



The 2010/11 year was a consolidation year after several years of rapid growth. Madulammoho upgraded both its financial and property management systems, supporting the company on its next wave of growth.

Analysis of financial year

The adoption of the International Finance Reporting Standards (IFRS) for small and medium-sized entities since the 2010 audit has had an impact on the value of our fixed assets. Following the fair-value adjustments on the investment properties that we own, the result has seen our properties value increase 12% to R32M. Our fixed assets leased are now reflected as operating lease assets and have shrunk 4% (annual depreciation of operational leases) from R7.1M to R6.9M. At year end Madulammoho was sitting with R15.2M in the bank, in the form of reserves, provisions and soft loans. The majority of this money is earmarked for projects in the new financial year.

Madulammoho's normal operational revenue in its sixth year has had an increase of 27% from R8.36M in 2010 to R11.487M. This income excludes other income of R1.2M, investment revenue of R0.691M and the extraordinary income of R4.180M (fair value adjustments).

Expenditure climbed from R7.822M to R9.502M, an increase of 17%. An operating surplus of R2.56M was recorded, but with other income, net finance costs and the fair value adjustments our surplus was R7.038M. Revenue (excluding interest earned and fair value adjustments) was obtained from rental, utility cost recoveries and other income. For the fifth year running, our primary form of income was rental.

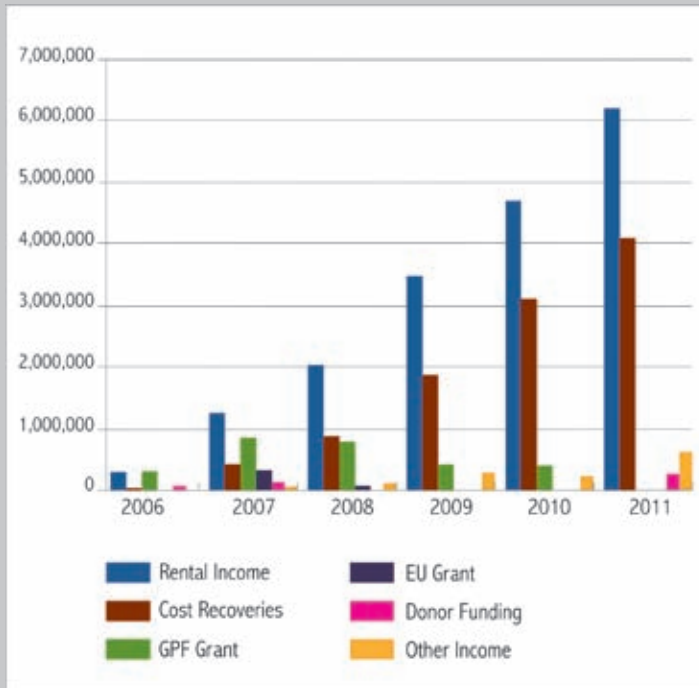
The second stream of income is cost recoveries which are the recoveries we obtain from tenants for all utility costs. Utility cost recoveries were better managed than in previous years, however with rising energy costs increasing disproportionately to rental, this remains a concern. The graph illustrates our sources of income for the past six years.



"Madulammoho does not just build housing, we build communities."



Madulammoho sources of income between 2005-2011



Policies and Procedures

As mentioned earlier, during 2010 we implemented a new property management system called Novtel. It took us several months to implement the new system but we have been live since mid-2010. Novtel will provide a platform for future expansions. We are continually strengthening our financial and administration procedures.

Current year

The start to the 2011/12 financial year has been better than expected and we are well ahead of budget. We have 286 units in construction and an additional 300 units in the pipeline. These additional units will both improve our balance sheet and sustainability for the future.

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News Update



Rooftops Canada, an international development organization that provides technical expertise in low-cost housing and human settlements around the world, has sent two Canadian interns to assist Madulammoho with its communications needs and maintenance planning.

Kelly Trottier arrived in Johannesburg in June 2011. She has joined the Madulammoho team as a communications officer for the next six months, developing a communications drive to continue to build strong relations with MES, improve interdepartmental relations, assist in tenant engagement initiatives and build long-term relationships within the community.

Karlye Wong recently joined the Madulammoho maintenance team as an intern in July 2011. Over her six month placement, Karlye will be working with the staff to improve lines of communication between tenants and the maintenance team, assess building conditions of MHA's projects to further improve planned maintenance and find ways of incorporating green technologies to reduce energy usage.

Jolene Heslop joined Madulammoho's team as the CEO's personal assistant and communications officer in November 2010. In the past year, Jolene has taken a leading role in re-launching the Madulammoho website. She continues to oversee internal communications projects to sustain a vibrant and engaging work environment for all employees.



Client Services Report

Ntsoaki Ntlatseng



Communication defines our client services. By continuously interacting with our tenants, communication barriers are removed and a trusting relationship between us and our tenants is formed.

We have launched our first newsletter **The Madulammoho Pulse**, which will be published quarterly and feature news about our organization, our housing projects and our community. **The Madulammoho Pulse** will strive to be the heartbeat of our community and a vehicle for our tenants to be heard and share their stories.

The launch of the website has enabled our tenants and stakeholders to have access to Madulammoho resources and keep up with any new and future developments that our organization is involved in. Please visit our website on: www.mh.org.za

Our new Tenant Handbook provides valuable information to our tenants about Madulammoho, rental and tenant/landlord responsibilities. It educates tenants on everything from how to report maintenance concerns to ways to conserve energy.

The Orange Cruyff Court

Madulammoho was the recipient of a generous gift on behalf of the Netherlands National Football Team, who donated a five-a-side soccer pitch to one of our project, B.G. Alexander. The pitch has become a resource for sporting activities. Children from our projects and neighbouring communities receive training and life skills through a Coach employed by Madulammoho. In 2010, our young tenants had an opportunity to play soccer with world acclaimed soccer legends from the national Netherlands soccer team. Madulammoho continues to host soccer tournaments at the pitch to build community spirit.

Madulammoho's karate club to date has 20 registered members and so far the team has won 22 medals in two different championships. This club promotes healthy active living among our tenants and creates a platform for tenants to build long lasting friendships.



"We change the way people live."



Madulammoho is involved in the implementation of a new scheme (Extended Social Package) that supplements low income rentals by way of giving our tenants a rebate on their utility cost. The Municipality of Johannesburg has requested us to test it as a pilot program before it could be introduced to other Landlords. Some loathing problems have been experienced, but we hope that tenants will have the full benefit of this program soon. We have successfully managed to employ a significant number (85%) of both cleaners and security personnel from our tenant constituency in order to be a socially responsible organization and support our job creation philosophy.

The overall rent collection remains satisfactory in all projects. An anti-eviction and prevention strategy is still being used and communicated to our tenants. The purpose of the policy is to try to resolve issues related to rentals before they could get out of hand and result in unnecessary evictions.

The strong partnership shared between Madulammoho and MES continues to foster our holistic community. While we undertake the “hardware” of housing development and management, MES deals with the “software” of social development. We refer our tenants to MES for primary health care, skill development and training as well as Pastoral Care/Life Coaching.

Madulammoho is a leading stakeholder in the eKhaya Neighbourhood Precinct. eKhaya is comprised of property owners (for-profit and non-profit) who have pioneered a model of urban regeneration that looks past the simple delivery of housing to focus on the realization of well-functioning, sustainable neighbourhood development. Our relationship with this forum also involves security services offered by BadBoys Company as a back-up to our existing one.

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Testimony of Tenant at Resdoc House



It is a pleasure for me to speak about Madulammoho and its great job in the city. Not only does Madulammoho offer accommodation but the organization also takes care of its tenants by providing job opportunities.

When I came to Johannesburg I did not have a job and was struggling to pay rent that I could not afford. Madulammoho offered me a job and affordable accommodation. I started working as a security guard and rented a small, yet affordable room at New El Kero House. I worked as a security guard for two years before being promoted to House Manager at Resdoc House.

One of the values of this company is its effort to develop the community. I am now living in a large self-contained unit which is still affordable for me. I am no longer just a tenant at Madulammoho but have now been promoted to a House Manager.

Madulammoho continues to be the heartbeat of affordable housing in Gauteng.

Gift Dama
House Manager
Resdoc House



Testimony of Tenant at B.G. Alexander



“My name is Pinky Julia Kgoetego and I am staying at B.G. Alexander. I am a single mom and stay with my son, my sister and my sister’s daughter. For a living, I am running a daycare that was provided free of charge by Madulammoho. I was so fortunate; it is so good that Madulammoho gave me this opportunity. Before running the crèche I was working as a child minder, but my employer was going to terminate my contract.

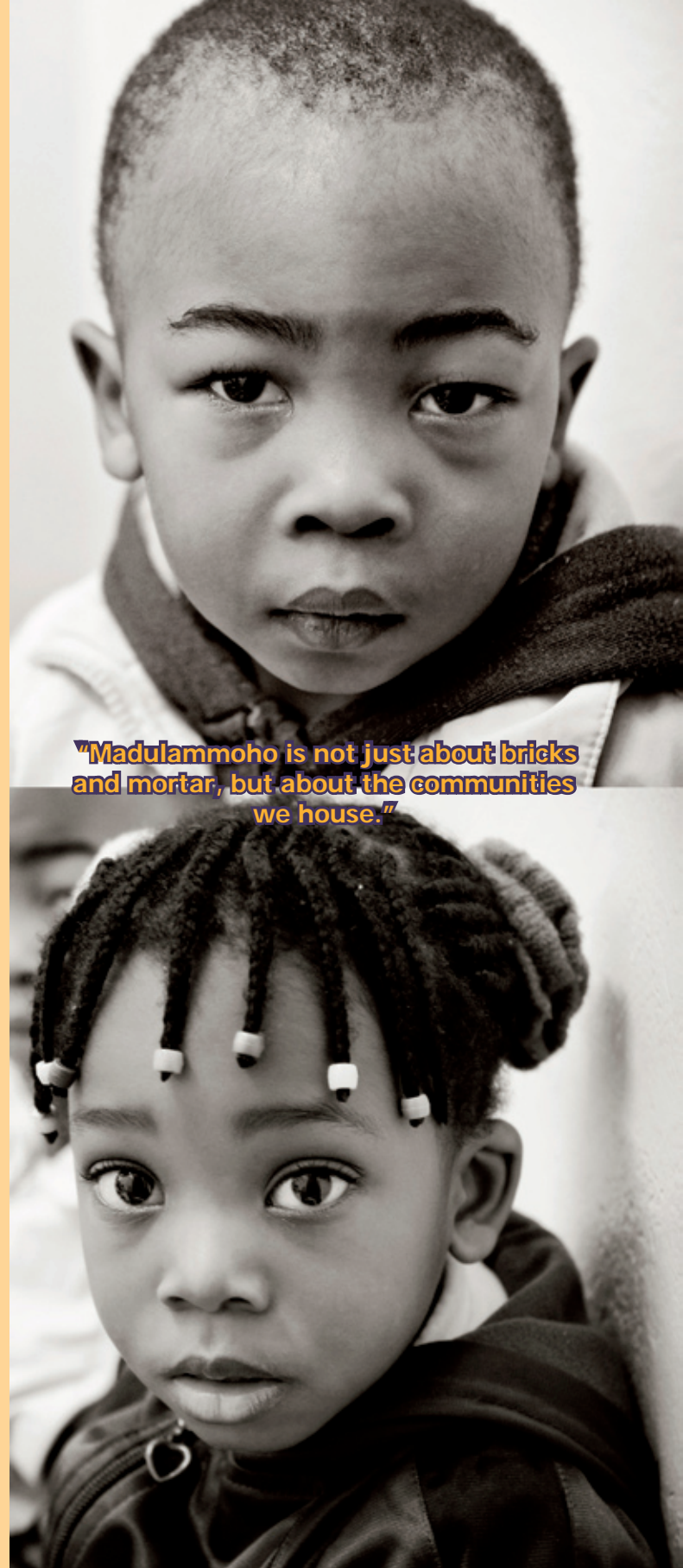
When I applied to run the crèche at New Europa House I asked [Madulammoho] how much I had to pay. They said, ‘No, you can have the space for free’ and told me they would be very happy for the children of Madulammoho to have someplace where they can be looked after. That was last year February 2009 and I was so happy. Until today, this is what I am doing. I like kids; I think it is something that is in my blood. When I started the crèche, many people asked me how I would cope, but it’s something that I like. I like to teach kids good things and let them grow up knowing God.

Before Madulammoho I was paying a lot of money just for a small room in Hillbrow, but it was too much. My pastor told me about Madulammoho. I attended the workshop and found that Madulammoho is a very reasonable and affordable company. I then applied and I got a room. As my finances improved I applied for a bigger unit. Now I have a two-bedroom flat at B.G. Alexander. It’s amazing because there is so much space for such a small amount of money.

The Madulammoho project is so good. Nowadays, the other companies are too expensive. We need companies like Madulammoho because they are not just affordable, but they are also nice. I am so blessed.

Pinky Julia runs Madulammoho’s crèche facility in the New Europa House and lives at B.G. Alexander. She has been a resident in Hillbrow since 1999.

Pinky Julia Kgoetego



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

MHA Projects At A Glance

“Madulammoho Housing Association is a non-profit (Section 21) social housing company that provides clean, safe and affordable housing to low-income communities.”

New Europa House

- Madulammoho’s first housing project, the New Europa House was established in 2005 and features 11 transitional units, 48 communal units, 14 self-contained bachelor suites and a 120-bed, 24-hour emergency shelter.
- Previously this was a hotel which was turned into a brothel. It was referred to as a hellhole of Hillbrow as prostitution and all sorts of crime used to take place.

New Regent House

- Situated at 15 Soper Road in Berea, this three-storey building features 58 communal housing units with washing and kitchen facilities.

B.G. Alexander

- Madulammoho’s largest housing project, the B.G. Alexander is a joint venture between Madulammoho and the Johannesburg Social Housing Company (JOSHCO).
- Situated at 311 Smit Street and consists of 400 units.
- The project was previously hijacked which led to it being neglected and depilated.
- In partnership with MES, the kitchen is now used to distribute rations for the homeless.
- Halls are open to be leased out to both internal and external clients when holding functions also used for after school program for kids and feeding of the homeless.
- There are extramural activities such as aerobic and karate classes for tenants at this project. We have also recently installed playground equipment for kids.

New El Kero House

- Established in October 2007, the New El Kero House is situated next to the New Europa House at the corner of Claim and Peterson Streets in Hillbrow.
- New El Kero House was once an old-age home and features 142 communal housing units and 28 self-contained bachelor suites.

Allenby House

- Opened in August 2009, the Allenby House sits at the corner of Leyds and Claim Streets and features 119 units.
- Today Allenby House features sufficient ablutions to accommodate physically challenged tenants and we are proud to report that we fulfilled our ‘return to building’ promise made to the Allenby’s previous tenants.
- Before Madulammoho took over, Allenby House was overcrowded and the sewerage system had completely collapsed.

Resdoc House

- Established in 2009, Resdoc House is situated at 27 Esselen Street in Hillbrow and features 60 communal housing units and four self-contained bachelor suites.

Cornelius House

- Cornelius House is located at 28 Cornelius Street in Marshalltown and features 67 transitional units and 14 communal units. Plans to revamp the projects are underway.





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

Asset Management: New Development

Esselen Heights

Madulammoho accepted a design proposal for Esselen Heights from Anca Szalavicz, Architect and Urban Designer, ASA Architects. This 11 storey building will consist of 42 two bed and 54 bachelor apartments. HL Wattrus and Associates Professional Land Surveyors have completed the required land survey and Nino Welland, P. Eng, Moore Spence Jones (Pty) Ltd. will perform the geotechnical survey and report. Once the results from the geotechnical engineer have been received, a detailed cost analysis and project feasibility study will be performed.

Fleurhof Views

Construction at the Fleurhof site is progressing well. We have investigated the use of heat pumps vs. conventional geysers in an effort to play our role in the conservation of energy. Our main motivation is to lower the monthly cost that tenants pay for hot water. Heat pumps can offer a saving of 60% when compared to conventional geysers. This project will consist of 90 bachelor units and 196 two bedroom units. It will be ready for occupation in February 2012.

Jabulani Views

Madulammoho's application for Restructuring Capital Grant (RCG) funding from the Social Housing Regulatory Authority (SHRA) for 300 self-contained units in Jabulani has been approved. Jabulani Views is conveniently located next to the main BRT route running through Soweto, Jabulani Mall, sports grounds and an amphitheater. This project will consist of 140 bachelor units and 160 two bedroom units. Construction is scheduled for October 2011.

Reactive Maintenance / Existing Projects

At Europa House, high hot water levies caused by the existing gas burners is leading us to investigate other possibilities for producing hot water at this project. We have received a quote from Sirac to install two heat pumps and 2 x 5000 l water tanks.

The proposed renovation plans for Corneluis House have been submitted and approved. We are currently inviting preferred contractors to provide us with proposals.

The soccer pitch at B.G. Alexander has been upgraded and is now fully functional to host training and community soccer tournaments.

Planned Maintenance

A detailed schedule for long term maintenance will be conducted over the next three months. We are implementing a monitoring system that would re-evaluate the condition of our buildings on a quarterly basis. Every building will undergo a building conditions audit that would form the basis of this process.



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 2011, 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.



Independent Auditor's Report

(continued)

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 2011, 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.

De Villiers Myburgh Incorporated-Chartered Accountants (S.A.)
Registered Auditors - Prof IJ de Villiers
07 June 2011

For a full financial report please e-mail
 your request to info@mh.org.za

STATEMENT OF FINANCIAL POSITION

Figures in Rands

ASSETS

	2011	2010
Non Current Assets		
Investment property	32,015,001	28,578,000
Property, plant and equipment	1,302,272	460,005
Investment in joint ventures	13,620,559	13,689,575
Operating lease asset	6,897,596	7,177,495
	53,835,428	49,905,075

Current Assets

Inventories	8,761	37,588
Trade and other receivables	4,665,278	3,364,596
Cash and cash equivalents	15,280,826	10,201,427
	19,954,865	13,603,611

Total Assets	73,790,293	63,508,686
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EQUITY AND LIABILITIES

EQUITY

Accumulated reserve	31,448,432	24,409,891
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LIABILITIES

Non Current Liabilities		
Other financial liabilities	15,877,701	16,096,429
Deferred income	20,080,798	20,760,805
Trust funds	440,498	300,000
Conditional government grant	3,626,041	-
	40,025,03	37,157,234

Current Liabilities

Trade and other payables	2,241,267	1,828,159
Provisions	75,556	113,402
	2,316,823	1,941,561

Total Liabilities	42,341,861	39,098,795
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Total Equity & Liabilities	73,790,293	63,508,686
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DETAILED INCOME STATEMENT

Figures in Rands	2011	2010
REVENUE		
Cost Recoveries Operations	4,111,055	3,122,407
Rental Income	6,210,355	4,684,891
Lease fees	39,600	-
Donor funding	276,963	327,684
Donor funding CIDA	-	232,675
Administration & Management Fees	227,032	-
Project management fees	622,161	466,349
Operating revenue	11,487,166	8,834,006
Operating expenses	8,960,261	7,024,230
Operating surplus	2,526,905	1,809,776
Other income		
Deferred income - Europa	157,484	157,974
Deferred income - Resdoc	133,578	105,168
Other income	70,440	-
Extra Ordinary Income		
Fair value adjustments	4,180,135	20,485,800
	4,541,637	20,748,942
Other non operating expenses		
Depreciation	(173,216)	(110,588)
Lease rentals - Operating lease expenses	(299,977)	(298,885)
	(473,193)	(409,473)
JMJV Project		
Deferred income - MJIV	839,034	839,034
Impaired loss - MJIV Investment	(69,016)	(339,814)
	770,018	499,220
Net Finance Cost		
Finance costs	(1,018,491)	(1,433,907)
Interest received	691,665	736,714
	(326,826)	(697,193)
Surplus for the year	7,038,541	21,902,323

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OPERATING EXPENSES

Figures in Rands	2011	2010
Access Card	55,139	48,945
Advertising	69,742	18,268
Auditors remuneration	55,130	41,671
Bad debts	31,147	13,464
Bank charges	63,860	95,032
CIDA Expenses	32,551	231,583
Cleaning	677,311	259,253
Commission paid	6,800	1,700
Computer expenses	15,313	21,445
Contractual services	-	51,867
Coupon expense	5,660	-
Donations	740	2,500
Employee costs	2,808,400	2,083,633
Entertainment	300	3,823
Insurance	61,188	49,077
IT expenses	29,731	-
ITC Credit Checks	3,158	3,954
Lease rentals - Contractual amounts	74,676	55,161
Legal expenses	7,377	8,200
Motor vehicle expenses	18,598	12,783
Other expenses	22,081	16,901
Printing and stationery	68,419	70,246
Professional fees	31,026	376,358
Project Investigation	-	900
Repairs and maintenance	824,307	768,575
Security	595,007	396,300
Smart card expenses	5,234	-
Staff welfare	2,414	-
Subscriptions	121,537	58,466
Telephone and fax	117,027	119,777
Training	9,049	27,534
Travel - local	29,821	42,118
Utilities	3,135,616	2,193,641
Total	8,960,261	7,024,230

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