



“ the heartbeat of
affordable housing ”

“we change the way people live”



ANNUAL REPORT
2010



vision

To be the heartbeat of affordable housing.

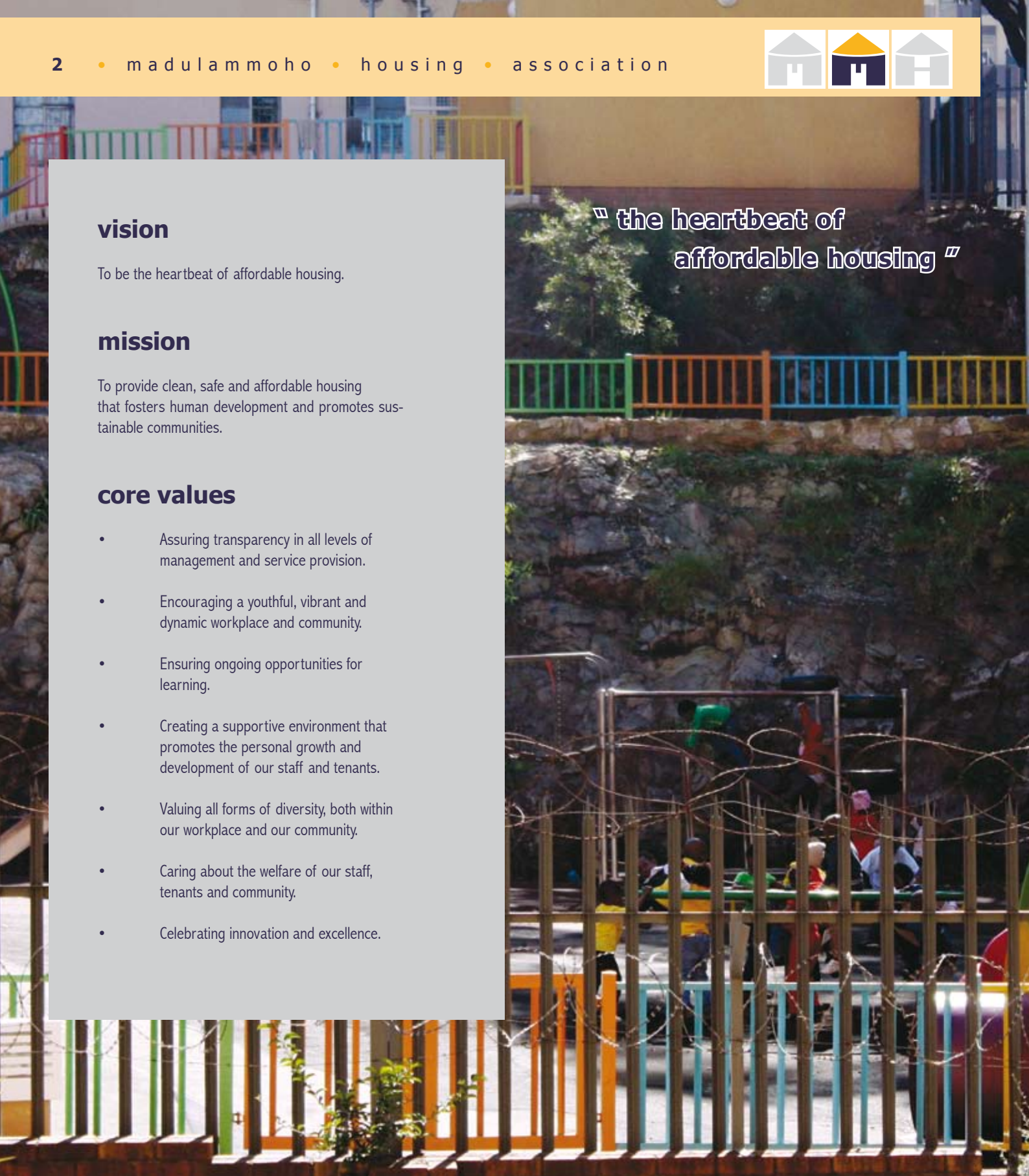
mission

To provide clean, safe and affordable housing that fosters human development and promotes sustainable communities.

core values

- Assuring transparency in all levels of management and service provision.
- Encouraging a youthful, vibrant and dynamic workplace and community.
- Ensuring ongoing opportunities for learning.
- Creating a supportive environment that promotes the personal growth and development of our staff and tenants.
- Valuing all forms of diversity, both within our workplace and our community.
- Caring about the welfare of our staff, tenants and community.
- Celebrating innovation and excellence.

“ the heartbeat of
affordable housing ”



Jan Snyman Chairperson



Chairperson's Report

The past year was an eventful one for Madulammoho Housing Association. We have two new projects, a client services office on the go, enhanced policies and procedures and a heightened sense of purpose and responsibility to house and support the inner city community.

Our continued growth is testimony to the tremendous need in our society for clean, safe and affordable housing options that not only provide a roof over someone's head, but foster holistic communities. That families are actively seeking accommodation in our projects is testimony to the continued excellence of Madulammoho.

We have made tremendous strides in addressing last year's priorities of sound policies and procedures, enhanced client services and good communication. Our updated maintenance policies, our latest policies and procedures manual and our new client services office all attest to this.

That our CEO, Renier Erasmus, is currently serving as Chair of the eKhaya Neighbourhood Programme and General Secretary of the National Association of Social Housing Organizations, serves to demonstrate that a safer community and a more unified social housing sector are of great importance to Madulammoho. Our close relationship with government—at the municipal, provincial and national levels—goes to show that our work is not going unrecognized.

In fact, Madulammoho's work in the community recently attracted the attention of the Netherlands National Football Team who, in collaboration with the Johan Cruyff Foundation, donated a soccer pitch to one of our housing projects. And recently, we were the subject of a documentary on social housing best practice by the Department of Human Settlements.

Together with MES, we are leading the way in innovative service delivery to the inner city community and creating collaborative, supportive environments that empower our clients to take charge of their own lives.

Finally, Madulammoho wouldn't be able to do any of this without the generous help of our partners and donors, our dedicated and committed staff and Board and most importantly, our clients, who put their trust in Madulammoho to create a supportive environment where they can gain a sense of community and an enhanced quality of life.



CEO Report

Dealing with the economic downturn, job losses and unstable capital markets can present serious challenges for any business dealing with the low-income market. Yet despite the hurdles of 2009, our concerted efforts toward client services, good communication and understanding our target market, all contributed to the performance of Madulammoho over and above our expected financial targets.

Once again, Madulammoho added new projects to the portfolio. Allenby House and Resdoc House were both completed in 2009, increasing the number of units under Madulammoho management by 184—giving us a grand total of 952 units. With the increase in our units, it became apparent that a new property management system—one that could improve our client services needs, as well as incorporate maintenance and asset management with a financial package—was needed to facilitate our current growth and help us prepare for future endeavours.

After investigating several options, Madulammoho purchased the Novtel property management system, which was launched in January, 2010. Credit must be given to the financial department for implementing the new system, while keeping financial information and management in order.

Prioritizing sustainability, while remaining on the cutting edge of affordable housing, requires Madulammoho to continuously develop new units. This strategy saw the birth of the company's asset management and new developments department, which redesigned our maintenance policies and procedures with great results. And currently in the pipeline is our new client services centre, which will be a complimentary addition to our head office in the next financial year.

This past year, Madulammoho was assisted by the Social Housing Foundation to revamp our policy and procedures manual. Standard operation procedures are now emerging from these documents, and will enable the company to share its model with other cities across South Africa.

Madulammoho values the importance of good partnerships and in 2009, joined Metro Evangelical Services (MES) in exploring likeminded organizations throughout Canada. A working exchange was then established, made possible by the Canadian International Development Agency (CIDA), with Woodgreen Community Services in Toronto. This partnership led to exchange visits between the respective staffs at Madulammoho and Woodgreen, where valuable lessons and best practice could be shared.



Renier Erasmus
CEO

Madulammoho also strengthened our partnership with Vestia, a Dutch social housing company, which has agreed to provide capacity funding to implement the company's future expansion strategies.

Madulammoho's continued involvement in the eKhaya Neighbourhood Precinct and the National Association of Social Housing Organizations (NASHO) demonstrates our commitment to the regeneration of the city, and our contribution to building a strong and healthy social housing sector. Our active participation with local, provincial and national government continues to be invaluable towards ensuring that the plight of the poor and the importance of affordable housing stay on the agenda.

Who we are

Madulammoho is a non-profit (Section 21) company that was established in 2004 to provide Johannesburg's inner city community with shelter, transitional, communal and social housing. In addition to housing stock, Madulammoho also provides facilities that aid in the development of our community, as it is our belief that every tenant has something to contribute to the success of their home, building and neighbourhood.

The start of 2010 symbolized the arrival of the World Cup. Through a partnership with the Dutch Embassy, the Johan Cruyff Foundation and the Netherlands National Football Team, a five-a-side Cruyff soccer pitch has been built at the B.G. Alexander—our flagship project in the heart of Hillbrow. This magnificent sports arena was opened by the Netherlands National Team just before the kickoff of the 2010 FIFA World Cup.

Realizing that many of our tenants would not be able to attend soccer matches, Madulammoho has prepared a soccer fun month with viewing stations for soccer matches, Playstation games for the kids and many more activities at our B.G. Alexander project. With all activities sponsored by the Cruyff Foundation and the Netherlands National Team, Madulammoho has decided to share this occasion with the rest of the eKhaya neighborhood as well.

In 2010 our commitment to affordable housing solutions that foster close-knit communities will only be equaled by our commitment and support for Bafana-Bafana.

- Go Bafana!

News Briefs

Madulammoho opens its newest housing project

In October 2009, Madulammoho opened the Allenby House, a colossal building located at the corner of Leyds and Claim Streets in the heart of Hillbrow. Before MHA took over, the building was overcrowded and the sewerage system had completely collapsed.

With a little elbow grease, however, the Allenby is up and running, providing clean, safe and affordable housing to the Hillbrow community. The building now features sufficient ablutions to accommodate physically challenged tenants, and Madulammoho is proud to report that we fulfilled our 'return to building' promise made to the Allenby's previous tenants.

The Orange Cruyff Court Hillbrow

In the run up to the 2010 FIFA World Cup, Madulammoho was the recipient of an incredibly generous gift on behalf of the Netherlands National Football Team, who donated a Cruyff Court (a five-a-side soccer pitch) to our flagship project, the B.G. Alexander.

Research into the impact of Cruyff Courts show that they both improve the quality of life in a neighbourhood and encourage young people to get involved in the community through sporting activities.

"We all hope [the Orange Cruyff Court] will bring joy to the children of Hillbrow," says Jordy Halapiry of the Netherlands' Johan Cruyff Foundation.

To see video of our new pitch on You Tube, check out <http://tiny.cc/9jw7>

Madulammoho to open its new client services office

In light of Madulammoho's rapid growth, we are currently expanding our headquarters at 16 Kapteijn Street to include a new client services office. The 200-square meter addition should be completed sometime in the next financial year, and will provide our tenants with an enhanced customer service experience.



Madulammoho plays host to a Canadian intern

Rooftops Canada, an international development organization that provides technical expertise and leadership in low-cost housing and human settlements around the world, has sent a Canadian intern to help Madulammoho with its communications needs.

The six-month internship is part of the Canadian government's Youth Employment Strategy, and has been facilitated by the Canadian International Development Agency's Youth Action Division. During her stay, Amy will help re-launch the Madulammoho website, design our monthly newsletter, facilitate the launch of our first tenant handbook and create a comprehensive communications strategy that speaks to our various stakeholders.

"I'm thrilled to be working with an organization that facilitates such meaningful change here in Hillbrow," she says. "I look forward to working with Madulammoho and getting to know the community here."

Madulammoho soccer tournament

Working in Johannesburg's inner city can be draining at times, and as a result, we wanted to find a meaningful platform to connect with our staff and combat low morale.

In the spirit of the 2010 FIFA World Cup, we held a staff soccer tournament at the eKhaya Neighbourhood's newly built soccer pitch, followed by lunch and entertainment at the B.G. Alexander.

Our staff had so much fun that we now plan to integrate team-building exercises into Madulammoho's organizational culture.



Client Services Report

We had great success this past year in establishing a proper client services department, with tenant engagement and social inclusion being the most critical elements of our approach.

This past year's primary focus was to establish a Client Services Management (CMS) tool that will guarantee tenant satisfaction by enabling us to address all client-related queries and provide feedback to our tenants. This has allowed us to engage with tenants by way of consultation in matters that involve their respective projects.

In February Ntsoaki, Madulammoho's client services manager, had the opportunity to attend a social housing institution workshop in Durban, organized by the Social Housing Foundation. The theme and objective of the workshop was to discuss the best practices in Client Services Management, placing emphasis on what is already working in the sector.

This past year, Madulammoho staff had the opportunity to visit the Toronto Community Housing Company—Canada's largest social housing institution, and home to more than 164,000 tenants. Both visits enabled us to research their best practice in tenant engagement and social inclusion, and to learn from their community revitalization programmes. Our Canadian partners' tenant engagement model creates a full relationship circle that we hope to establish at Madulammoho in the near future.

Strategies to engage tenants and community revitalization in the Community Health Unit Framework were also explored during our visits to Toronto, and Madulammoho is currently in the process of implementing a similar approach. We are happy to report that Madulammoho experienced very low unit turnover this past year—largely due to the success of our Stepped Approach to Housing model. Our tenants' internal movements, whether from transitional rooms to bachelors or vice versa, is further evidence of our model's success.

Our involvement with the EKhaya Neighbourhood Precinct represents one component of our community revitalization programme, and our staff and tenants have also been involved in activities, such as soccer tournaments throughout the year. We also held a series of boxing tournaments (at our boxing ring), for which we received positive feedback.

We have had a great year for client services, and we are looking forward to the year to come, when Madulammoho opens the new client services office to better serve our tenants.



Ntsoaki Ntlateng
Client Services Manager



“At Madulammoho, we care about the social welfare of our tenants, and ensure the provision of a holistic service that focuses on human development.”

CFO Report

Despite some tough trading conditions and high energy costs, Madulammoho performed well in the second half of the year. The company's continued rapid growth saw Madulammoho finish the year with a healthy surplus and an improved asset base and reserves.

Analysis of financial year

The first-time adoption of the International Finance Reporting Standards (IFRS) for Small- and Medium-sized Entities has had an impact on the value of our fixed assets. Our first-time adoption of obtaining a fair-value adjustment on the investment properties that we own has resulted in a property value increase of R23.98M. Our fixed assets leased are now reflected as operating lease assets and have increased to R6.9M. At year end, Madulammoho was sitting with cash, in bank and on-hand, of R10.201 in the form of subsidies received and soft loans. The majority of this money is earmarked for projects in the new financial year.

In its fifth year, Madulammoho's normal operational revenue has had an increase of 33 per cent, from R5.89M in 2009 to R8.368M in 2010. This income excludes other income of R1.5M, investment revenue of R0.736M. On the expense side, expenditure has, likewise, climbed from R5.682M to R7.917M—an increase of 28 per cent.

There was a significant increase in energy costs during the later part of 2009, which did impact our bottom line at the project level. An operating surplus of R900K was recorded.

Revenue (excluding interest earned) was obtained from both rental and grant funding (as discussed below). For the fourth year running, our primary form of income was rental. The opening of the Resdoc and Allenby projects during the year has boosted our revenue streams. Cost recoveries—the recoveries we obtain from tenants for utility costs—were well within our annual target of 80 per cent. Finally, our grant income from the Gauteng Partnership Fund, which came to an end in December 2009, enabled Madulammoho to bolster its head office staff component. (The accompanying graph illustrates our sources of income for the past five years.)

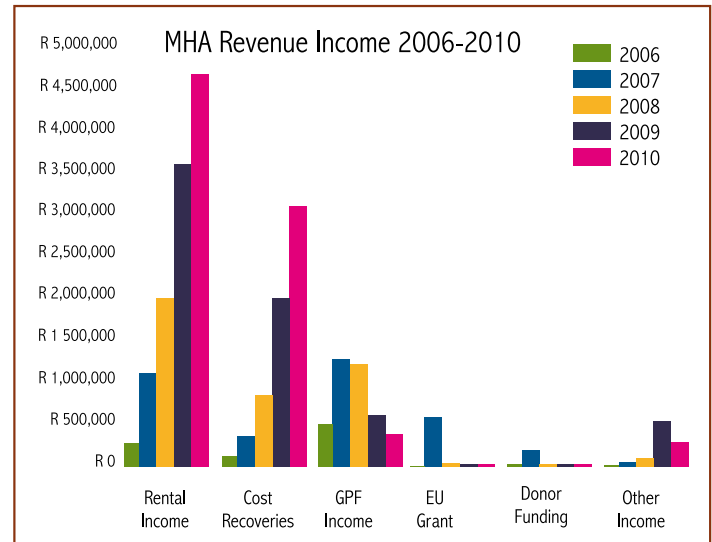
Policies and Procedures

We are continually looking to improve our financial management controls, and as such, we took the plunge in 2009 and purchased Novtel. This new property management system will provide a platform for future expansions, and though it has taken us several months to implement, our system is now live.

Current year

The start to the 2010/11 financial year has been better than expected, and we are happy to report that Madulammoho is on track to achieve our conservative budget forecasts for the year.

Chris Lund CFO





Maintenance Department Report

The maintenance department has had a productive and eventful financial year. The team completed all back log maintenance requests for 2009-2010, and has adapted very well to new procedures to streamline and improve our delivery of quality repair services in our buildings.

The maintenance team had to cope with an increasing workload, as the company's portfolio grew from 608 units to 952 units, and though the team has not increased in numbers, their productivity certainly has. During the 2009-2010 financial year, we received 2,797 work orders, all of which we managed to complete and close while staying well within our budget.

Our new Novtel system, introduced in April 2010, allows us to track the types of repairs we are carrying out, and should improve our ability to log and report repairs on a more detailed basis. One of the greatest advantages of our new system is that any executive member can now view what repairs have been logged, repaired and/or billed. This function also gives our client services a real-time glance at the status of maintenance requests reported by our clients.

As for the future, Madulammoho is actively looking at increasing our portfolio over the next three years. While we are hoping to acquire property in our immediate area, we are also investigating possibilities in Soweto, Cape Town and Rustenburg. In light of our recent and future growth, we are extending our own offices at 16 Kapteijn Street, where a 200-square meter addition is currently in the works. This office will mainly be used by our client services department, and will greatly improve the customer service experience of our inner city clients.

Finally, our new development department is actively researching energy-saving and alternative building methods. It is our belief at Madulammoho, that we have a responsibility to find new and innovative ways to develop and manage property.

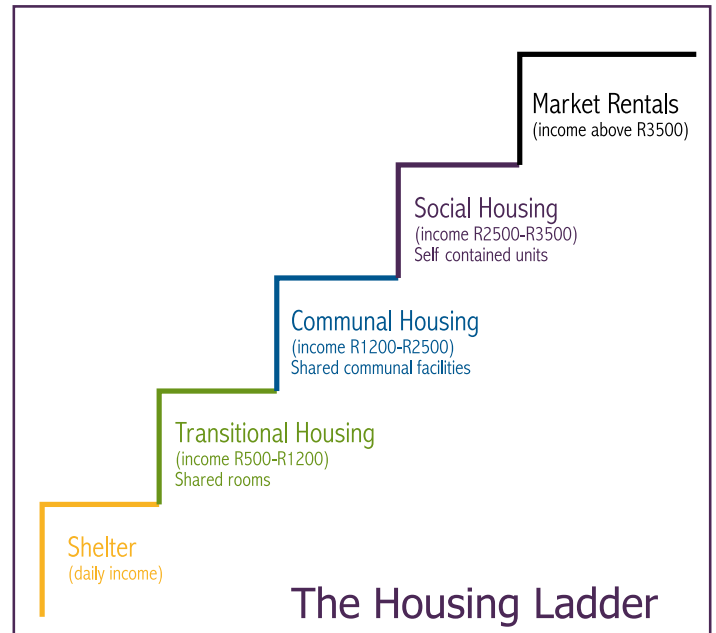
We are confident with the foundation we have laid over the past 12 months, and are looking forward to improving and expanding in the year to come.



Neil Erasmus
Asset Manager



**“Madulammoho
is not just
about bricks and mortar
but about
the communities
we house.”**



The Stepped Approach

Based on demand-side affordability, the stepped approach provides people with alternative housing options at different rental levels.

The stepped approach demonstrates that as people are supported and their skills are developed, they are able to earn more and as a result, their housing options open up.

However sometimes incomes might decline and they may need to seek a 'reduced' alternative.

In this model, whatever the case, households will at the very least have safe and secure accommodation options.



Independent Auditor's Report

To the members of Madulammoho Housing Association (Incorporated Association not for gain). We have audited the annual financial statements of Madulammoho Housing Association (Incorporated Association not for gain), which comprise the statement of financial position as at 28 February 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes and the directors' report.

Directors' responsibility

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and in the manner required by the Companies Act of South Africa, 1973. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Madulammoho Housing Association (Incorporated Association not for gain) as at 28 February 2010, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and in the manner required by the Companies Act of South Africa, 1973.

Other matters

Without qualifying our opinion, we draw attention to the fact that the supplementary information does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

Statement of financial position

First-time adoption of the International Financial Reporting Standard for Small- and Medium-sized Entities.

The company has applied the International Financial Reporting Standard for Small- and Medium-sized Entities for the 2010 year end. On principle this standard has been applied retrospectively, and the 2009 comparatives contained in these annual financial statements differ from those published in the annual financial statements for February 28 2009. The standard gives certain mandatory exemptions from this principle, and certain optional exemptions which have been detailed below.

ASSETS	2010	2009
Non-Current Assets		
Investment property	28,578,000	3,977,022
Property, plant & equipment	460,005	322,486
Investment in joint ventures	13,689,575	9,302,277
Operating lease asset	7,177,495	6,913,774
	<u>49,905,075</u>	<u>20,515,559</u>
Current Assets		
Inventories	537,588	59,101
Trade and other receivables	3,364,596	4,754,222
Cash and cash equivalents	10,201,427	5,927,495
	<u>13,603,611</u>	<u>10,740,818</u>
Total Assets	<u>63,508,686</u>	<u>31,256,377</u>
EQUITY AND LIABILITIES		
Equity		
General Reserve	24,409,891	2,507,564
Liabilities		
Non-Current Liabilities		
Other financial liabilities	16,096,429	12,617,880
Deferred income	20,760,805	14,562,915
	<u>36,857,234</u>	<u>27,180,795</u>
Current Liabilities		
Trade and other payables	1,828,159	1,197,028
Provisions	113,402	70,990
Trust Funds	300,000	300,000
	<u>2,241,561</u>	<u>1,568,018</u>
Total Liabilities	<u>39,098,795</u>	<u>28,748,813</u>
Total Equity and Liabilities	<u>63,508,686</u>	<u>31,256,377</u>

Detailed Income Statement

	2009	2008
Revenue		
Cost Recoveries Operations	3,122,407	1,914,864
Rental Income	4,684,891	3,564,153
Donor funding	327,684	418,221
Donor funding CIDA	232,675	-
Project management fees – Soweto	466,349	250,000
	<u>8,834,006</u>	<u>6,147,238</u>
Operating surplus	1,461,942	834,072
Other income		
Deferred income - Europa	157,974	26,247
Deferred income - JMJV	839,034	181,284
Deferred income - Rec Doc	105,168	33,877
Extra ordinary income	-	-
Fair value adjustments	20,485,800	-
	<u>21,587,976</u>	<u>241,408</u>
Other non operating expenses		
Impairment Loss - JMJV Investment	(339,814)	(215,127)
Depreciation	(110,588)	(59,742)
	<u>(450,402)</u>	<u>(274,869)</u>
Net Finance Cost		
Finance costs	(1,433,907)	(943,158)
Interest received	736,714	1,282,825
	<u>697,193</u>	<u>339,667</u>
Surplus for the year	<u>1,902,327</u>	<u>1,140,278</u>



Operating Expenses

Advertising	(18,268)	(6,317)
Auditors remuneration	(41,671)	(35,357)
Bad debts	(13,464)	(735)
Bank charges	(95,036)	(96,220)
Cleaning	(259,253)	(212,296)
Commission paid	(1,700)	-
Computer expenses	(21,445)	(64,628)
Professional fees	(376,358)	(43,025)
Donations	(2,500)	(445)
Employee costs	(2,083,633)	(1,572,884)
Entertainment	(3,823)	-
CIDA Expenses	(231,583)	-
Marketing Research	-	(5,670)
Coupon expense	-	(5,499)
Access Card	(48,945)	-
ITC Credit Checks	(3,954)	(1,812)
Project Investigation	(900)	(9,378)
Contractual services	(51,867)	(26,156)
Insurance	(49,077)	(35,735)
Lease rentals - Contractual amounts	(55,161)	(40,655)
Lease rentals - Operating lease expense	(298,885)	(298,885)
Legal expenses	(8,200)	-
Motor vehicle expenses	(12,783)	(23,530)
Other expenses	(16,901)	(3,390)
Pest control	-	(5,990)
Printing and stationery	(70,246)	(49,915)
Repairs and maintenance	(768,575)	(354,484)
Security	(396,300)	(355,170)
Subscriptions	(58,466)	(69,950)
Telephone and fax	(119,777)	(68,898)
Training	(27,534)	(20,010)
Travel - local	(42,118)	(30,562)
Utilities	(2,193,641)	(1,875,570)
	<u>(7,372,064)</u>	<u>(5,313,166)</u>



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