SCM regulations	-	(10,701,882)
	-	(11,419,365)

Details of Irregular expenditure

During the 2024/25 financial year, irregular expenditure of R106 397(2023/24: R663 299) was incurred for services rendered by bidders who did not meet the published compliance and bid requirements. These included a bidder who was not registered with Construction Industry Development Board (CIDB), bidders with a grading higher than the published requirement and a bidder who did not submit a certified lease agreement as required in the bid compliance criteria. In addition, an amount of R26 100 (2023/24: R64 289) was incurred for services provided by bidders not found on the bid submission register, which is in contravention of MFMA, SCM regulation 23 (c)(i). Management will submit the details of irregular expenditure to MPAC and the EHC Board of Directors for investigation.

The entity spent R983,962 over the budgeted amount for operational expenditure; the breakdown can be seen in the statement of comparison of budget versus actual amounts under Employee Related Costs, Remuneration of Non-Executive Directors, Finance costs and penalties, and Other expenditure (excluding non-cash items such as depreciation and impairment)..

39. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year fees	799,260	966,603
Amount paid - current year	(799,260)	(966,603)
	-	-

PAYE and UIF

Current year subscription / fee	53,525	52,578
Amount paid - current year	(53,525)	(52,578)
	-	-

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

39. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Current year subscription / fee	2,596,188	2,374,773
Amount paid - current year	(2,596,188)	(2,374,773)
	-	-

VAT

VAT (receivable) /payable	(253,823)	186,995
---------------------------	-----------	---------

The net of VAT output and VAT input is shown in note 5 and 13

All VAT returns have been submitted by the due date throughout the year.

40. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the board and includes a note to the annual financial statements.

Service Provider	Appointment Date	Description	Amount
Thinane Mabuza	06 June 2025	Emergency - Legal services: Credit control measures (switching off electricity and deactivation of owing tenants on the biometric system) in Chris Hani	275,100
RAMS Attorneys	06 June 2025	Emergency - Legal services: Appointment to assist the business with an application that was necessitated by the disruption of EHC work undertaken onsite for credit control and access control at Delville Ext 9	297,873
Caseware Africa a division of Adapt IT Holdings Ltd	09 July 2024	Sole Supplier - Software license - Renewal of the license for Caseware (software used to draft financial statements)	105,095
		-	678,068

41. Prior period errors

The additions on Furniture and fixtures were incorrectly reported as additions for Office equipment. The amount of R13 500 has now been correctly reported as additions for Furniture and Fixtures as per the fixed assets register. This resulted in a restated carrying value for both assets classes in the property, plant and equipment note.

Property, plant and equipment (Note 9)

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

41. Comparative figures (continued)

30 June 2024

	Note	As previously reported	Correction of error	Restated
Office Equipment	9	30,836	(13,500)	17,336
Furniture and fixtures	9	165,312	13,500	178,812
		196,148	-	196,148

Risk Management - Financial liabilities at amortised cost (Note 33).

The amount for payables from exchange transactions previously reported as R61 432 118 has now been restated as R61 457 033. The error was due to creditors accrual amount of R24 915 that was not taken into account in the financial instruments disclosure.

42. Comparative figures

Investment Property at Cost

Work in progress of R24 066 855 for Chris Hani Village in Note 8 of the financial statements was disclosed in the details of property as "additions since purchase or valuation" for the financial year ending 30 June 2025. The work in progress amounts were previously disclosed separately as accumulative work in progress. The amount of R24 066 855 disclosed on 30 June 2024 as additions has now been correctly disclosed as accumulated work in progress.

43. Social housing arrangements

Details of the arrangement are as follows:

The CoE appointed EHC as project developer whereby the entity undertakes the construction of social housing projects by appointing sub-contractors to undertake construction on its behalf. No commission is earned by the entity on implementation of the program.

EHC participated in the development of Germiston Fire Station Phase 2 and Clayville Social Housing Projects. The Clayville Ext 45 development of 452 social rental multi-storey units. The entity accounted for the Clayville social housing project to the extend funds were received from SHRA. For projects funded by CoE the entity has not recognised any revenue nor expense. During the 2023/24 financial year, the Clayville Ext 45 project was funded by the CoE.

The CoE issued sectional completion certificate dated 24 April 2020 for the Germiston Fire Station Phase 2 project and handed over the project to EHC for completion and tenanting purposes on the 03 November 2021. The CoE and EHC agreed to the transfer of the development of 40 units, a creche and a hall which were at approximately at 85% completion. In the 2023/24 financial year, the entity accounted for R24 066 855. The project was funded by the SHRA through consolidated capital grant agreement entered between the EHC, SHRA and the Gauteng Provincial Department of Human Settlements.

44. Commitments

Authorised capital expenditure

Already contracted for but not recognised

• Property, plant and equipment: Other equipment	-	306,443
• Property, plant and equipment: Motor vehicles	368,337	-
	368,337	306,443

Total capital commitments

Already contracted for but not recognised	368,337	306,443
---	---------	---------

GERMISTON PHASE II HOUSING COMPANY SOC LTD trading as EKURHULENI HOUSING COMPANY

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

44. Commitments (continued)

Capital expenditure committed of R368,337 (30 June 2024: R306 443 relates to access control system. The expenditure was financed by retained surplus funds internally generated. The commitment was recognised and settled in the current financial year.

45. Contingent Liability

A contractor, Sinapi Global JV 3TKDM International (Pty) Ltd, abandoned a construction site and the contract was subsequently terminated by EHC. The contractor served provisional sentence summons against EHC for the final account amount of **R5 572 263.91** with interest at the a rate of 10% per annum calculated from 30 August 2022 until date of final payment. The Judge of the High Court made an order on the 01 December 2023, that the provisional sentence is stayed pending the final determination of the arbitration between the parties. Prior to the matter going to arbitration, the EHC and Sinapi Global reached a settlement out of court to settle the final account for R5,1m. However, EHC could not pay Sinapi the R5,1M pending the finalisation of a forensic investigation into the project, the results of which may materially impact on the final settlement and/or lead to further legal action.

EHC served notice to terminate its lease agreement with RDC Properties, who have refused to acknowledge the notice; the remaining contract value of R2,059,799 is currently being disputed.

PHYSICAL ADDRESS:

Chris Hani Village, Corner Victoria Street and,
Linton Jones St, Germiston, 1401

POSTAL ADDRESS:

Private Bag X8 Johannesburg 2131

Telephone number:	+27 (0)10 101 4675
Email address:	info@ehco.org.za
Website address:	https://ehco.org.za/

