

Annual Report 2009/2010

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Bryanston

Annual Report 2009/2010

VISION

- To be a world class organization that protects consumers of the built environment and regulates the built industry.

MOTTO

- Quality is Our Priority

VALUE STATEMENTS

- Customer service excellence
- Good corporate governance
- Research and innovation
- Learning and caring organization
- Commitment and moral integrity
- Promoting technical excellence

Annual Report 2009/2010

MISSION

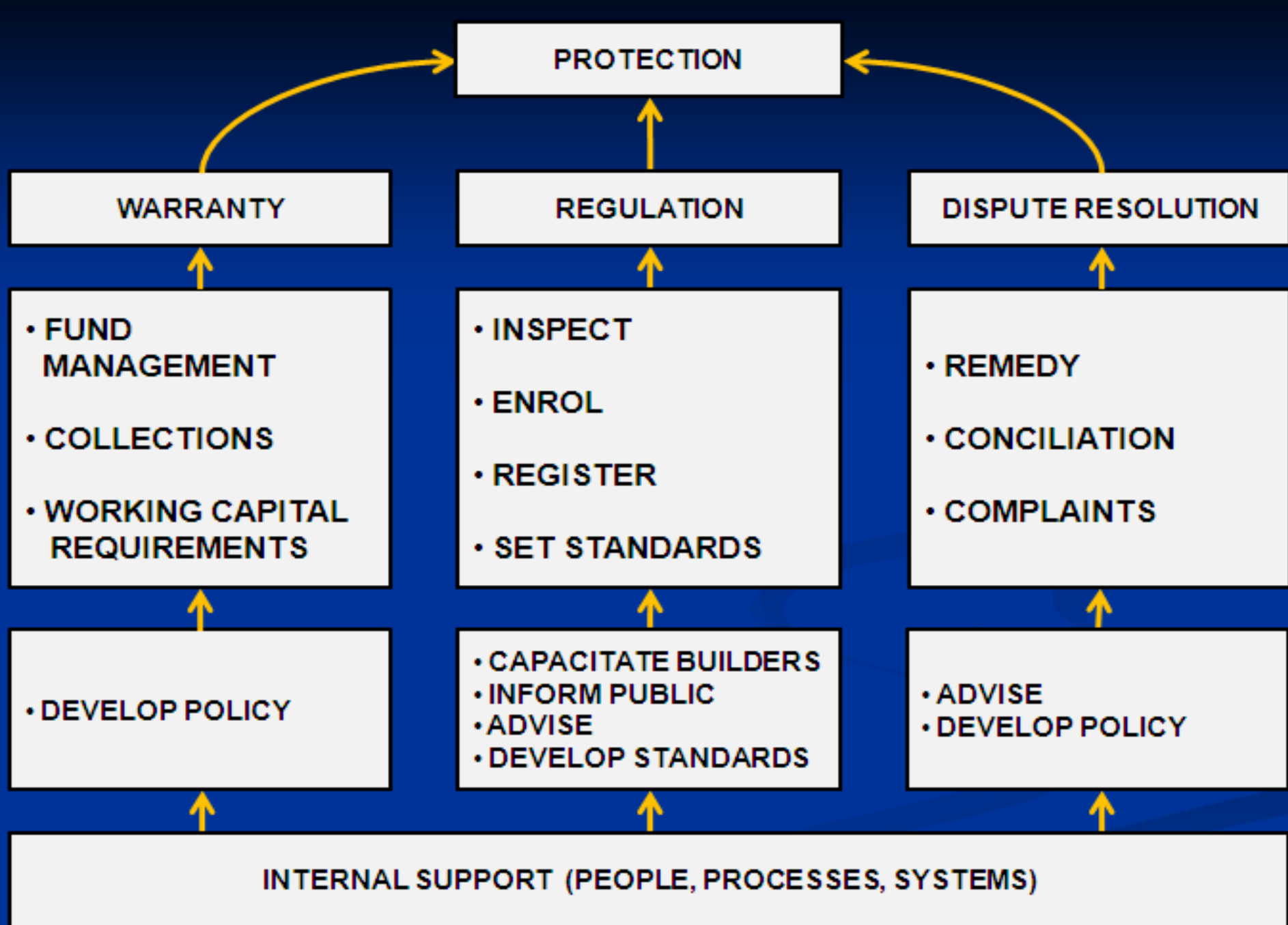
We shall:

- Provide world excellent customer care and support service.
- Provide excellent consumer services.
- Provide and sustain a warranty fund that protects consumers.
- Provide a new range of cutting edge services and products in the built environment.
- Empower the youth, women, unemployed and people with disabilities, emerging builders through Education, Training and Development.

Annual Report 2009/2010

MISSION CONTINUES.....

- Partner strategically with stakeholders.
- Promote quality and innovative building products and processes.
- Educate consumers about their rights, duties and obligations.
- Promote and maintain ethical standards in the built environment.
- Promote and support sustainable human settlement policies and initiatives.
- Promote technical excellence in the built industry through research and development.



Insurance Accounting – currently adopted

Fair presentation of financial statements

- The Housing Consumers Protection Measures Act (Act No. 95 of 1998).
- The Public Finance Management Act (Act No. 1 of 1999).
- Standards of Generally Accepted Accounting Practice; and
- South African Statements of Generally Accepted Accounting Practice.
- **International Financial Reporting Standard (IFRS 4)**



Economic analysis 2009/2010

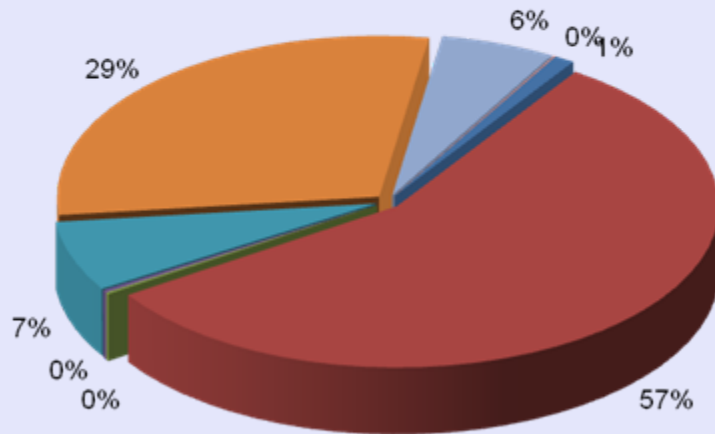
- Value of plans passed declined by 13,3 % year on year to April 2010
(Statistics S.A)
 - Recovery of residential home building market remains under pressure.
 - Existing home cheaper than newly constructed home by 18.3%
(Absa Property)
 - Prospective Homeowners compliance with
Financial Institutions lending criteria



Source of Income

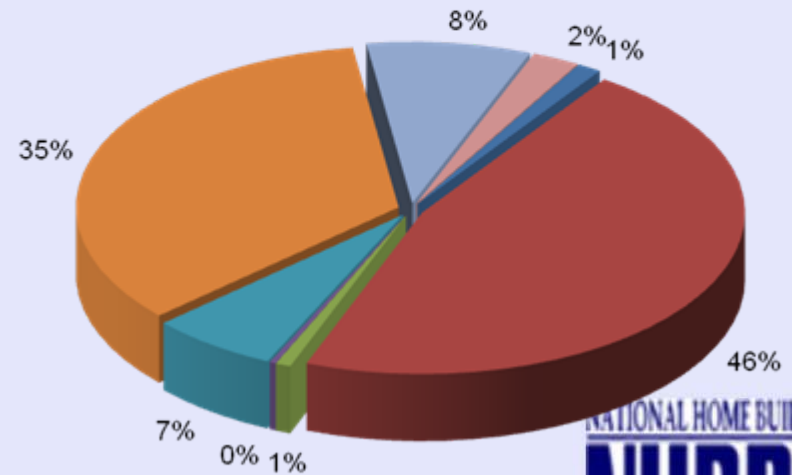
2008/2009

- Annual Fees
- Enrolment fees
- Late enrolment fees
- Registration fees
- Subsidy project fees
- Investment
- Technical
- Other income



2009/2010

- Annual Fees
- Enrolment fees
- Late enrolment fees
- Registration fees
- Subsidy project fees
- Investment
- Technical
- Other income



Financial Highlights 2009/10 compared to 2008/09

NEGATIVE IMPACT	POSITIVE IMPACT
Revenue R 100.4 m	Actuarial provisions R 31 m
Non subsidy Enrolments R 129.7 m	Trading on investments R 9.7 m
Investment income R 2 m	Expenditure R 7 m
Utilisation of working capital reserve R 105 m	Training maintained at R 32.8 m
Government debtors	Cover ratio



Annual Report 2009/2010: Performance against Target

VFP's	Target 2009/10	Actual Performance 2009/10	Variance 2009/10
Registrations	4,096	3,616	(480)
Renewals	13,079	10,366	(2,713)
Enrolments	55,897	26,903	(28,994)
Late Enrolments	2,795	2,130	(665)
Inspections	252,241	237,400	(14,841)
Complaints	-	1,186	-
Suspensions	-	452	-
Conciliations	-	374	-
Training	6,500	7,555	1,055
Subsidy Sector Home Enrolments	246,913	66,180	(180,733)

Financial Highlights 2009/10 compared to budget

30. Reconciliation of budget surplus with the surplus in the statement of financial performance

Net surplus per the statement of financial performance	263,521,105
Adjusted for:	
- Sale of assets	201,143
- Movement in technical provisions	(11,866,333)
- Emerging contractor reserve	(3,120,021)
- Revenue	93,059,709
- Expenditure	(93,346,429)
- Realised profit on sale of financial assets	(9,711,932)
- Interest received	(23,049,604)
Net surplus per approved budget	<u>215,687,638</u>



Annual Report 2009/10: Performance against 2008/09

VFP's	Actual Performance 2008/09	Actual Performance 2009/10	Variance 2009/10
Registrations	3,788	3,616	(5%)
Renewals	11,326	10,366	(8%)
Enrolments	42,228	26,903	(36%)
Late Enrolments	3,085	2,130	(31%)
Inspections	547,960	237,400	(57%)
Complaints	1,239	1,186	(4%)
Suspensions	316	452	43%
Conciliations	424	374	(12%)
Training	5676	7,555	33%
Subsidy Sector Home Enrolments	123,561	66,180	(46%)

Valuable Final Products

Trend and Value

VFP's	2007/8	2008/9	2009/10
Registration Units	3628	3788	3616
Registration Rand	R4.6m	R4.2m	R4.0m
Renewals Units	12390	11326	10366
Renewals Rand	R7.3m	R6.4m	R7m
Enrolment Units	80239	42228	26903
Enrolments Rand	R543m	R227m	R244m
Late Enrolments	4132	3085	2130
Late Enrolments Rand	R1.8m	R1.3m	R5.5m



Valuable Final Products

Trend and Value

VFP's	2007/8	2008/9	2009/10
Subsidy Projects Units	63,848	67,706	24,564
Subsidy Projects Rand	R56m	R58m	R46m
Subsidy Enrolments units	30678	55755	41616
Subsidy Enrolments Rand	R30m	R92m	R61m



Actuarial Report at March 2010



Key Definitions of Technical Provisions

Insurance premiums written

Relate to business incepted during the year and insurance premiums from prior years.

Unearned premium provision (UPP)

The proportion of insurance premiums written that is held to cover expenses, claims and profits attributable for future years of warranty cover.

Outstanding claims provision (OCP)

Insurance claims and related expenses paid in the year, including provisions for insurance claims incurred but not reported and related expenses.



Key Definitions of Technical Provisions (Continued)

Unexpired risk provisions (URP)

The estimated cost of insurance claims related expenses and deferred acquisition costs exceed unearned insurance premiums.

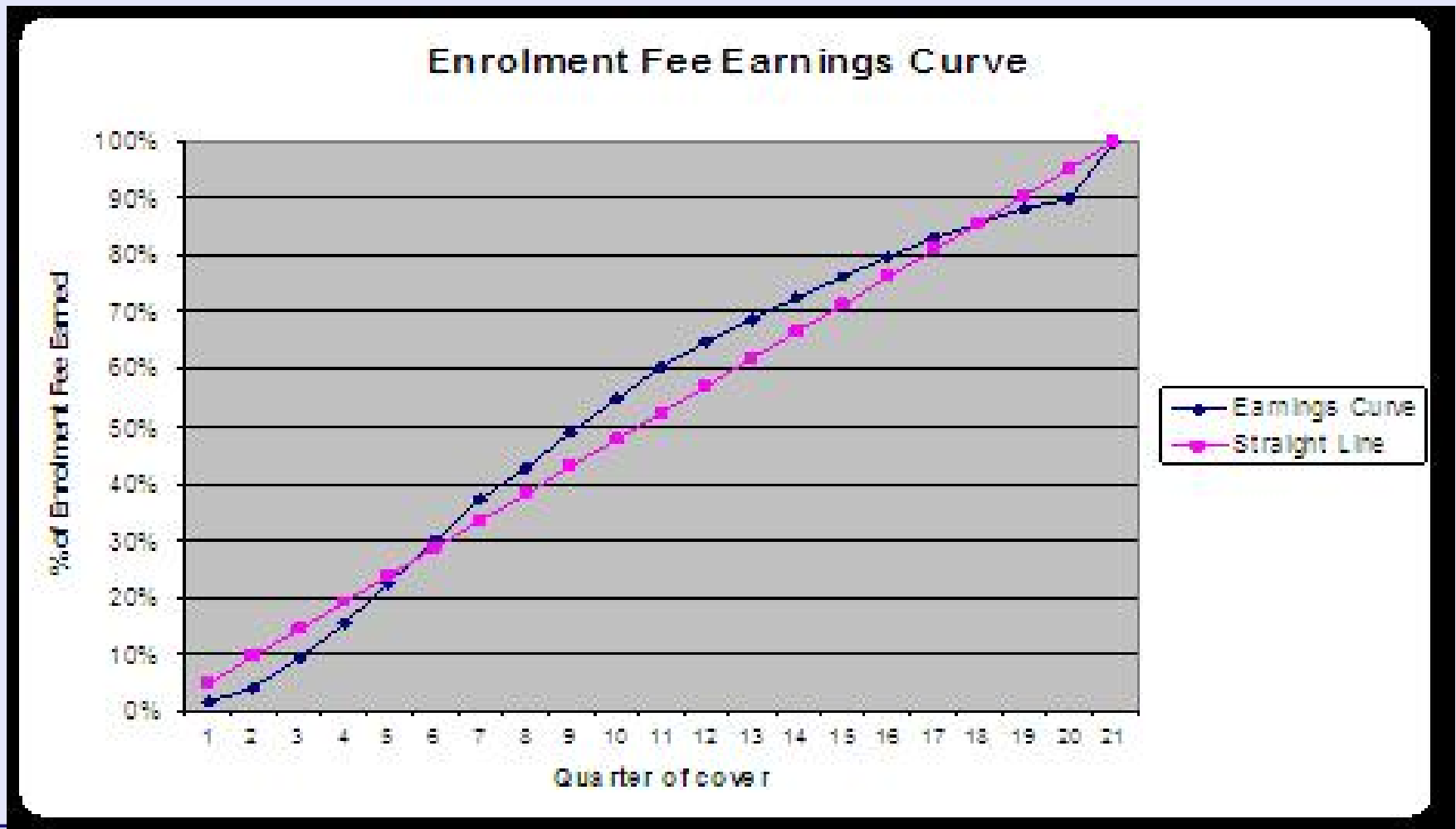
Ultimate Liability (UL)

The Ultimate Liability (“UL”) from in force warranties is calculated to evaluate the sufficiency of the UPR and OCP to meet future costs. The UL is made of:

- Costs associated with Complaints Conciliations
- Remedial work claim payments

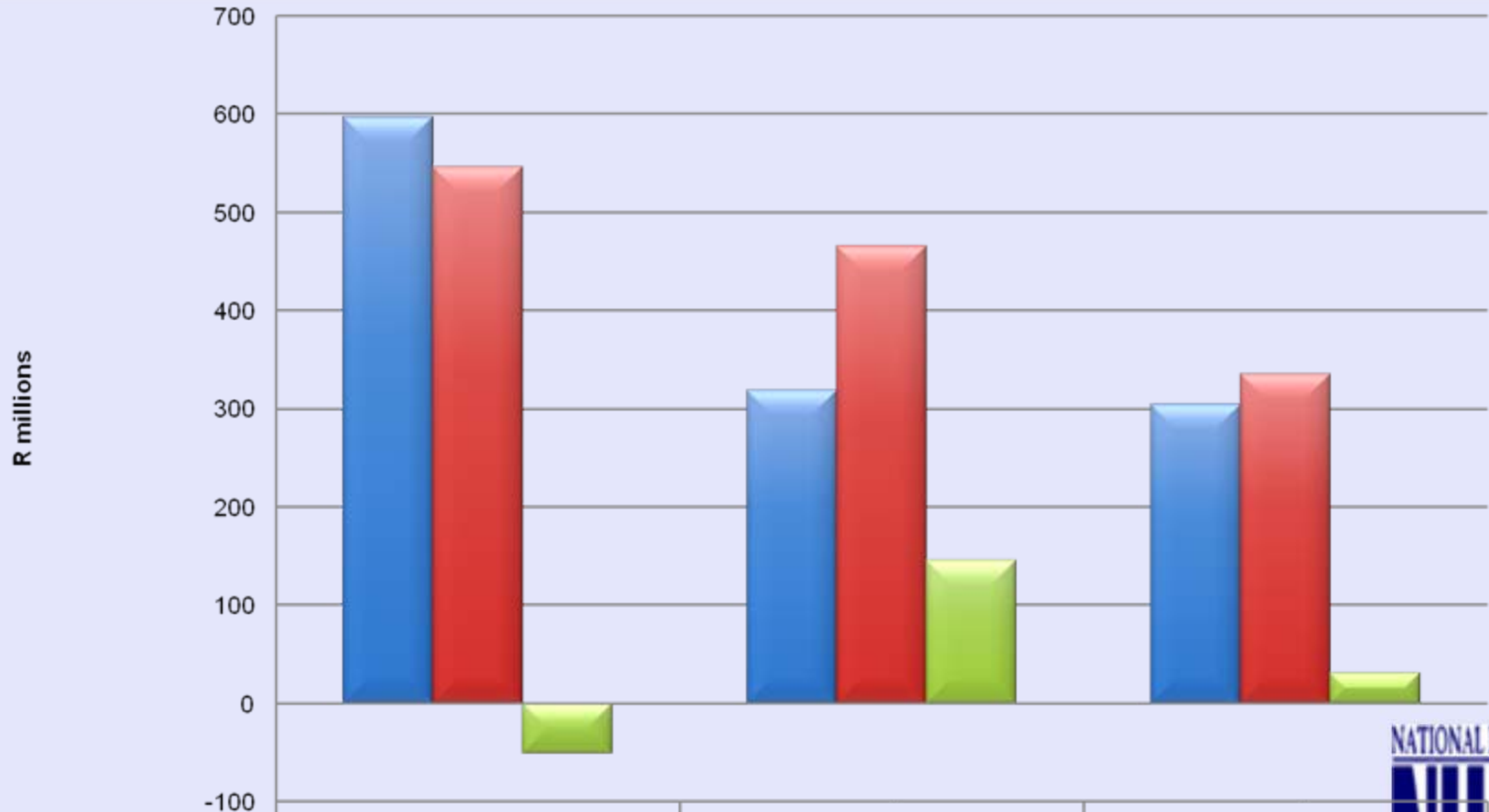


Enrolment Fee Earnings Curve



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Earned Revenue (Insurance) – Invoiced Revenue



■ Premium income
 ■ Earned premium
 ■ (Deferred)/Realised

	2007/08	2008/09	2009/10
Premium income	597	319	305
Earned premium	546	465	336
(Deferred)/Realised	-51	146	31



Enrolment fee adequacy

Enrolment Fee Adequacy						
Utilisation	All Houses		Non-Subsidy		Subsidy	
	Amount	%	Amount	%	Amount	%
Enrolments & inspections	4 134	97%	8 697	101%	1 233	84%
Complaints conciliations	420	10%	487	6%	378	26%
Remedial claims	69	2%	128	1%	31	2%
<i>average</i>	37		69		17	
<i>99.5% variation margin</i>	32		59		14	
Total Expenses & Claims	4 623	109%	9 312	108%	1 642	112%
Average fee per enrolment	4 253		8629		1470	
Surplus/(Deficit)	(370.22)	-9%	(682.15)	-8%	(171.90)	-12%

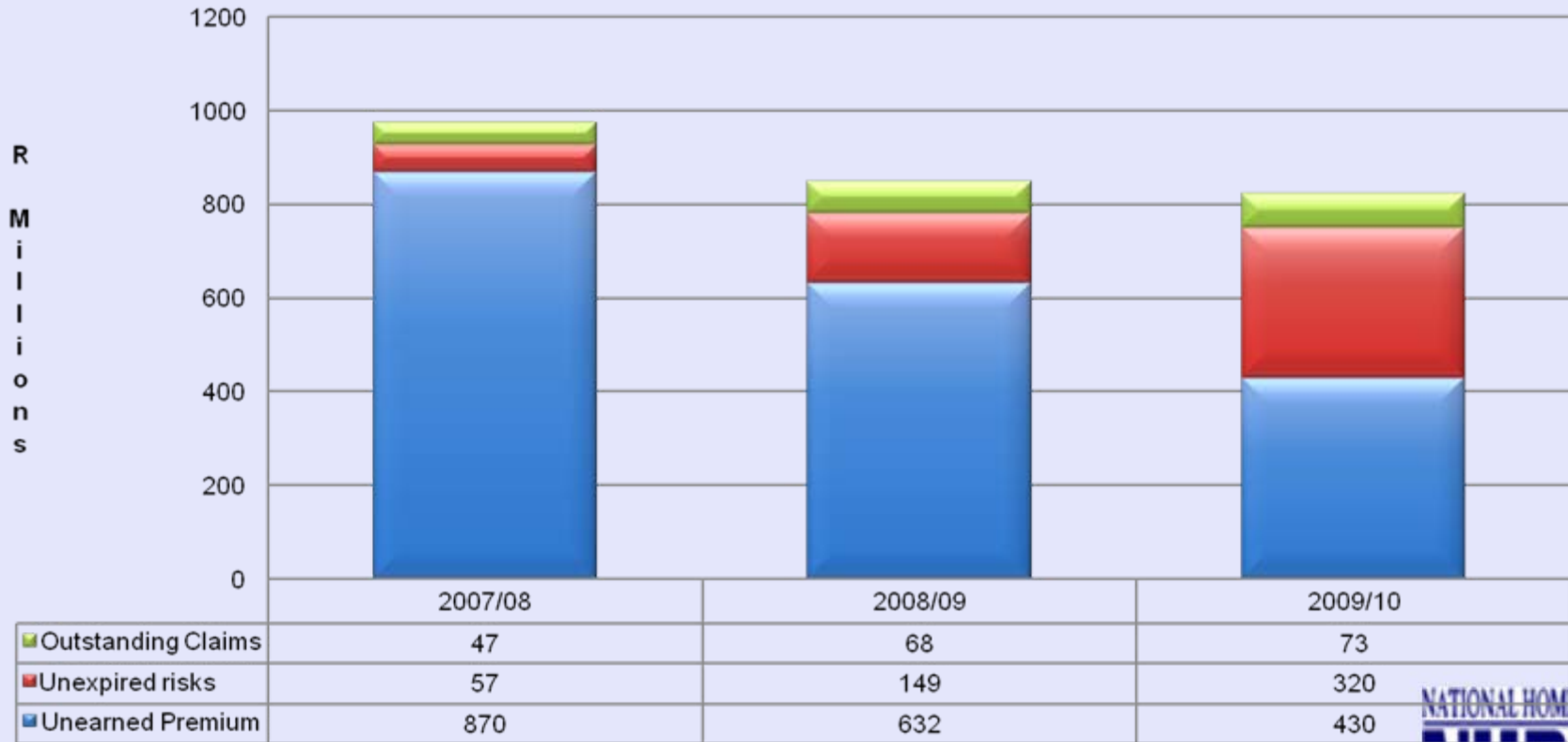
Experience and Projections

The table below compares complaints and claims experienced in 2009/10 financial year against projections (at 31 March 2009) for the same period, as well as projections for 2010/11.

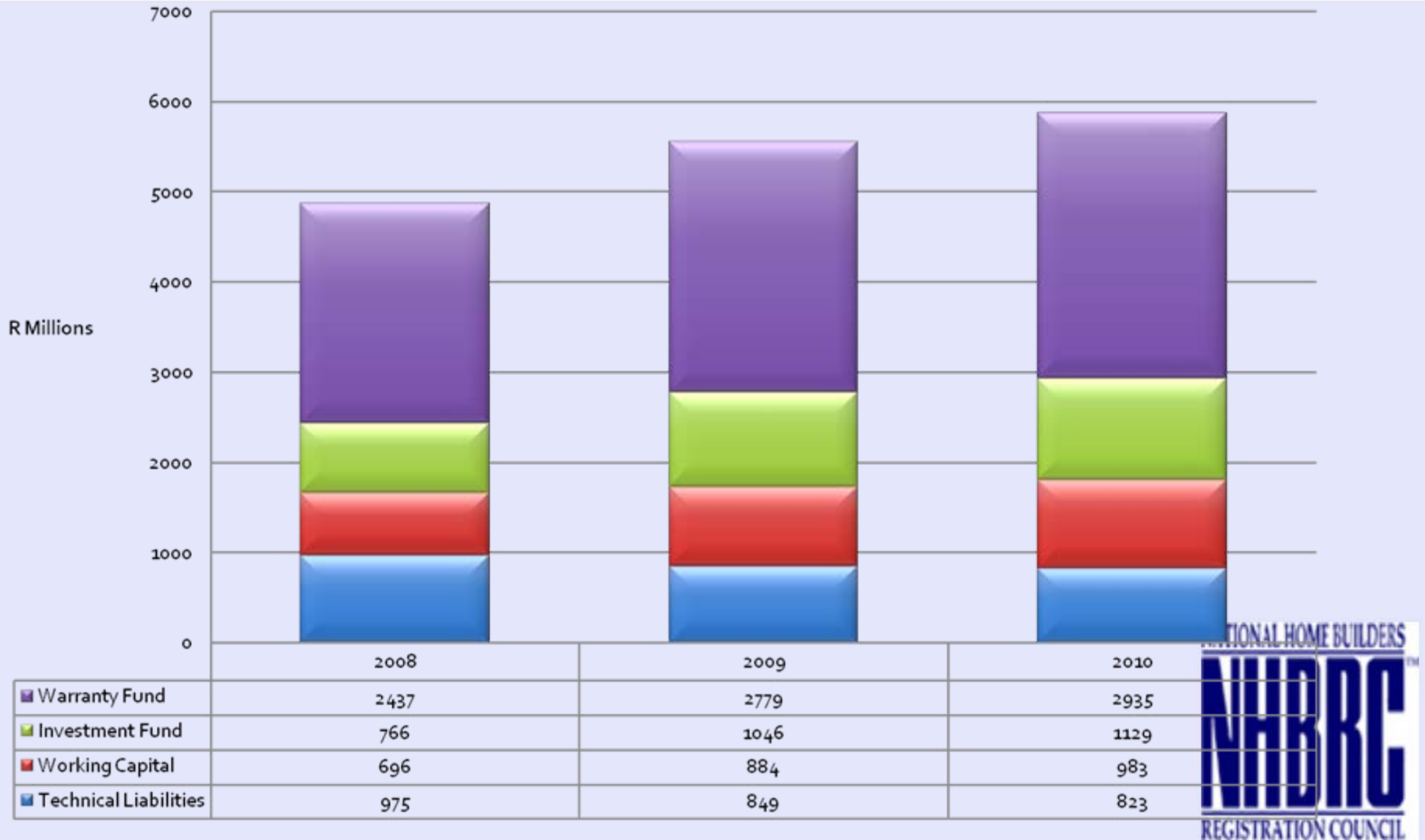
Complaints and Remedial Claims			
	2009/10 (Actual)	2009/10 (Projected)	2010/11 (Projected)
Complaints	918	1747	2175
Remedial Works	R 14 107 951	R 12 058 473	R 16 097 341



Technical Reserves

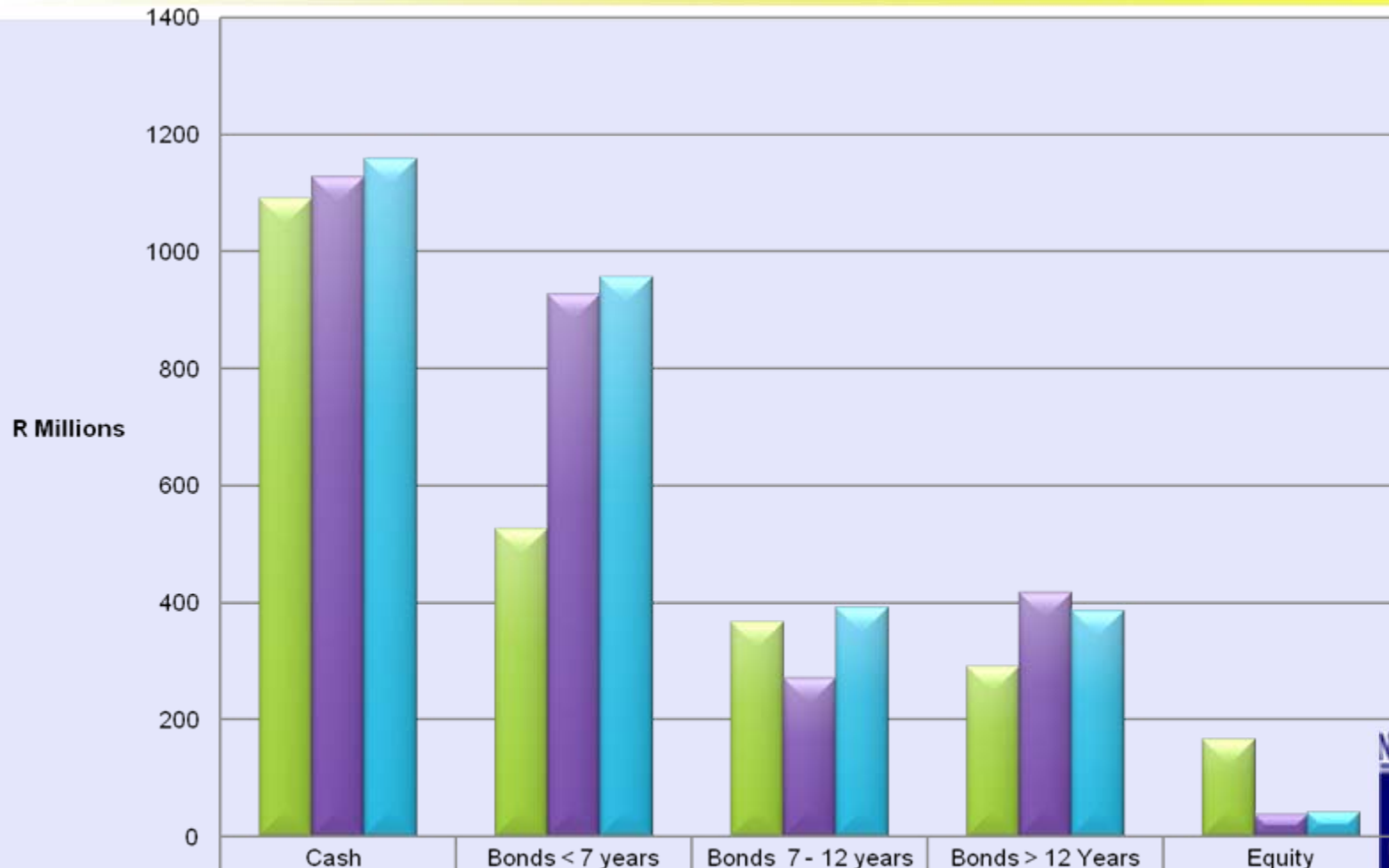


Investment Allocation



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Investment Maturity



QUALITY IS OUR PRIORITY | CUSTOMERS ARE IN OUR HEARTS

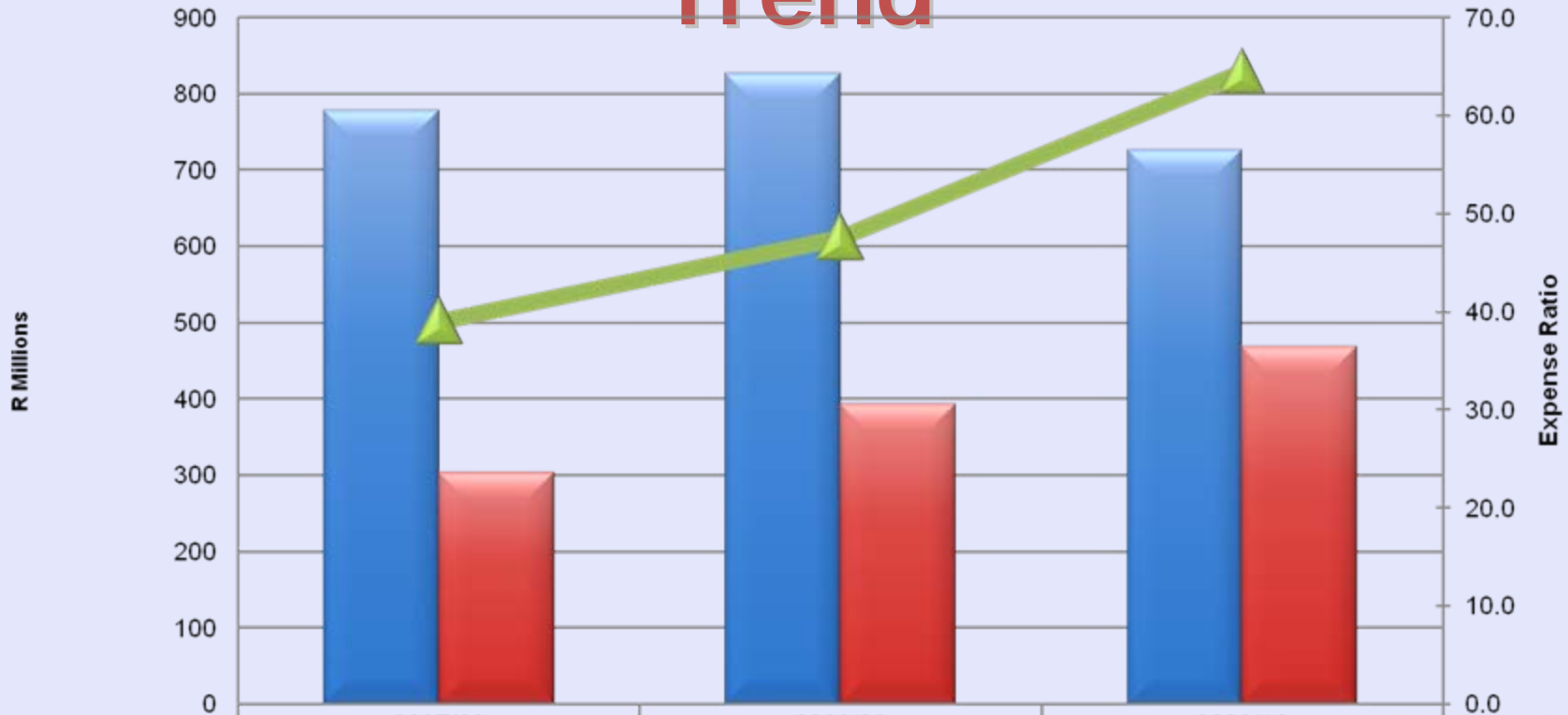
Statement of Financial Performance

Restated

	Notes	2010 R	2009 R
Insurance premium revenue	13	335,678,501	465,366,798
Fee revenue	14	63,429,900	70,552,018
Technical services revenue	15	59,660,993	47,552,155
Investment income	16	239,914,990	241,910,321
Realised profit on sale of available-for-sale investments	4	9,711,932	-
Other income		17,156,326	605,243
Net income		725,552,642	825,986,535
Insurance claims and loss adjustment expenses	17	19,048,250	27,251,292
Realised loss on sale of available-for-sale investments	4	-	601,183
Operating expenses		111,408,266	118,408,229
Administration expenses		322,140,024	258,907,592
Asset management services		9,426,212	6,765,701
Expenses		462,022,752	411,933,997
Results from operating activities	18	263,529,890	414,052,538
Finance costs	19	8,785	20,404
Surplus for the year		263,521,105	414,032,134



Revenue / Expenditure Trend



■ Revenue
■ Expenditure
▲ Expense ratio

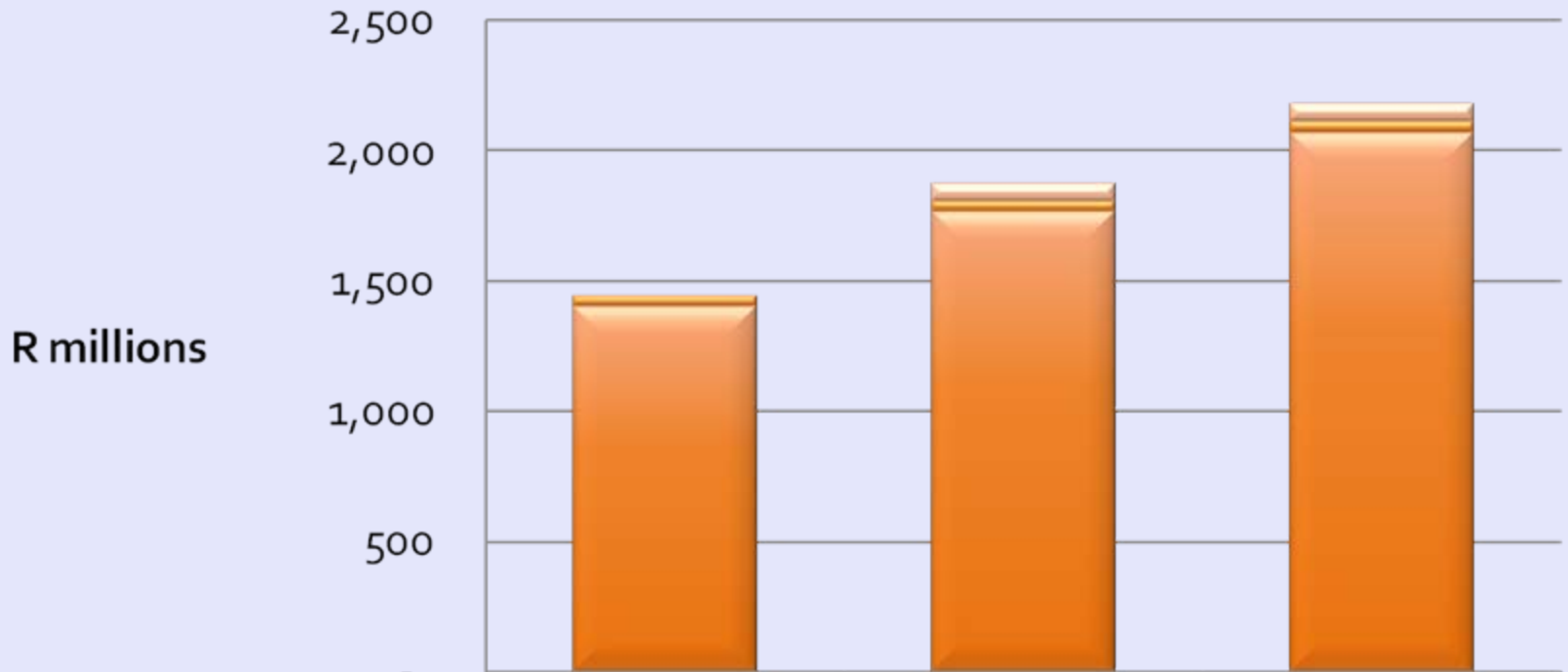
	2007/08	2008/09	2009/10
Revenue	777	826	726
Expenditure	303	393	468
Expense ratio	39.0	47.5	64.4



Statement of Financial Position

		2010	Restated 2009
	Notes	R	R
ASSETS			
Non-current assets			
Property, plant and equipment	2	37,875,184	36,741,921
Intangible assets	3	34,438,206	44,182,540
Investments	4	1,775,427,363	1,652,183,084
		<u>1,847,740,753</u>	<u>1,733,107,545</u>
Current assets			
Investments	4	1,159,471,942	1,126,500,406
Inventories	5	99,215	308,615
Trade and other receivables	6	84,267,551	87,734,886
Cash and cash equivalents	7	30,665,352	27,084,595
		<u>1,274,504,060</u>	<u>1,241,628,502</u>
TOTAL ASSETS		<u>3,122,244,813</u>	<u>2,974,736,047</u>
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus		2,091,410,384	1,831,009,300
Emerging contractor reserve	8	44,025,781	40,905,760
Non-distributable reserve	9	65,767,303	66,812,155
		<u>2,201,203,468</u>	<u>1,938,727,215</u>
LIABILITIES			
Non-current liabilities			
Provision for outstanding claims	10	50,799,602	52,322,366
Provision for unearned premium	10	176,703,943	325,032,477
Provision for unexpired risk	10	319,894,396	148,805,469
		<u>547,397,941</u>	<u>526,160,312</u>
Current liabilities			
Trade and other payables	11	97,983,098	187,030,724
Provisions	12	65,000	-
Provision for outstanding claims	10	21,806,447	15,353,961
Provision for unearned premium	10	253,788,859	307,463,835
		<u>373,643,404</u>	<u>509,848,520</u>
Total equity and liabilities		<u>3,122,244,813</u>	<u>2,974,736,047</u>

Reserves



■ Non Distributable	-	67	66
■ Emerging Contractor	37	41	41
■ Accumulated Surplus	1,402	1,767	2,072

	2007/08	2008/09	2009/10
Non Distributable	-	67	66
Emerging Contractor	37	41	41
Accumulated Surplus	1,402	1,767	2,072



THE END
THANK YOU

Fruitless & Wasteful Expenditure

ISSUES	EXPLANATION	MITIGATION
1. Fruitless and wasteful expenditure		
1.1 Interest paid to suppliers	Delayed payment to Telkom individual statements	Consolidated Telkom statements paid centrally.
1.2 SARS Penalties(relating to prior 2008/09 tax year	SARS audit of EMP 201 returns form 2001 and EMP 501 reconciliations for 1996 and 2005	Current payroll process in oracle has mitigated these risks for reoccurring.
1.3 SARS Penalties(relating to 2008/09 tax year)	Change in CAMS on line banking and transfer done at 11 th hour	All SARS payroll related payments are now done at the end of the month to coincide with the payroll posting date.
1.4 Kenosi Tladinyane Investment cc (Out of Court Settlement)	Instituted a claim against the Council who failed to honour tender awarded for technical audit inspection services in 2001	Tender Committee now reviews, adulates and awards tenders.
1.5 Eezybuilt payment(out of court settlement)	Memorandum of agreement for the pilot innovation project which required serviced stands at Thorntree View Soshanguve in 2006.	City of Tshwane did not service stands and Council has concluded all agreements with affected parties.

Fruitless & Wasteful Expenditure

ISSUES	EXPLANATION	MITIGATION
1.6 Tau Pride Projects(Pty) Ltd (Out of settlement)	Actual units inspected lower than Tender estimated units to be inspected. Adjustment to inspection rate.	Tender Committee now reviews, adulates and awards tenders.
1.7 Insurance (appropriate tender procedures not followed)	Appointment of single source provider without following a bid process. Appointment ratified by Tender Committee	Bid Committee constituted.
1.8 Recruitment Agency (Close family member interest in supplier not declared)	Employee did not comply with declaration of interest policy.	The policy on declaration of interest has been re-enforced and re-communicated throughout the organization.
2. NHBRC has invested in equity instruments	Legal opinion obtained that Council can invest in equity instruments as prescribed in policy read with the PFMA and Treasury regulation 31.	Approval of the investment policy by the Minister of Human Settlements.
3. Inaccurate Value added tax report	Incorrect algorithm in Oracle	Correction of Algorithm
4. Restatement of corresponding figures	Prior year Subsidy project enrolments recognized in current year.	Recognition of income changed from capturing date to project acceptance date.
5. Inadequate quarterly reporting on performance information	Reports did not align with the format of the Strategic c corporate plan.	Format revised to align with strategic corporate plan and included in the quarterly reports.
6. Leadership; the accounting authority exercised inadequate monitoring of controls.	Non adherence to internal policies and procedures	Approved Policies and procedures have been implemented