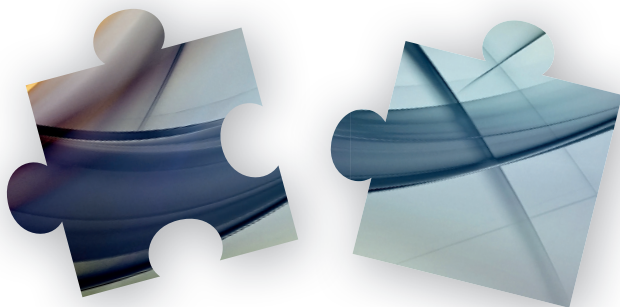



A TIME FOR CHANGE • ANNUAL REPORT 2017





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NURCHA

CONSTRUCTION FINANCE AND
PROGRAMME MANAGEMENT





MISSION

NURCHA initiates programmes and takes considered risks to ensure a sustainable flow of finance for the construction of low-income and affordable housing, community facilities and infrastructure. **NURCHA** works in partnership with all roleplayers in these markets to maximise the development of sustainable human settlements.

VISION

To be regarded as a partner of choice for those seeking innovative bridging finance solutions.

DEVELOPMENT PRINCIPLES

In fulfilling its mission of releasing finance for housing and related infrastructure, **NURCHA** seeks to act in a manner that maximises the developmental impact of our work.

As we implement our programmes, we test them against our development principles, which are to:

- extend the housing market;
- maximise options for financing the construction of housing and related facilities and infrastructure;
- promote synergy and cooperation between public and private sectors; and
- use **NURCHA** loans to contribute to the emergence of a new generation of successful, black-owned construction companies.

VALUES



PRUDENT use of resources entrusted to us.



RESPECT and Integrity in our interactions with each other and our clients and partners.



INNOVATION and Willingness to take considered risks in testing the limits of sustainable finance.



DEVELOPMENT of individuals, communities and the country.



EXCELLENCE in everything we do.



PROJECT AND LOAN VALUE TIMELINE



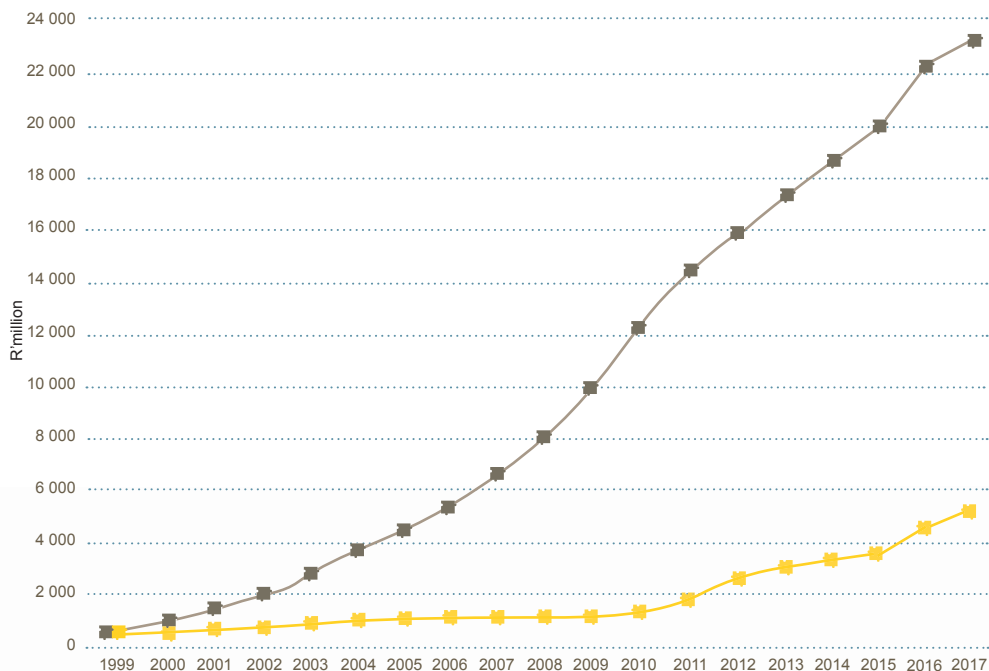
KEY HIGHLIGHT FOR 2017

**NURCHA celebrates 22 years of
existence**

Duvha Park, Witbank



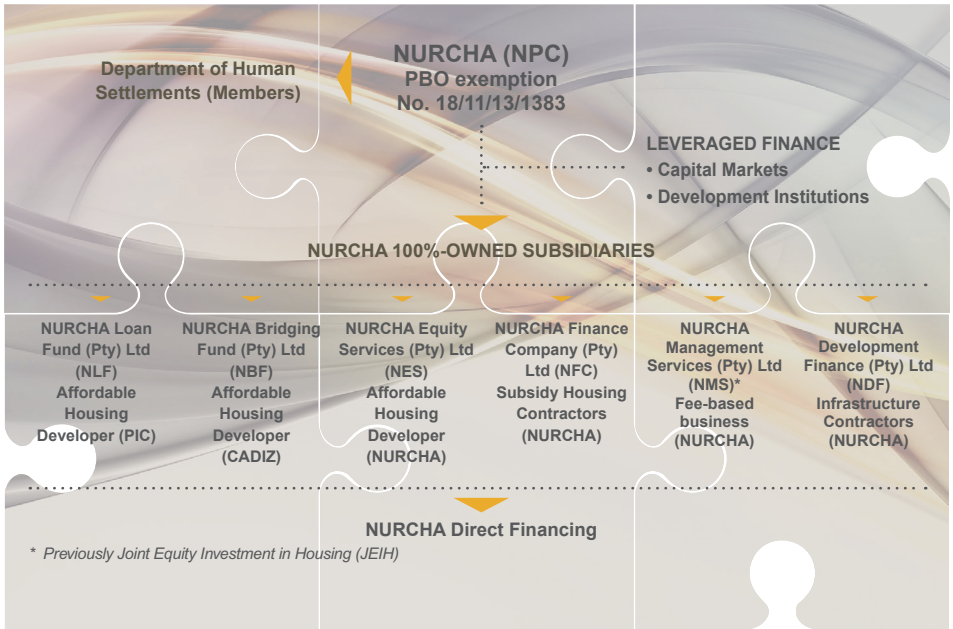
■ Project value
■ Loan value



NURCHA OUTPUTS – SINCE INCEPTION TO 31 MARCH 2017

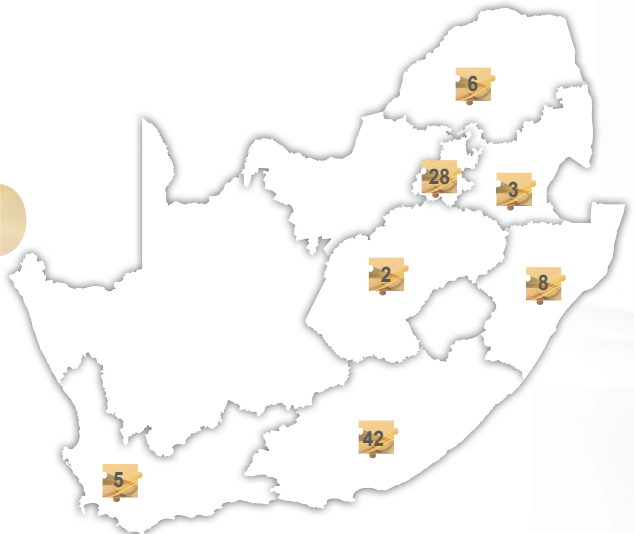
Programme	Subsidy housing	Affordable housing	Infrastructure and Community Facilities	Total
Number of loans signed	1 019	214	291	1 524
Number of houses in loan signed	370 820	42 275	n/a	413 095
Number of houses/projects completed	264 899	35 482	185	300 566
Value of loans	1,647 billion	2,357 billion	668,7 million	4,673 billion
Value of projects	11,563 billion	8,440 billion	3,972 billion	23,975 billion

ORGANISATIONAL STRUCTURE



NUMBER OF PROJECT LOANS APPROVED BY PROVINCE (2016/2017)

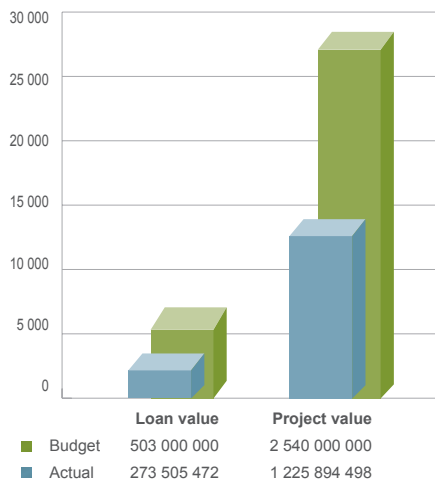
Eastern Cape	42
Free State	2
Gauteng	28
KwaZulu-Natal	8
Limpopo	6
Mpumalanga	3
Western Cape	5



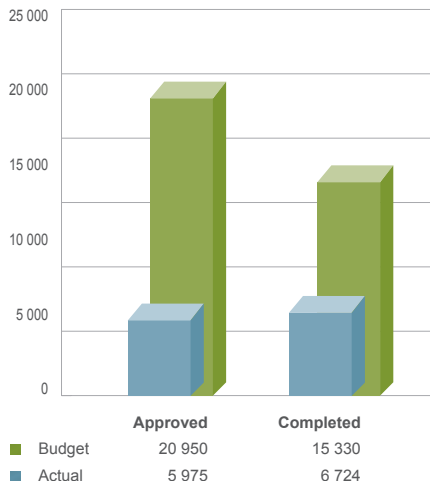
FACTS AND FIGURES

for the year ended 31 March 2017

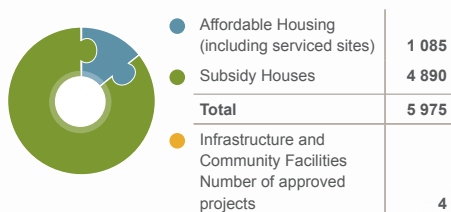
LOAN AND PROJECT VALUES (R'millions)



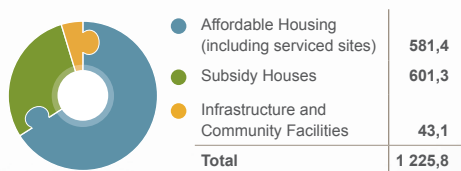
NUMBER OF HOUSES IN SIGNED CONTRACTS AND COMPLETED HOUSES



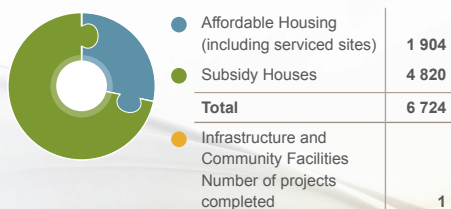
NUMBER OF HOUSES/SITES IN SIGNED CONTRACTS



VALUE OF PROJECTS FINANCED (R'millions)




NUMBER OF COMPLETED HOUSES/SITES



VALUE OF LOANS FINANCED (R'millions)





OUR STORY begins with a letter by Nelson Mandela establishing NURCHA on 25 August 1995.

- Negotiations to establish partnership between Open Society Institute (OSI) and SA Government.



1996/1997

- The signing of guarantee agreements with the big four South African Banks (First National Bank, Standard Bank, ABSA and Nedbank).
- Start of operations. Guarantees for construction-related and end-user loans.
- Collin Hall appointed NURCHA's first Chairperson.
- **AWARD:** Institute for Housing of Southern Africa.

1998

- Launch of a scheme to link tree-planting to houses in NURCHA's projects in partnership with NGO, Trees for Africa.

1999

- NURCHA financed the construction of the 7th All Africa Games Athlete Village in Alexandra to accommodate athletes from all over Africa. The Presidential Project was aimed at housing residents of Alexandra who had been on the housing list.
- Start of Joint Venture Development Fund (JVDF) which started the Affordable Housing stream.

2000

- **AWARD:** Impumelelo "Top 300 Black Empowered Companies".
- **AWARD:** SABC TV2 Lebone Women on the Move Award.

2002

- The year NURCHA reached milestone of financing over 100 000 houses.
- NURCHA had 15 women contractors with a cumulative project value of R76,9 million.
- Transformation of hostels to homes by Sunbird Construction led by a woman contractor Maytlee Petersin in Langa, Nyanga and Gugulethu on a project worth R7 million, creating 400 new living units.
- NURCHA finances three women contractors to transform hostels from single-sex to family units in Cape Town.
- NURCHA mobilised 27 000 savers under the National Saving Programme.
- **AWARD:** Impumelelo "Top 300 Black Empowered Companies".

2003

- NURCHA stops issuing guarantees.
- January 2003, Start of OPIC/FNB relationship (\$20 million).

2005

- Nonhlanhla Mjoli-Mncube becomes NURCHA's first woman Chairperson after resigning from her position as Deputy CEO of NURCHA in 2004.
- NURCHA celebrates 10 years as a financier of construction finance.
- End of National Savings Programme.
- Start of FMO relationship (R45 million).

2006

- NURCHA introduces intermediaries to assist in risk management, Sebra and Tusk.
- January 2006, Start of SEDF relationship (\$10 million).

2007

- NURCHA appoints Kehla Shubane as third Chairman.

2009

- NURCHA's first Managing Director, Cedric de Beer, resigns after 14 years in office.
- February, start of Futuregrowth relationship (R135 million).
- November, end of FMO relationship (R45 million).

2010

- Arumugum Pillay is appointed NURCHA's Managing Director.
- NURCHA pays tribute to one of the founding members Frederik van Zyl Slabbert, who passed away in May 2010.
- **AWARD:** Top Women in Business & Government.
- **AWARD:** Mail & Guardian "Investing in the Future Enterprise Development" awarded to Futuregrowth Asset Management and NURCHA.
- June, start of CADIZ Fund partnership to finance Affordable Housing (R75 million).

2012

- Viwe Gqwetha is appointed as NURCHA's Managing Director.
- NURCHA's relationship with intermediaries ends.
- The introduction of Programme and Fund Management Portfolio.
- NURCHA introduces provincial office in the EC.
- April start of Public Investment Corporation relationship (R100 million).

2013

- NURCHA mourns the death of Nelson Mandela, a national icon who was one of the founding members, 4 December 2013.

2014

- During the 2014 financial year, NURCHA approved over R60-million loans.

2015

- NURCHA mourns the death of long-serving board member Knowles Oliver after passing away on 24 June 2015.
- Affordable Housing reaches a milestone of financing 191 loans.
- February, end of Futuregrowth (R135 million).
- October, end of CADIZ Fund partnership to finance Affordable Housing (R75 million).

2016

- February 2016, paid settlement amount (R55 million) to SEDF.
- August 2016, AGM took the final exit resolution for SEDF.

2017

- Minister of Human Settlements Lindiwe Sisulu, launches the Human Settlements Bank.
- NURCHA moves to Parktown August 2017.
- NURCHA, RHLF are absorbed by NHFC.
- **AWARD:** SAIBPP "Demonstrating outstanding commitment to the transformation in the property sector".



George Soros



Lindiwe Sisulu

MEMBERS OF THE BOARD

Chairman and executive directors



1. Khehla SHUBANE
*Board Chairman
Independent non-
executive director*

BA (Hons), MBA,
Social Science

Date of appointment:
16 May 1995

2. Viwe GQWETHA
Managing Director

BA, Masters in
Town and Regional
Planning, Strategic
Leadership Operations,
Programme
Management

Date of appointment:
22 August 2007

3. Adél STRUWIG
*Executive Director:
Lending Portfolio*

BCom, MBA, Banking
Finance and Credit

Date of appointment:
1 October 2013

4. Sindisa NXUSANI
Financial Director

BCom, CTA, CA(SA),
Financial Management

Date of appointment:
14 March 2007

Non-executive directors



5. Zyda RYLANDS
Human Capital and Transformation Committee chairperson; Independent non-executive director

BCom (Hons), CA(SA), Executive Education, Financial Management, Human Resource/Management, Transformation

Date of appointment:
16 August 2006

6. Thulani NZIMAKWE
Audit Committee chairman; Independent non-executive director

BCom, BAcc, CA(SA), Financial Management

Date of appointment:
4 July 2001

7. Webster NDODANA
Independent non-executive director

Pr Eng, BSc Eng, BSc, Civil and Structural Engineering

Date of appointment:
16 August 2006

8. Linda SING
Non-executive director

BCom (Hons), MBA, MPhil, CAIB

Date of appointment:
18 August 2009

9. Cedric DE BEER
Non-executive director (SEDF nominee)

BA, Strategic Leadership

Date of appointment:
26 June 1997

10. Maleho NKOMO
Independent non-executive director

BCom (Hons), Senior Executive Programme, MCom, Financial Management, HR Management, Corporate Governance, Procurement, Public Sector Management

Date of appointment:
16 August 2006

11. Hendrik Petrus PRINSLOO
Independent non-executive director

BSc Agricultural Economics, MBA, Diploma in Solvency Law, Certificate of Financial Markets

Date of appointment:
12 March 2014

OUR PEOPLE



Front row from left right:

Tumi Selowa; Sophie Mpane; Khumo Mbongwe; Nomvula Khumalo; Anda Mazibuko; Keitumetse Molamu; Mmatshapo Moabelo; Mpotsang Khumalo; Busi Magagula; Sindisa Nxusani.

Back row from left:

Portia Setshedi; Debbie Vermeulen; Nonti Ngono; Mina Mafoko; Eazy Motlhanke; Lauretta Sibaya; Cheryl Abrahams; Thobela Nightingale.



Front row from left right:

Refiloe Ndaba; Mpho Boshielo; Hlengiwe Majikijela; Temo Elephant; Bernie Phinzi; Kgabo Mpyana; Siya Maya.

Back row from left:

Miliswa Mahala; Sabera Essop; Lekau Nyama; Junaid Vahed; Mbali Kubheka; Johanna Lamola; Audetta Skosana; Viwe Gqwetha; Nathi Masondo.

FOREWORD BY THE CHAIRMAN



Khehla SHUBANE

“After a long, arduous journey of nearly 10 years of the consolidation process, I can safely confirm that this is the last year of NURCHA’s existence.”

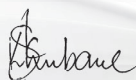
In the financial year under review, NURCHA celebrates 22 years of existence. In the previous reporting periods I took the opportunity to highlight NURCHA's achievements and milestones. In one of the reports I endeavoured to draw lessons that might be valuable in shaping the future of the development dialogue and the role of development finance in creating more inclusive financial markets. It is gratifying that there is currently an intense national dialogue on exact issues of transformation and inclusive economy. At the centre of the dialogue is the troubling resilience of the old economic structure that continues to produce negative outcomes such as growing unemployment, inequality and poverty. Amid the noise in the dialogue it would seem that there is an emerging thread of thought across business, public and civil sectors that a strong partnership around a shared long-term vision and an action plan is key to take South Africa out of the economic rut.

The prevailing socio-economic conditions set the backdrop of the consolidation of the three human settlements sector Development Finance Institutions (DFIs) into a Human Settlements Development Bank (HSDB). The HSDB is intended to deliver on development outputs and outcomes at a bigger scale and impact that the three predecessors could previously yield. The shareholder has also put transformation at the centre of outcomes by which the bank will be measured.

In the year under review, I had the opportunity of interacting closely with all three institutions as part of the HSDB's interim Board. The unfolding discussions seeking to interpret the shareholder's mandate have enriched my perspective and appreciation of the challenging task of the HSDB, particularly in light of the persistent national development challenges outlined above. The work undertaken by NURCHA in the last 22 years of its existence seems like a dress rehearsal in relation to delivery expectations on the HSDB as it seeks to break continuity in the legacy of the apartheid economic structure and impact of its social engineering. I am comforted to notice that management and staff of the three entities and the three boards are positively grappling with these challenges and working on concrete plans to meet the new developmental mandate.

After a long, arduous journey of nearly 10 years of the consolidation process, I can safely confirm that this is the last year of NURCHA's existence. It is passing the baton to its successor seamlessly in terms of personnel, operations and programmes, and governance processes. A new journey is beginning.

It is proper then, to once more earnestly thank all those who have served NURCHA in the past and present – Board members, management and staff at large. You have left an indelible legacy of 22 years of hard and innovative development work in the financial, property development and construction sectors. I also wish all management and staff at NURCHA and counterparts at National Housing Finance Corporation and Rural Housing Loan Fund all the best in the HSDB – let the sky be the limit.



Khehla Shubane
Chairman

MANAGING DIRECTOR'S REPORT



Viwe GQWETHA

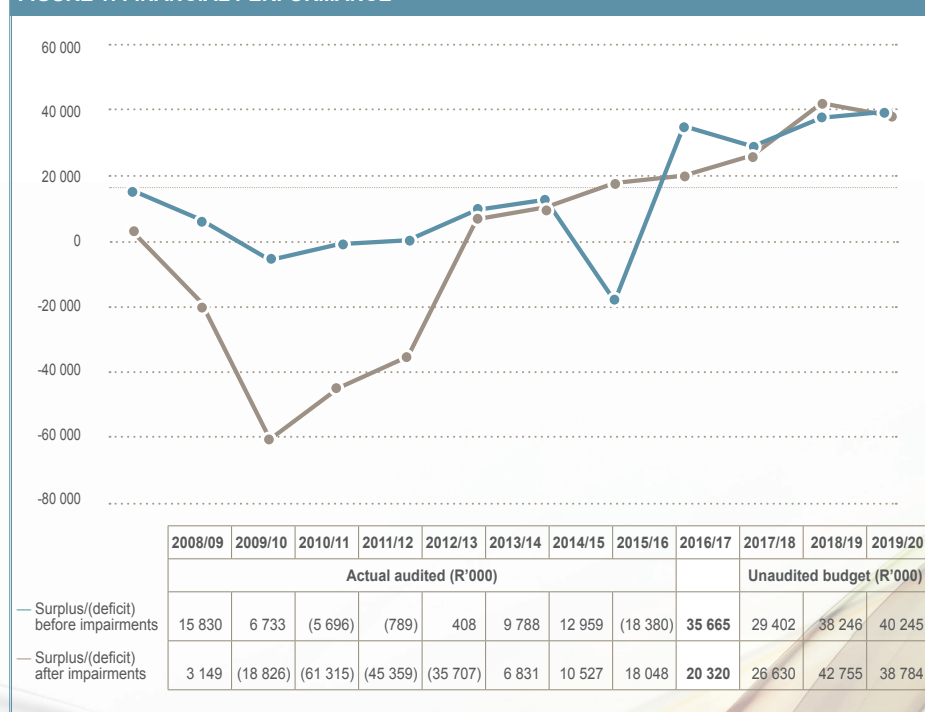
“ In the year under review, NURCHA continues to report positive results both financially and in the developmental impact it has made. ”

Year under review

The year under review is the fifth year of NURCHA's five-year strategic plan, which is underpinned by two goals to deepen relevance to the development mandate and restore organisational sustainability. Looking back at what has been achieved over these years, both financially and with regard to developmental impact, it is reasonable to conclude that NURCHA has developed a good business model to pursue its development mandate in a financially sustainable way. This is evident in the track record over the years, the successful transformative initiatives, the delivery momentum it has injected in delivering programmes on behalf of public-sector clients, the organisational agility demonstrated in delivering to shareholder and client requirements, strength of controls and governance processes, and income derived from value delivered by all streams of business.

In the year under review, NURCHA continues to report positive results both financially and in the developmental impact it has made. NURCHA is reporting surpluses both before and after impairments. This is a positive and encouraging progress against the backdrop of the challenges the company experienced a few years ago, which warranted drastic changes in strategy and the business model as evident in figure 1 below.

FIGURE 1: FINANCIAL PERFORMANCE



Overall, NURCHA is pleased to report that operations are back on a stable footing and that the company has vigorously pursued developmental impact in all its programmes. These positive strides have been acknowledged by many stakeholders and have won NURCHA an Award for Best Transformative Initiatives by the South African Institute of Black Property Practitioners (SAIBPP). These accolades have motivated the team to go an extra mile even at times when success seemed like a bridge too far.

MANAGING DIRECTOR’S REPORT (continued)

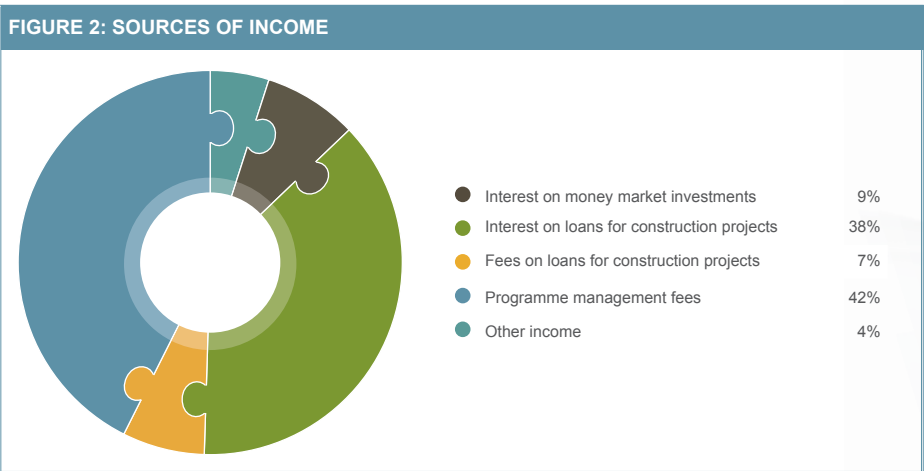
It is also important to acknowledge that there is a big scope for the sector to improve access to finance and gainful participation in the industry for contractors and developers, while advancing economic transformation. NURCHA has made good progress in this regard in securing buy-in of stakeholders on NURCHA's lending framework. This buy-in improves collaboration of stakeholders in creating a business-friendly environment for all roleplayers and emboldens financiers to open access to finance for developers and contractors beyond what has been achieved to date.

Provincial capabilities and offices have continued to operate in KwaZulu-Natal, and the Eastern and Western Cape to ensure effective management of business risks and relationships with clients and stakeholders. These provincial capabilities are a critical element of consolidating NURCHA's business model and to establish a direct relationship with clients. The provincial reach gives NURCHA the much-needed insight into the suitability of its products, growth opportunities and appreciation of challenges confronting provincial departments and municipalities it works with.

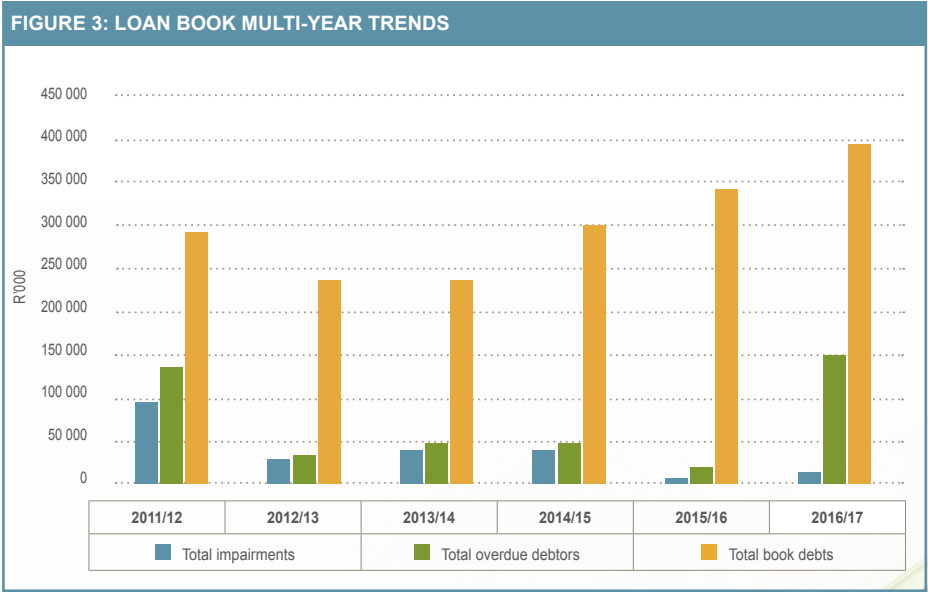
Financial performance

In the year under review, NURCHA is reporting pleasing results with a surplus of R20,3 million after administrative costs and impairments. These results come on the back of sustained business activity on both the lending and fee-based business. This is the fourth year NURCHA is reporting positive financial results in spite of difficult economic conditions. The positive trend in financial results strengthens confidence in the sustainability of the business model that was adopted five years ago, albeit with aspects that require attention. The business model could serve as an embryo for a future operating system intended at scaling up the business NURCHA has been doing over the years.

The company has sustained its diversified core business activities (sources of income) and effectively implemented risk mitigation measures to maintain a healthy loan book. Figure 2 below shows reported gross income as derived from the three major income streams, being interest-based income from the lending business activities, fees generated through the programme and fund management business, and money market investments with each contributing 45%, 42% and 9% respectively. An additional 4% categorised as other income is largely made up of bad debt recoveries.



Loan book management and risk mitigations have come a long way and have stabilised at sustainable rates for the lending market NURCHA is serving. At the end of the period under review, NURCHA is reporting 38% in overdue debts and 4,3% in impairments against a total loan exposure of R395 million. The overdue portion of the loan book has increased from 6,5% to 38% compared to the previous reporting period as illustrated in figure 3 below. This is largely due to two factors. First is the slow payment of contractors by provinces, particularly in the second half of the financial year under review. The second factor is the slowdown in the affordable housing market which has significantly delayed progress in some projects. Some of the project repayment schedules had to be revised and other projects are receiving close attention for risk of viability arising from a significantly weakened market demand. Even in these challenging trading conditions provisions for losses have increased moderately from 1,2% in the previous period to 4,3%. Administration overheads were also kept under control and in line with performance on the income side.



Lending Business Portfolio

NURCHA has spent the last five years putting into operation the new business model and, in so doing, establishing new output performance baselines. With the sustained positive results, the company has set a solid foundation to serve as a reference point for refinement of the operating model to meet future requirements of the institution that will be a successor to NURCHA. NURCHA has operated without intermediaries for five years and has accumulated good lessons that could improve the operating model and systems. These lessons range from risk mitigation measures, stakeholder management and collaborations, business processes and systems, initiating and managing transformative programmes, job packaging for talent attraction and retention, and so forth.

MANAGING DIRECTOR'S REPORT (continued)

NURCHA also took bold steps in delivering shareholder value on matters related to the developmental impact. The second pillar of NURCHA's strategy is about relevance to its developmental mandate. Over the years, we have reported on improvements in geographical spread of lending activities across provinces, inroads in lending to developments in mining and secondary cities and towns, easing of barriers to entry for emerging contractors and developers, and initiating special programmes to serve small contractors owned by women, the youth and people with disabilities. All these initiatives are yielding results and have come to define NURCHA's innovation DNA and an emerging operating model for higher risk categories of the market it is serving.

STRATEGIC OBJECTIVES

To provide bridging finance to emerging contractors and developers programme. NURCHA has continued to provide bridging finance for affordable and subsidy housing projects but limited finance to infrastructure and community facilities projects. The lending has been done within the parameters of the new business model and operational procedures.

The table below shows performance against annual output targets for the lending portfolio:

TABLE 1 LENDING PROGRAMMES	April 2016 to March 2017	
	Budget	Actual
AFFORDABLE HOUSING: HOUSES, SITES SERVICED, RENTAL HOUSES AND MINING TOWNS		
Number of Loan Contracts Signed	23	8
Number of Houses & Sites in Signed Contracts	3 450	1 085
Value of Loans	345 000 000	180 605 472
Value of Projects	690 000 000	581 405 600
Number of Houses Built & Sites Serviced	2 500	1 904
SUBSIDY HOUSING: HOUSES AND SITES SERVICED		
Number of Loan Contracts Signed	35	28
Number of Houses & Sites in Signed Contracts	17 500	4 890
Value of Loans	140 000 000	80 100 000
Value of Projects	1 750 000 000	601 337 861
Number of Houses Built & Sites Serviced	12 830	4 820
INFRASTRUCTURE AND COMMUNITY FACILITIES		
Number of Loan Contracts Signed	4	4
Value of Loans	18 000 000	12 800 000
Value of Projects	100 000 000	43 151 037
Number of Projects Completed	4	1

AFFORDABLE HOUSING PROGRAMME

The Affordable Housing Programme lends to residential developers to develop new affordable housing units in various housing typologies. Not all the annual targets were met. It signed eight new project loans, making up 35% of the annual target. These loans translated to 1 085 houses and serviced sites against a target of 3 450 units.

The value of loans signed was R181 million, which is 52% of the target for the year, and this was a commitment to finance eight new projects valued at R601 million. NURCHA's financing capacity was a major limitation to the performance of the programme. The eight new projects added to 21 already active projects to make up 29 projects financed across the country. The programme exhausted its lending allocation of R370 million, an equivalent of 72% of NURCHA's capacity. Three additional projects approved had to be held in abeyance until funding was available from repayments on completed projects. The effect of the economic slowdown was also a major factor in the performance of the programme. Many projects already in the loan book overran the planned completion date due largely to a decline in market demand. This is also evident in the output of 1 904 houses built against a target of 2 500. The delayed completions translated directly to delayed repayment of loans, thus constrained ability to finance more loans than the eight achieved. The financing constraint affected the period October 2016 to May 2017.

SUBSIDY HOUSING PROGRAMME

This programme is a mainstay of NURCHA's lending business. Its main objective is the financing of working capital for contractors building subsidised housing for poor households. It is the oldest stream of lending and has enabled many contractors to enter the industry and gainfully participate in the economy.

Over the last few years this programme set itself higher targets of contractors financed and has kept to that level of aspiration and effort. The programme signed 28 loans against a target of 32 and was also affected by limitations in financing capacity and would have met its target had it not been for projects held in abeyance due to financing constraints.

The programme underperformed in other related output areas achieving 28% of houses in signed loans, 57% in values of loans and 38% in houses built. The focus of the programme team in the year under review was on getting the Contractor Finance and Development Programme (CFDP) programme under way as covered in Insert 1 on page 20. The sizes of the projects signed were small, averaging 20 houses per contractor. The loan values were in line with the sizes of projects but fell far short of assumptions used at the planning stage, which assumed project sizes of 200 units per project.

INFRASTRUCTURE AND COMMUNITY FACILITIES PROGRAMME

This programme finances contractors that are involved with infrastructure and community facilities projects.

The programme has historically suffered significant losses resulting in NURCHA adopting a certificate-based lending approach as part of its credit criterion. It was prudent for NURCHA to implement the business model changes in an attempt to mitigate loan default risks arising from a range of construction risks, including contract management weaknesses on the part of public entities that employ the services of contractors, as well as the credit behaviour of contractors.

MANAGING DIRECTOR'S REPORT (continued)

In this reporting period, we therefore highlight tangible transformative outcomes yielded by some of the initiatives, as well as lessons learnt. Through the CFDP, NURCHA has made an important breakthrough in lending to small contractors (CIDB Grade 1). This was a very challenging programme that put to test NURCHA's established policies and practices. It took systematic adaptation in many aspects of the lending chain; from credit rules, loan management and risk mitigation, to make the programme work yet ensuring that the defaults are within the parameters set by the Board.

The transformative initiatives yielded many valuable lessons for NURCHA. What stood out though is that innovations with transformative impact require some shake-up of established practices defined by existing organisational policies and conversions. Venturing into initiatives of this nature has an inherent risk of causing disequilibrium, discomfort and resistance in the organisation. Overcoming these risks was the key difference between success and failure of initiatives.

The CFDP was a testimony that transformation requires good interorganisational complementarity and collaboration. In the case of the CFDP, it would not have succeeded without the Honourable Minister of Human Settlements Ms Sisulu marshalling Human Settlements Departments and entities to collaborate in support of the Nelson Mandela Bay Metropolitan Municipality (NMBMM). It is the absence of this type of collaboration that denies many contractors access to appropriate finance for entry and gainful participation in the industry.

INSERT 1: SUMMARY OF CFDP PERFORMANCE APRIL 2016 TO MARCH 2017

Number of loans	<ul style="list-style-type: none"> • 22 loans approved year to date • 21 loans signed • 12 contractors have completed work • 9 contractors are still on site • 1 contractor has abandoned site
Value of loans	<ul style="list-style-type: none"> • R29,12 million in approved loans year to date • R28,17 million in signed loans
Cumulative drawdowns paid to contractors	<ul style="list-style-type: none"> • R56,15 million • No defaults to date
Cumulative amounts paid to suppliers	<ul style="list-style-type: none"> • R45,67 million year to date
Value of materials on site	<ul style="list-style-type: none"> • R1,1 million for foundations • R5,8 million for wall plate, roof and completion
Total value	<ul style="list-style-type: none"> • R56,15 million

NURCHA has invested efforts to create opportunities for emerging residential developers in the affordable housing market. In this initiative, NURCHA systematically evaluated barriers to entry and the impact of trade-offs between lowering entry requirements and the corresponding escalation to risks. This is another sphere of innovation where valuable lessons were drawn, particularly in relation to the current operating model, supporting systems and areas that require urgent attention for mitigation of risks associated with emerging residential developers. In the current loan book, 30% (9 of 29) of developments are undertaken by emerging developers. Once their project development loans are approved there are stringent loan management and transaction rules that apply throughout the lifespan of the project. These are tedious yet necessary risk mitigation controls. This is an area that requires urgent attention to improve efficiency and effectiveness.

INSERT 2



Alleyroads Group – 100% black-owned developer

- NURCHA funded this developer as a new entrant on his first three loans to the value of R130 million. He has developed into an established and recognised developer in the industry:
 - Completed: Linden Lane Rental (R28 million) with short-term project finance from NURCHA and take-out long-term by Nedbank.
 - Completed: 34 sectional title unit developments in November 2011 in Kempton Park which was financed by NURCHA (R6 million).
 - Current projects: 94 units Brindle Mews in Newland, KwaZulu-Natal (R34 million).
 - Current project: 80 units in Illovo South, KwaZulu-Natal (R30 million).
- Established in 2009 and has been active in the residential property development industry for the last eight years. It was established as a property development company located in Kempton Park. Alleyroads Group has built houses for the emerging middle-income market in Kempton Park and the surrounding areas. Present in Limpopo, Gauteng and KwaZulu-Natal.
- Other current and completed developments since entering industry:
 - Alexandra Hostel for Johannesburg Metro and Housing Department. Brickfield's Social Housing.
 - Vlakfontein water and sewer reticulation, Klipfontein and Finetown housing projects for the Gauteng Housing Department.
 - 119 unit development in Grobler Park, Johannesburg.
 - 204 sectional title unit development in Woodhurst.
 - 73 sectional title unit development in Emzini Mews.
 - Lebowakgomo and Athlone Park, 45 sectional title unit development in Dawn Park.

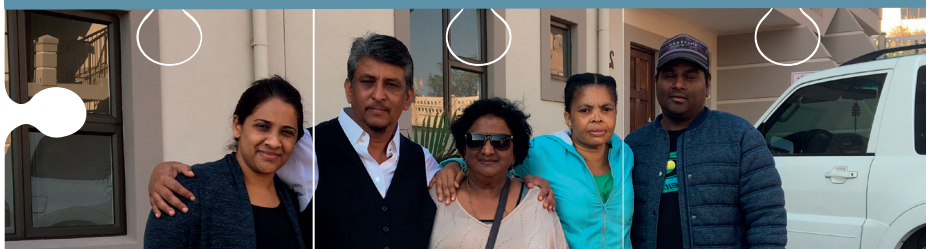
MANAGING DIRECTOR'S REPORT (continued)

In the period under review, the total value of active loans is R1 061 million with a total exposure of R395 million as illustrated in the table 2 below. The loan commitments are in relation to 94 active projects across seven provinces, 40 of which are project loans signed in the year under review.

LENDING PROGRAMME	Total active projects		Loan value commitment		Loan exposure	
	No.	%	R'm	%	R'm	%
Affordable Housing	29	30,9	801,85	75,6	283,83	72,0
Subsidy Housing	55	58,5	223,67	21,1	103,92	26,0
Infrastructure	10	10,6	35,43	3,3	6,93	2,0
Total	94	100,0	1 060,95	100,0	394,68	100,0

After five years of focused energy and incremental improvements, the company is reporting a healthy loan book as illustrated in figure 3 on page 17. In spite of the difficult trading conditions, the outputs reported could have been better had it not been for lending capacity constraints. For the second half of the financial year, NURCHA experienced lending capacity constraints that became acute in the period from November 2016 to May 2017. For this period, NURCHA held back approvals of new loans awaiting repayments from projects at completion stages. While this oversubscription in our lending capacity was a limitation on the output side, it enabled NURCHA to fully employ the PIC's loan to NURCHA of R70 million.

INSERT 3



Ready Homes – 100% black women-owned developer

- Ready Homes CC is an emerging developer with its first start-up loan from NURCHA for R12 million.
- Project details:
 - 27 sectional title units in Cairngrove Gardens, Phoenix, KwaZulu-Natal.
 - Project completed and awaiting finalisation of deed transfers.
 - Property description: Erf 1263, Grove-End, size 4 881 m². The complex comprises three blocks of flats, each with eight units.
- Ready Homes CC was established in 1995 to specialise in the sale of houses as estate agent and contractor. It is 100% (BEE) owned and (90%) by a woman.
- The company is based in Phoenix, KwaZulu-Natal. This is the company's first major project; the owners' previous experience has mainly been on the construction of individual private homes.
- They have constructed more than 40 affordable houses for individuals, which were preapproved and certified by the banks and NHBRC, and are now bank-bonded.

Programme and Fund Management Portfolio

The decision made five years ago to diversify income sources has yielded results and achieved the desired outcomes. This is evident in the 43% contribution to the company's gross income and undertaking collaborative flagship developmental programmes with provinces and municipalities. NURCHA has supported various initiatives across the provinces. The collaboration includes Vulindlela Enhanced People's Housing Programme (EPHP) in KwaZulu-Natal as an Account Administrator, and the project yielded 12 638 units in the last four years as illustrated in table 3 below.

MILESTONES	Built as at March 2017 as per VDA	Percentage of total unit	Claimed as at March 2017	Percentage of total units
Platforms	19 130	77	18 280	73
Foundations	17 965	72	17 523	70
Wall plates	16 520	66	16 174	65
Completions	15 516	62	15 245	61
Tanks and gutters	15 243	61	15 397	62

The Vulindlela programme has provided decent housing for poor households, and created employment and restored a healthier social fabric in the community.

Another collaboration spanning four years is with the City of Cape Town on the Ceilings Retrofit Programme. This programme has improved thermal quality of houses to 4 550 and 3 451 houses in the first and second phase respectively. The second phase is close to completion and implemented in eight townships in the city as tabulated below:

			Progress against scope		
Project code	Ceilings retrofit projects Phase II	Number of units given to contractors	Number of ceilings and electrical works started	Number of ceilings and electrical works certified	Number of roof leaks completed
1	WesBank 837 units	837	798	798	700
2	Sir Lowry's Pass Village 640 units	640	640	640	640
3	Silver City 363 units	363	0	0	0
4	Heinz Park 1 142 units	1 142	1 142	1 142	1 142
5	Chris Nissen Park, Macassar & Gordons' Bay 260 units	260	260	260	260
6	Phumlani 209 units	209	209	209	209
	Total	3 451	3 049	3 049	2 951

In addition to the good track record in the delivery of large multi-year programmes, the economic inclusion of small businesses in townships where NURCHA works stands out as the success story. It is the case in this and all other programmes managed by NURCHA. NURCHA's approaches in optimising local economic impact are localised and take into consideration local potential and dynamics. The insert on WesBank is a snippet on what happened in that township, and successes in small business participation and employment.

MANAGING DIRECTOR'S REPORT (continued)

INSERT 4

WesBank SMME development

The WesBank project has 792 units that required the retrofitting of ceilings and electricity. As part of the contract requirements, 25% of the units were to be completed by local SMMEs, which amounted to 198 units. A management contract was arranged for SMMEs to be mentored by the main contractor. A total of 21 SMMEs, one electrical and 20 ceilings, were identified through a request information on carpenters, electricians, previous projects completed and availability of equipment. The following summarises the benefit by local SMMEs:

SMME numbers	Type	Number of units per SMME	Rate per unit R	Total benefit R
One	Electrical	198	1 050	207 900
19	Ceilings	198	1 250	247 500
One	Admin and EPWP	198	200	39 600
Total				495 000

SMMEs in the ceilings component of the works benefited a total of R13 026,31 each. NURCHA further invested in their mentorship by a contractor to guarantee quality.

In the 75% of the contract, a total of eight SMMEs were employed by the main contractor at a rate of R900 per unit completing an average of 30 units each, which amounted to R216 000 in labour costs.

Credit risk and control environment

Moderate to high risk lending defines NURCHA's business and the environment in which it operates. The stringent in-house controls and credit rules have enabled NURCHA to manage provisions for losses within acceptable levels and kept the loan book healthy. The provisions for losses have reduced from a historical peak of 35% of the loan book five years ago to 4,3% in the year under review. This achievement is laudable given the weak economic environment and the changing profile of developers that has seen an increasing number of emerging developers.

The good results belie the challenges that the company had to face and wade through to prevent defaults. NURCHA had to face company and project failures in the year. One of those was the RBA's business rescue and ultimate liquidation process. However, we are happy to report that NURCHA has fully recovered its R18 million exposure to the company. Due to market conditions, all projects have slowed down and the big developers are holding back on new developments. There are three developments whose viability has been affected negatively by weakening market demand and are receiving close attention in monitoring and interventions to get them to completion.

Concentration risks in affordable housing have reduced as a result of diversification and an increase in the number of developers in NURCHA's loan book. In the year under review, there are 29 active affordable housing projects to 19 developers.

INSERT 5



Definite Shelter Properties 1 Proprietary Limited – developer 100% black-owned

- Definite Shelter Properties 1 Proprietary Limited has over 12 years' experience in the property development industry as a property agent as well as building individual private homes. He is hands-on ensuring quality of workmanship and has experience with NHBRC compliance.
- The developer's first application for a loan facility is with NURCHA to the value of R49 million.
- Project details: 100 units in a project called Epic Estate in Witpoortjie, Roodepoort:
 - First phase has 54 sectional title units completed, and in the process of transfer.
 - Foundations and all services completed for phase 2 for remaining 46 sectional title units (three blocks).

The good results belie the challenges that the company had to face and wade through to prevent defaults. NURCHA had to face company and project failures in the year. One of those was the RBA's business rescue and ultimate liquidation process. However, we are happy to report that NURCHA has fully recovered its R18 million exposure to the company. Due to market conditions, all projects have slowed down and the big developers are holding back on new developments.

MANAGING DIRECTOR'S REPORT (continued)

In the previous financial year, NURCHA also undertook to improve controls in supply chain management. Significant improvements have been made in systems, capacity and performance in general.

The future

The ultimate future of NURCHA has arrived. NURCHA has moved its offices to join and share offices with NHFC and RHLF in Parktown. By 31 August 2017, NURCHA's business will be consolidated into NHFC as a stepping stone to the establishment of the Human Settlements Development Bank. NURCHA will subsequently be dissolved and cease to exist following due process prescribed by law.



Viwe Gqwetha
Managing Director



HUMAN RESOURCES

Skills development

INTERNSHIP: Three students were provided with an opportunity to gain work experience for periods between six to 12 months. These students benefit from being exposed to the world of work and the property development and construction environment more specifically. When the students complete the internship they are better prepared for a working role in their chosen field.

PEOPLE MANAGEMENT AND LEADERSHIP: Junior and middle managers were introduced to leadership concepts that enhance their leadership skills and prepare them to move to the next level in their careers.

LIFELONG LEARNING PROGRAMME: In the year under review, NURCHA invested R748 211,82 in support of employees to further their education and expertise.

Employee engagement

Change Readiness Interventions

The results of the change management survey conducted in the previous financial year to assess readiness of employees for the DFI consolidation process were positive overall. Areas of improvement that required attention were communication, training and development. NURCHA conducted extensive training and coaching to address the issues identified. A Change Management Committee was established to intensify communication between management and staff.

Communicating with employees

Communication with employees takes place regularly and in more than one channel. Two staff meetings are held every month; one meeting is for everyone including management, while the other is for staff only.

Employee Wellness Programme

During the year under review, NURCHA intensified awareness campaigns of the Employee Wellness Programme. This is to encourage employees to choose healthier, more balanced lifestyles and attend to personal challenges with professional support. A variety of programmes were conducted during this period based on the issues presented by employees, such as enhancing personal and work relationships, and musculoskeletal (MSK) onsite visits.

The Employee Wellness Programme is for all employees and their immediate family members and includes confidential services relating to legal advice, stress management, relationships, trauma, family matters, work, substance abuse and health.



Rosslyn, Pretoria

CORPORATE GOVERNANCE

Corporate governance statement

The Board of Directors and management of NURCHA are committed to maintaining the highest standards of corporate governance and embrace the recommendations of the King Code on Corporate Governance. The Board strives to provide effective and responsible leadership that is characterised by ethical values based on responsibility, accountability, fairness and transparency. NURCHA is committed to strategies that will build a sustainable business by having regard to the company's economic, social and environmental impact on the communities in which the company operates. The Board is committed to an open and transparent governance process that gives NURCHA's stakeholders the assurance that NURCHA is ethically managed in accordance with best practice, the relevant legislation and predetermined risk parameters.

The Board is satisfied that during the 2016/17 financial year it continued to perform the company's activities and discharged its responsibilities in accordance with the above principles. Any non-compliance with the principles of King IV is explained accordingly in this report.

Governing stakeholder relationships

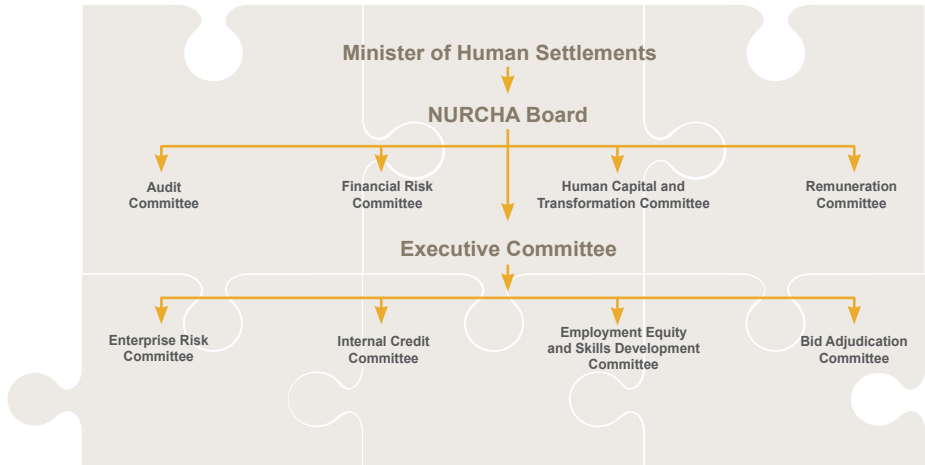
The Board takes account of and responds to the legitimate interests and expectations of stakeholders linked to NURCHA in its decision-making. Stakeholders that could materially affect the operations of the company have been identified and assessed as part of the risk management process. Stakeholders include National, Provincial and Local Government; regulators; funders; contractors; developers; suppliers; employees and communities that NURCHA operates within. The major funder is the South African Government.

The Board Chairperson signed, on behalf of the Board, the Shareholder Agreement between NURCHA's Board of Directors and the Executive Authority of the Department of Human Settlements for the 2016/17 financial year. The purpose of the agreement is to agree on performance expectations and parameters to ensure that the relationship, roles and responsibilities between the parties are clearly defined and that there are no actual or perceived conflicts of interest that would impede achievement of Government's broad policy objectives and efficient management of NURCHA.

In its reporting to stakeholders, the Board presents a balanced and understandable assessment of the company's position. During the financial year, complete, accurate, relevant and reliable reports were delivered timely to major stakeholders. Other information is accessible on request to stakeholders in terms of the Promotion of Access to Information Act, No 2 of 2000 (PAIA).

CORPORATE GOVERNANCE (continued)

Governance structures



The Board of Directors

NURCHA is headed and controlled by an effective and efficient Board, which is the accounting authority in terms of the PFMA. The Board gives strategic direction to the company and constitutes a fundamental base for the application of corporate governance principles. The Board comprises the appropriate mix of executive and non-executive directors representing the necessary skills to strategically guide NURCHA. The majority of the members are non-executive to ensure independent and objective decision-making. The Board has an absolute responsibility for the performance of NURCHA and is fully accountable for such performance.

The role of the Board

The Board holds absolute responsibility for the performance of NURCHA in that it:

- retains full and effective control over NURCHA;
- ensures that NURCHA complies with applicable laws, regulations and government policy;
- has unrestricted access to information of NURCHA;
- formulates, monitors, and reviews corporate strategy, major plans of action, risk policy, annual budgets and business plans;
- ensures that the shareholders' performance objectives are achieved;
- manages potential conflicts of interest;
- ensures that a clear definition of levels of materiality is developed;
- holds annual general meetings;
- ensures financial statements are prepared;
- appraises the performance of the Chairperson;
- ensures effective Board induction; and
- maintains integrity, responsibility and accountability.

The Executive Committee consists of the executive directors and meets at least monthly when the Board is not in session. The Board is able to solicit independent professional advice, at the expense of the company, where necessary.

The Board continued to ensure that the funds received from stakeholders were used efficiently and effectively, and in terms of their covenants. It is satisfied that during the year it carried out its responsibilities according to its charter. Among other things, the Board has approved and monitored annual performance plans, and budgets; monitored strategy implementation; reviewed its charter and those of its committees; assessed the performance of the whole Board, the committees and individual directors; reviewed committee membership; reappointed Board members by rotation; and took resolutions to effect the smooth transition to the DFI consolidation.

Board charter

The Board and all its committees are governed by their charters. According to the Board charter, the Board's responsibility is to ensure that the company fulfils its mission; honours its legal and contractual obligations to its stakeholders; operates within the parameters of the Public Finance Management Act, No 1 of 1999 (PFMA), and other applicable laws, regulations and codes of business practices; achieves its business and developmental objectives; operates within appropriate risk management parameters; and that it does so efficiently, effectively, ethically and equitably.

During the current financial year, the Board met four times, and is satisfied that it has carried out its duties in accordance with its mandate.

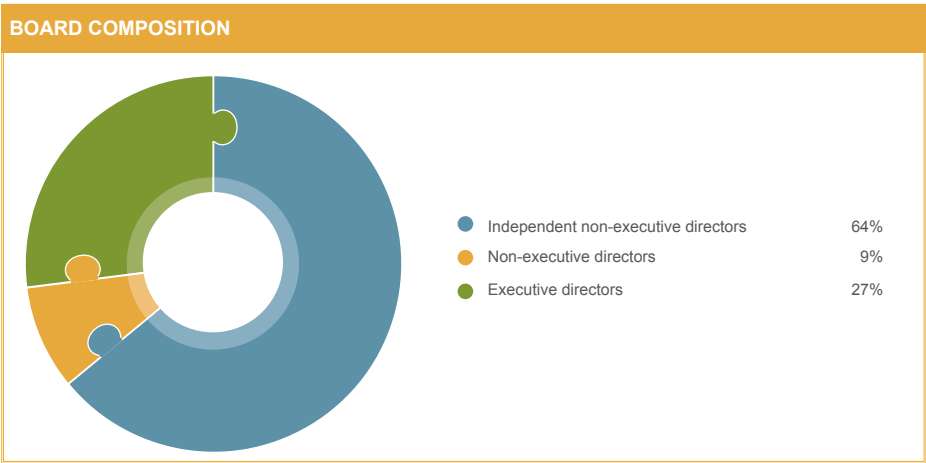
Board composition

BOARD MEMBERS

Mr K Shubane (<i>Board Chairperson</i>)	<i>Independent non-executive director</i>
Mr C de Beer	<i>Non-executive director</i>
Mr V Gqwetha	<i>Executive director</i>
Mr W Nodana	<i>Independent non-executive director</i>
Ms M Nkomo	<i>Independent non-executive director</i>
Mr S Nxusani	<i>Executive director</i>
Mr T Nzimakwe	<i>Independent non-executive director</i>
Mr H Prinsloo	<i>Independent non-executive director</i>
Ms Z Rylands	<i>Independent non-executive director</i>
Ms L Sing	<i>Independent non-executive director</i>
Ms A Struwig	<i>Executive director</i>

NURCHA has a unitary Board structure with executive and non-executive directors. The Board charter allows for a maximum of 16 directors. As at 31 March 2017, there were 11 Board members of which eight were non-executive directors. Seven of the eight non-executive directors were independent of management and free from any relationship that could materially interfere with the execution of their independent judgement.

CORPORATE GOVERNANCE (continued)



The Board Chairperson

The Board Chairperson is an independent non-executive director and is not the chairperson or a member of the Audit Committee. The roles of Chairperson and Managing Director (MD) are separate with segregated duties. The Chairperson is charged with leading the Board, ensuring its effective functioning and setting its agenda in consultation with the Company Secretary, the MD and other directors.

The Chairperson provides leadership at Board level, represents the Board to shareholders and is responsible for ensuring the integrity and effectiveness of the Board and its committees. He communicates with the Minister of Human Settlements when necessary. He maintains a regular dialogue with the Managing Director in respect of all material matters affecting NURCHA, and is available for the Managing Director between Board meetings to provide counsel and advice. He consults with other Board members promptly when considered appropriate and ensures that material matters in respect of the business or governance of NURCHA that he is aware of are tabled at Board meetings. He acts as facilitator at meetings of the Board to ensure that material issues for consideration are tabled and discussed effectively in order to ensure optimal Board decision-making and governance.

During the year under review, the Chairperson continued to carry out his duties in accordance with the Board charter.

Independence

The majority of directors are independent non-executive directors and each Board committee is chaired by an independent non-executive director. The Board strives for the highest standards of integrity and accountability, and each director brings independence of character and judgement to the role.

The independence of Board members who have served on the Board for more than three terms is evaluated by the Board each year. Independence is determined against the criteria set out in King IV (the King Code).

The policy of disclosure of interests and recusal from discussions in which a director has an interest, is followed to mitigate any conflicts of interest and preserve independence.

Ms Nkomo, Ms Rylands, Mr Ndodana, Mr Nzimakwe and Mr Shubane have served on the Board for more than three terms. This situation arose as a result of the DFI consolidation plans over the past few years. It became unnecessary to disrupt the Board during the last few years of NURCHA's existence. After due consideration of their individual circumstances and contributions, the Board concluded that these directors are able to act independently and fulfil their duties irrespective of their tenure. Mr De Beer is not considered to be independent as he previously represented one of the funders on the Board of NURCHA.

The Board is still satisfied that all the Board members are capable of using their independent judgement in discussions and on taking decisions.

Knowledge, skills and expertise

The Board considers diversity of views and experience to be an essential part of ensuring that all aspects of strategy and plans are considered. Non-executive directors bring diverse perspectives to the Board deliberations, and they challenge the views of executive directors and management in a constructive manner.

The directors were kept abreast of all applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments which could potentially impact NURCHA's operations.

Appointment, retirement and rotation of directors

NURCHA has a policy detailing the procedures for the recruitment, appointment and retirement of non-executive directors in line with current legislation. This policy includes the renewal of Board and committee members' terms of office. Non-executive Board members are appointed in such a manner that they enhance and complement each other's skills in different fields. The members bring to the Board a wide range of significant financial, technical and other expertise. Knowledge, skills, expertise, independence, as well as gender and demographic representation, are considerations in the appointment of directors. Candidates are furthermore subject to suitability enquiries to determine their fitness for directorship.

Non-executive directors are subject to retirement by rotation at least once every three years and are eligible for reappointment depending on their past contribution and future availability to serve on the Board. Directors that are due for rotation are evaluated for their performance and independence.

The recruitment of non-executive directors is followed by a proper induction before the new directors commence with their duties. The induction programme ensures that new directors are familiar with NURCHA's purpose, business, policies and management structures.

Board and director evaluation

The performance of the Board, its supporting committees and individual directors is evaluated each year. The aim of these evaluations is to assist the Board and its committees in the continuous improvement of the Board's effectiveness. The Board assessment includes the evaluation of the Board Chairperson and the Managing Director.

The Board, its committees and individual director performance was evaluated this financial year and no major areas of concern were raised. The Board is satisfied with its performance.

CORPORATE GOVERNANCE (continued)

Succession planning

The Human Capital and Transformation Committee (HCTC) is responsible for succession planning in the Board. The HCTC considers the composition of the Board and its committees on an ongoing basis to ensure continued effectiveness. The Board appoints an acting chairperson of the Board and each of its committees in the absence of any of the chairpersons. The Board is satisfied that the current pool of talent available within NURCHA and the work being done to strengthen the talent pool provides adequate succession planning for both the short and long term.

Management succession planning is an ongoing consideration to ensure that effective management is in place to implement NURCHA's strategy.

Delegation of authority

In terms of the delegation of authority, the ultimate responsibility for NURCHA rests with the Board, but to achieve its objectives, the Board may delegate certain of its functions and duties to Board committees, or the MD, without abdicating its own responsibilities. The Board committees specialise in certain areas of the business.

The Board has delegated some of the powers entrusted to it to the MD, who is assisted by other executive directors, to run the day-to-day activities in the business, in terms of the PFMA and other legislation. The responsibilities for compliance on an operational basis remain with senior management, and the Board maintains oversight thereof.

Corporate Code of Conduct and Ethics

The directors have a fiduciary duty to act in good faith and with due diligence and care in the best interest of the company and all its stakeholders. The Board has developed a code of ethics that governs the conduct of directors and staff to ensure that they act with utmost integrity, objectivity and in compliance with the organisational policies and the laws of the country at all times.

The Board is satisfied that the company is demonstrating commitment to its code as:

- all directors and personnel declare their interests in order to manage any conflict of interest. They further declare their interests in matters that are discussed at meetings;
- the procurement policy contains measures to combat abuse, fraud and corruption;
- there is an established gift register to be signed by staff when receiving gifts with a value over a certain amount; and
- there is a fraud prevention policy in compliance with the Protected Disclosures Act, No 26 of 2000. The policy has procedures for reporting incidents of fraud and dishonesty, and cases of unethical behaviour in line with NURCHA's code of ethics and the value system. This involves a whistle-blowing hotline whereby employees and members of the public have access to a facility to report unethical behaviour anonymously.

Strategic objectives and business planning

The Board, acting on the recommendations from management, is responsible to stakeholders for setting the strategic direction, through defining objectives and key policies, which are then cascaded throughout NURCHA. Management is charged with detailed planning and implementation of these strategic objectives within appropriate risk parameters. Progress towards the achievement of strategic objectives is reported to the Board, its committees and the stakeholders by management. The Board and its committees monitor the achievement of these objectives throughout the year.

During the current financial year, the Annual Performance Plan (APP) and budget was submitted to National Treasury as required by the PFMA. The APP includes measures and targets against which NURCHA and its performance is assessed.

Board committees

The following Board committees have been constituted to ensure that the Board operates effectively and efficiently:

Audit Committee

MEMBERS

Mr T Nzimakwe (<i>Chairperson</i>)	<i>Independent non-executive director</i>
Ms M Nkomo	<i>Independent non-executive director</i>
Ms L Sing	<i>Independent non-executive director</i>

The Audit Committee is charged with oversight of financial reporting and disclosure, risk management and regulatory compliance.

All the committee members are independent non-executive directors and are financially literate. The Managing Director and Financial Director are required to attend the Audit Committee meetings. The chairman of the Audit Committee attends the annual general meeting. Membership of the committee is for one year and may be renewed. This committee meets four times a year on average.

The committee ensures that the independence and objectivity of the external auditors is not impaired by approving all non-audit services. All other significant services outside the scope of the preapproved audit plan carried out by the auditors are approved on a case-by-case basis by the Audit Committee. The committee approves the internal audit plan and has approved all work that has been done outside the plan.

The committee is satisfied that there is consultation and coordination between internal and external audit. The internal and external audit functions are carried out by separate audit firms. The external and internal auditors normally attend the Audit Committee meetings. The committee met in a closed session with internal and external auditors and without management.

The committee reviewed and recommended the quarterly reports and annual financial statements to the Board. It ensured that these reports were produced in terms of Generally Recognised Accounting Practice (GRAP) and the Companies Act, No 71 of 2008 (Companies Act).

The Audit Committee has adopted formal terms of reference and the committee is satisfied that its activities for the year were in compliance with its terms of reference.

CORPORATE GOVERNANCE (continued)

Financial Risk Committee (FINCOM)

MEMBERS

Ms L Sing (<i>Chairperson</i>)	<i>Independent non-executive director</i>
Mr T Nzimakwe	<i>Independent non-executive director</i>
Mr H Prinsloo	<i>Independent non-executive director</i>
Mr W Nodana	<i>Independent non-executive director</i>
Mr C de Beer	<i>Non-executive director</i>
Mr V Gqwetha	<i>Executive director</i>
Mr S Nxusani	<i>Executive director</i>
Ms A Struwig	<i>Executive director</i>

FINCOM has been established to assist the Board to discharge its fiduciary duties as regards the credit and investment functions in NURCHA, and to advise with regard to the funding and capital structure of the company. The committee has been charged with the responsibility of overseeing the Programme Management Portfolio.

The committee monitors NURCHA's investment, underwriting and credit risks, and assists management by providing advice and assistance on these matters, especially with regard to setting limits of authority and monitoring exposure. The committee monitors returns on NURCHA's money market investments and is satisfied that the returns are in line with industry performance.

During the year under review, the committee ensured that credit was granted by NURCHA in accordance with NURCHA's mandate, the undertakings and covenants in the various financing agreements, and that the provision of credit meets the primary aims of promoting sustainable human settlements and entrepreneurial development.

This committee has provided advice and assistance regarding credit and risk management, and taken responsibility for the approval of certain construction finance loans and new lending programmes on behalf of the Board. The committee meets, on average, three times a year.

Human Capital and Transformation Committee (HCTC)

MEMBERS

Ms Z Rylands (<i>Chairperson</i>)	<i>Independent non-executive director</i>
Ms M Nkomo	<i>Independent non-executive director</i>
Mr K Shubane	<i>Independent non-executive director</i>

The HCTC carries out the responsibilities of the Nominations Committee, and ensures that NURCHA's human resources, procurement and business practices reflect a commitment to the creation of an equitable, non-racial and non-sexist society. This committee reports on compliance with the Employment Equity Act, No 55 of 1998, and on other transformation issues.

NURCHA does not need to have a Social and Ethics Committee in view of its low public interest score, but, in the spirit of good governance, the Board decided that the HCTC should ensure that Social and Ethics Committee matters are dealt with. The HCTC works with other committees to ensure that these duties are carried out.

The Chairperson of the Board is a member of this committee as the Board felt that he brings valuable contribution to the committee.

Remuneration Committee

MEMBERS

Mr K Shubane (<i>Chairperson</i>)	<i>Independent non-executive director</i>
Mr T Nzimakwe	<i>Independent non-executive director</i>
Ms Z Rylands	<i>Independent non-executive director</i>
Ms L Sing	<i>Independent non-executive director</i>

The purpose of the Remuneration Committee is to ensure that remuneration policies and approach, as determined by the HCTC, are fairly applied. It also decides on the remuneration of staff, and makes recommendations to the Board and shareholders about the remuneration of non-executive directors.

The committee comprises the chairpersons of the various committees of the Board and is chaired by the Chairperson of the Board. The decision to have the Chairperson of the Board also chairing the Remuneration Committee was agreed to by the Board as it felt he is the best person to perform this duty. The committee meets at least twice a year.

Board members are paid on the basis of their attendance at meetings. The Board Chairperson and the committee chairpersons are paid a monthly retainer in addition to the attendance fees. The remuneration of each director is disclosed on page 95 of the annual financial statements.

Attendance at meetings held during the financial year

	Name	Board	Audit	Financial Risk	Human Capital and Transformation	Remuneration
		A/B	A/B	A/B	A/B	A/B
1	Mr K Shubane	4/4			3/3	2/2
2	Ms Z Rylands	1/4			3/3	1/2
3	Ms M Nkomo	4/4	3/4		3/3	
4	Ms L Sing	3/4	2/4	6/6		1/2
5	Mr T Nzimakwe	4/4	4/4	6/6		2/2
6	Mr W Ndodana	1/4		2/6		
7	Mr H Prinsloo	4/4		6/6		
8	Mr C de Beer	3/4		4/6		
9	Mr V Gqwetha	4/4	4/4	6/6	3/3	2/2
10	Mr S Nxusani	4/4	4/4	6/6	2/3	
11	Ms A Struwig	4/4	3/4	6/6	3/3	

Column A is the number of meetings attended by the director.

Column B is the number of meetings held during the year.

CORPORATE GOVERNANCE (continued)

Enterprise risk management

The NURCHA Board retains ultimate responsibility for risk management, and the culture in the organisation reflects its appetite for risk. Risk management is achieved at all levels through the organisational structure, policies, procedures and appropriate staff training. Due to the inherent nature and complexity of NURCHA's risks, stringent risk management structures and processes are in place. The Board ensures that the key strategic and business risks of the company are identified, and that management has adequate policies and procedures in place to manage the major risks faced by the company. NURCHA endeavours to balance the desire to achieve the company's strategic objectives and the level of risk the company is willing to tolerate.

The Board receives regular reports from management and other assurance providers, such as the external and internal auditors. These reports show that there are systems implemented to identify, assess, manage, monitor, control and report on material risks throughout the organisation. These systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and cannot provide absolute assurance against material misstatement or loss.

NURCHA has a risk policy that was developed to guide management in ensuring that the company's risk management takes into account the risks involved in the business activities and to measure the impact and extent of the risk in the achievement of NURCHA's objectives. The Internal Enterprise Risk Committee provides independent oversight and monitoring across NURCHA and reports to the Audit Committee and the Board. Heads of departments are the primary risk owners and ensure that risk management is embedded in daily activities. While individual executive directors and managers retain primary responsibility for managing the risk originating from their operations, the Internal Risk Committee is responsible for ensuring that risks are identified, measured, monitored, controlled and reported to the Audit Committee.

The risks that were identified during the 2016/17 financial year were:

- **DFI consolidation** – The DFI consolidation can result in the duplication of roles in the new DFI structure. This may cause uncertainty among employees and difficulty to retain and/or recruit new employees. The consolidation process is taking too long to materialise and this is making it difficult to make long-term commitments and plans.
- **Fraud** – Wrongful or criminal deception intended to result in financial or personal gain.
- **Funding** – The inability to attract and retain funding with external parties, and the resulting inability to meet targets.
- **Performance or output target** – The inability to meet output targets for the current financial year.
- **Procurement regulation and processes** – Failure to adhere to procurement processes and regulations.
- **Credit risk** – The borrower defaults on loan repayment.
- **Collection process (delinquent book)** – Ineffective collection of overdue debt and poor collection process on the delinquent book.
- **Skills and capacity** – Critical leadership gaps at executive level and senior management (proactivity, problem-solving and decision-making).
- **Reputation** – Negative organisational reputation.
- **ICT infrastructure and systems** – Non-availability and inadequate ICT services (substandard systems and services).

- **Pricing structure** – Inadequate pricing of products and offerings resulting in insufficient income to sustain business.
- **Product relevance/structure** – Poor product design.
- **Markets** – Lending products not meeting market requirements and poor business pipelines.
- **Compliance** – Inadequate compliance with applicable legislation, regulations and codes.
- **IT governance compliance** – Inability to direct, coordinate and measure application of internal and external resources.
- **Internal systems, controls and processes** – Inadequate systems, processes and controls.

During the year under review, the risk management strategy, revised risk management policy and revised risk implementation plan were approved by the Board. The strategic and operational risk registers were revised.

The DFI consolidation is the main risk that threatens the sustainability of NURCHA at present.

Internal controls

The foundations for internal control processes lie in NURCHA's governance principles that incorporate and emphasise ethical behaviour, legislative compliance and sound accounting practice.

The system of internal control provides reasonable, but not absolute, assurance on the effectiveness and efficacy of controls. Internal control is designed to mitigate, not eliminate, significant risks faced by the company. Control systems include clearly defined lines of accountability and delegation of authority, and provide for full reporting and analysis against approved budgets and adherence to policies, processes and guidelines.

The system of internal control is regularly reviewed and tested for relevance and effectiveness in order to manage the company risks that have a significant impact on the business. Internal auditors conduct periodic reviews across all functions to provide assurance to the Board on the effectiveness of control systems and compliance with agreed policies, procedures and legislation. The relationship between the internal and external auditors is mutually supportive and facilitates proper coverage of financial, operational and compliance controls.

Compliance with the PFMA and Treasury Regulations is continuously being monitored to identify gaps, and action plans are put in place to address any identified gaps. NURCHA has complied with the spirit of the framework for levels of materiality and significance that were developed in terms of the requirements of the Act.

The Board is satisfied that NURCHA operates an adequate system of internal control to identify and manage operational and financial risks.

Internal audit

NURCHA has an effective risk-based internal audit function. The internal audit function was outsourced to an outside company that provides an independent assurance to the Audit Committee. The internal audit work is governed by the internal audit charter and informed by NURCHA's strategy. The internal audit charter defines the role, entity status, authority, responsibilities and scope of activities of the internal audit function. It also includes the principles underlying the realisation of the objectives of the function and the translation thereof into operational activities.

CORPORATE GOVERNANCE (continued)

The internal auditors continuously give assurance to the Audit Committee by providing written assessments of the effectiveness of NURCHA's systems of internal control and risk management. The performance of the internal auditors was evaluated and the Audit Committee is satisfied with their performance.

Information technology (IT) governance

NURCHA views technology as a critical part of its day-to-day business operations. The Board is responsible for ensuring that prudent steps are taken with regard to IT governance, including aligning the IT strategy with NURCHA's strategic objectives and performance targets. The Audit Committee assists the Board in carrying out its IT responsibilities.

The implementation of an information technology framework is management's responsibility. NURCHA management is committed to developing an IT governance framework and putting proper processes in place to measure and understand the company's overall exposure to IT risks and manage these risks.

ICT governance policies, processes and procedures were reviewed and controls are in place to prevent any system failures and ensure continuity. Systems uptime has been on average above 99,8% for the year, and all critical systems are stable. This is largely attributed to ongoing preventive maintenance on all the systems.

The server, network and backup infrastructure is in line with latest technological trends and, as such, is stable and cost-efficient. The ICT service to business has thus improved overall for the longer term without significant variance on cost impact to the business.

The ICT environment is adequately redundant and so ensures minimum downtime. Data is successfully being backed up onsite and offsite for business continuity and disaster recovery assurance. The ICT environment is adequately secure and geared for response to any malicious threats.

The Board is satisfied that NURCHA is on the right path in improving its ICT governance in line with best practice.

Regulatory and statutory compliance

NURCHA is a non-profit company in terms of the Companies Act. The company is registered as a non-profit organisation (NPO) with the Department of Social Development and a Public Benefit Organisation (PBO) with the South African Revenue Service (SARS). NURCHA is governed by the PFMA and the accompanying Treasury Regulations and is classified as a Schedule 3A public entity under this Act.

The compliance function's primary responsibility is to assist the Board and the Chief Executive Officer to ensure that all business operations comply with all applicable legal and regulatory requirements and best practice. NURCHA management is committed to ensuring compliance with NURCHA's regulatory universe and applicable sections of the PFMA and National Treasury Regulations. The regulatory universe was reviewed during the financial year.

NURCHA has a decentralised compliance structure, and the compliance function reports to the Audit Committee through the Company Secretary.

Company Secretary

The Company Secretary is empowered to properly fulfil her duties. The functions of the Company Secretary are in line with the requirements of the Companies Act. The Company Secretary is a source of guidance and advice to the Board, and within the company, on matters of ethics and good governance. The Company Secretary oversees the induction of new directors and the ongoing education of directors. NURCHA submits all returns as required of public entities in terms of the PFMA, Treasury Regulations and other relevant legislation, and ensures that all such returns are accurate, correct and up to date.

Going concern

The directors have reviewed the facts and assumptions and, based on the existing forecasts and current resources, believe that the company has sufficient resources to continue operating as a going concern for the year ahead.

Sustainability

The Board views both sustainable growth and sustainable development as important elements of NURCHA's existence, and is committed to adopting business practices that bring about positive change to the economy, the environment and the social conditions that NURCHA operates within.

Black economic empowerment

NURCHA policies are in line with the Broad-Based Black Economic Empowerment Act, No 53 of 2003. The policy guides NURCHA activities in the area of social transformation. The company was assessed on the new BEE codes, and the current BEE score is level 5.

Procurement of goods and services

Compliance with the procurement policy and BEE strategy allows for meaningful black economic empowerment when approving service providers, and ensures fairness and transparency in the selection of business suppliers. This is done in line with the Broad-Based Black Economic Empowerment Act, No 53 of 2003 (BBBEE Act), and the Preferential Procurement Policy Framework Act, No 5 of 2000 (PPPFA).

The overall objectives of the procurement policy are to:

- optimise NURCHA's utilisation of its financial and administrative resources and to avoid fruitless and wasteful expenditure;
- ensure that NURCHA's strategic objectives are achieved and its service delivery mandate fulfilled;
- ensure the efficient, effective procurement of all goods and/or services, required for the proper functioning of NURCHA, that conforms to constitutional and legislative requirements;
- promote, develop and support historically disadvantaged individuals, black economic empowerment, small, medium and micro enterprises, and preferential procurement goals; and
- ensure good governance through its procurement processes.

Employment equity

NURCHA is committed to maximising the potential and performance of all staff members, and makes a special effort to maximise the role and contribution of historically disadvantaged people. The company complies with the relevant provisions of the Employment Equity Act and it continuously strives to achieve a diverse workforce that is broadly representative of all South Africans. The Employment Equity Committee ensures that NURCHA supports the concept of equal opportunity without regard to race, colour, religion, gender, sexual orientation, national origin or disability.

CORPORATE GOVERNANCE (continued)

Skills development

The company complies with the relevant provisions of the Skills Development Act, No 97 of 1998, and continuously seeks to develop and improve skills within the organisation. NURCHA submits a workplace skills plan to the Department of Labour, reports on actual training conducted, and claims back on the skills development levy. Staff training and development requirements are addressed in each staff member's performance contract and are reviewed twice a year.

NURCHA is committed to black economic empowerment by supporting entrepreneurial development and the promotion of small and medium businesses as set out in the BBBEE Act.

Corporate social responsibility

NURCHA gets involved in various social responsibility programmes. During the year, NURCHA contributed to the Govan Mbeki awards, participated in Cell C Take a Girl Child to Work by accommodating five girls, participated in the Nelson Mandela Day in Soweto, and sponsored the SAWIC conference.



Nontsikelelo Ndzimbomvu
Company Secretary

14 August 2017

ANNUAL FINANCIAL STATEMENTS

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CERTIFICATE BY COMPANY SECRETARY

Declaration by the Company Secretary in respect of section 88(2)(e) of the Companies Act

In my capacity as Company Secretary, I hereby confirm, in terms of section 88(2)(e) of the Companies Act, No 71 of 2008 of South Africa, that for the year ended 31 March 2017, the Company lodged with the Companies and Intellectual Property Commission, all such returns as are required in terms of this Act and that all such returns, to the best of my knowledge, are true, correct and up to date.



Nontsikelelo Ndzimbomvu

Company Secretary

NURCHA NPC

16 August 2017

AUDIT COMMITTEE REPORT

The Audit Committee hereby presents the report for the financial year ended 31 March 2017 in accordance with the Treasury Regulations and the PFMA.

Audit Committee's responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1)(a) of the PFMA and section 3.1.13; section 27.1.7; and section 27.1.10(b) and (c) of the Treasury Regulations.

Section 51(1)(a) of the PFMA states that:

The accounting authority must ensure that the public entity has and maintains:

- I. effective, efficient and transparent systems of financial and risk management and internal controls;
- II. a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77;
- III. an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective; and
- IV. a system for properly evaluating all major capital projects prior to a financial decision on the project.

The Audit Committee reports that it has performed its duties as delegated by the Board and has a majority of independent non-executive directors who are financially literate as recommended by King IV. The committee met four times during the financial year, evaluated its performance and addressed matters of conflict of interest within the company. The committee has conducted its affairs in accordance with its terms of reference and has discharged its responsibilities as contained therein. The committee's chairman attended the annual general meeting during the year.

1. Appointment and oversight of the external auditors

The committee maintains a professional relationship with the external auditors and coordinates activities between external and internal auditors.

We have reviewed the engagement letter and agreed on the terms, fee, nature and scope of the audit function, and are satisfied that the auditors have conducted the audit in accordance with the agreed terms. We are satisfied with the auditors' independence and objectivity.

We have reviewed the public entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved.

2. Monitoring the company's compliance with legislative, regulatory, contractual and other obligations

We have continued to monitor that management complies with legislative, regulatory and other contractual obligations.

AUDIT COMMITTEE REPORT (continued)

3. Appointment of internal auditors, and review of internal controls

The committee approved the internal audit plan for the year.

We are satisfied with the cooperation between the internal and external auditors and that the combined assurance addresses all significant risks facing NURCHA.

All internal audits were completed independently of management and the reports were presented directly to the Audit Committee for review, together with management's responses.

We have reviewed the findings of the internal audit work, which was based on the risk assessments conducted in the organisation, and have noted all weaknesses reported in internal controls. Areas of concern have been raised with management and are monitored for improvements.

4. Monitoring the definition of risks and the adequacy and efficacy of risk management processes

The committee is aware of, and has monitored, the risks that affect the organisation. The ongoing internal audit process provides the Audit Committee with the assurance that all major issues regarding the appropriateness and effectiveness of internal controls are reported.

5. Examination and review of the financial statements and accompanying reports

During the year, the committee examined and reviewed the quarterly reports on the operational and financial performance of the company. The committee has reviewed the annual financial statements for the year ended 31 March 2017.

The committee confirms that the annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) and the Companies Act. All provisions and contingencies have been reviewed and disclosed. The external auditors' management letter has been reviewed and the Audit Committee has satisfied itself with management's responses.

The Audit Committee concurs and accepts the independent external auditors' conclusion on the annual financial statements, and is of the opinion that the audited annual financial statements should be accepted and read together with the report of the independent external auditors.



Thulani Nzimakwe

Chairperson – Audit Committee

16 August 2017

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON NATIONAL URBAN RECONSTRUCTION AND HOUSING AGENCY AND ITS SUBSIDIARIES

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of the National Urban Reconstruction and Housing Agency (NURCHA – the Company) and its subsidiaries (the Group) set out on pages 52 to 104 which comprise the consolidated and separate statement of financial position as at 31 March 2017, and the consolidated and separate statement of financial performance, consolidated and separate statement of changes in net assets and consolidated and separate statement of cash flows for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 March 2017, and their financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practices in South Africa (GRAP) and the requirements of the Public Finance Management Act of South Africa, Act No 1 of 1999 (PFMA).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' code of ethics for professional accountants (IESBA code), together with the ethical requirements that are relevant to our audit in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to the transfer of functions between entities under common control paragraph below. Our opinion is not modified in respect of this.

Transfer of functions between entities under common control

As disclosed in note 32 and note 36 to the consolidated and separate financial statements, the Group will be transferring its functions to National Housing Finance Corporation (NHFC). The planned effective date of the transfer is 31 August 2017.

Responsibilities of the accounting authority for the consolidated and separate financial statements

The Board of Directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with GRAP and the requirements of the PFMA and Companies Act of South Africa and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON NATIONAL URBAN RECONSTRUCTION AND HOUSING AGENCY AND ITS SUBSIDIARIES (continued)

In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the Group'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 accounting authority either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No 25 of 2004) (PAA), and the general notice issued in terms thereof we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

Our procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2017:

The Group

Objectives	Pages in the annual performance report
Affordable Housing	19
Subsidy Housing	19
Infrastructure and Community Facilities	19

We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:

The Group

- Affordable Housing;
- Subsidy Housing; and
- Infrastructure and Community Facilities.

Other matter

We draw attention to the matter below.

Achievement of planned targets

Refer to the annual performance report on pages 15 to 25 for information on the achievement of planned targets for the year and explanations provided for the underachievement of a significant number of targets. This information should be considered in the context of the opinions expressed on the usefulness and reliability of the reported performance information in this report.

Report on audit of compliance with legislation

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the compliance of the Group with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

The material finding in respect of the compliance criteria for the applicable subject matters are as follows:

Expenditure management

Effective steps were not taken to prevent irregular expenditure amounting to R13,3 million (2016: R39,2 million as disclosed in note 38 in the consolidated and separate financial statements, as required by section 51(1)(b)(ii) of the PFMA and Treasury Regulation 16A6.

Procurement and contract management

The preferential point system was not consistently applied in the procurement of goods and services between R30 000 and R500 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act.

Other information

The Group's accounting authorities are responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated and separate financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON NATIONAL URBAN RECONSTRUCTION AND HOUSING AGENCY AND ITS SUBSIDIARIES (continued)

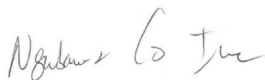
Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Internal control deficiencies

We considered internal control relevant to our audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance thereon.

Legislation was not consistently applied due to inadequate review and monitoring of compliance with supply chain management requirements relevant to the Group.



Ngubane & Company
Chartered Accountants (SA)
Thomas Nkomozephi
Director

31 July 2017

Building 1, Midrand Business Park
563 Old Pretoria Road, Midrand

Annexure – Auditor’s responsibility for the audit

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the consolidated and separate financial statements, and the procedures performed on reported performance information for selected objectives and on the entity’s compliance with respect to the selected subject matters.

Financial statements

In addition to our responsibility for the audit of the consolidated and separate financial statements, as described in the auditor’s report, we also:

- identify and assess the risks of material misstatement of the consolidated and separate 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 our 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 entity’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- conclude on the appropriateness of the Board of Directors and use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s and its subsidiaries’ ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available to us at the date of the auditor’s report. However, future events or conditions may cause the entities to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Communication with those charged with governance

We 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 we identify during our audit.

We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and here applicable, related safeguards.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors hereby present their report for the year ended 31 March 2017.

Nature of business

National Urban Reconstruction and Housing Agency (NURCHA) was incorporated in the Republic of South Africa as a non-profit company in terms of the Companies Act, 2008. The company is listed as a Schedule 3A public entity in terms of the Public Finance Management Act (PFMA). It was established in 1995 as a partnership between the South African Government represented by the National Department of Human Settlements and Soros Economic Development Fund (SEDF). During the year under review, SEDF withdrew its partnership arrangement with the South African Government. The National Department is, therefore, the only shareholder as at 31 March 2017.

NURCHA's mandate is to ensure availability of bridging finance to small, medium and established contractors building low- and moderate-income housing, related infrastructure and community facilities. To achieve this, NURCHA:

- lends to contractors and developers directly;
- facilitates lending to contractors by other lenders by sharing risk with them; and
- may, with the permission of the Board of Directors and with the necessary permission in terms of the PFMA, provide other forms of financing (such as equity, quasi-equity or debt) to assist in the development of empowered construction and development companies.

The Programme and Fund Management Portfolio, which was established in April 2012, has continued to exist during the year under review. Details of programmes conducted during the year are provided fully from page 15 to 25.

Subsidiary companies

NURCHA has established subsidiary companies, which are established to ring-fence funds provided by various funders. These companies are 100%-owned by NURCHA. Details of these companies are provided on page 4.

Directors, prescribed officers and Company Secretary

The names of the directors, prescribed officers and Company Secretary are stated on page 95 and 96.

Material resolutions

During the year, some resolutions relating to the consolidation of the three entities (NURCHA, NHFC and RHLF) were taken.

The following resolutions were passed by the Board of Directors:

1. 2 September 2016 – Resolution to approve donation, transfer or sale of NURCHA's business as a going concern to NHFC.
2. 17 November 2016 – Resolution to effect changes to Donation Agreement between NURCHA and NHFC.
3. 17 November 2016 – Resolution authorising the NHFC to file an Application to Companies Tribunal for an Administrative Order.
4. 17 November 2016 – Special resolution to effect changes to NURCHA's Memorandum of Incorporation.
5. 16 March 2017 – Resolution to transfer bank accounts to NHFC.

Directors' responsibility for financial statements

The directors are responsible for the preparation, integrity and fair presentation of the financial statements and other financial information included in this report. In presenting the accompanying financial statements, standards of Generally Recognised Accounting Practice (GRAP) have been followed; applicable accounting assumptions have been used, while prudent judgement and estimates have been made.

The financial statements have been audited by the independent accounting firm, Ngubane and Company, which was given unrestricted access to all financial records and related data, including all resolutions and minutes of all meetings of members and the Board of Directors. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The financial statements were approved by the directors on 16 August 2017.

Internal controls

An effective internal control environment is the responsibility of the Board. NURCHA management is committed to build a controls-based environment which is conducive to accurate, complete and valid financial reporting. There were no significant weaknesses in controls that were identified during the current financial year.

Directors' statement on going concern assumption

The going concern assumption has been adopted in preparing the financial statements. The directors have no reason to believe that the company will not be a going concern in the foreseeable future based on the 2017/18 budget, cash flow forecasts and available cash resources.

The shareholder of NURCHA has taken a decision that the entity must consolidate with two other DFIs (NHFC and RHLF) to form a bigger Human Settlements Development Bank that will deliver at a larger scale than the three DFIs are able to individually. The directors have taken a resolution that NURCHA's business must be donated to NHFC. The effective date of this transaction is expected to be within the 2017 calendar year. The donation agreement has been signed by both NHFC and NURCHA directors.

NURCHA will continue to operate as a division of NHFC. The assets and liabilities of NURCHA and its subsidiary companies are reported at carrying value at year-end.

New loan applications under the Affordable Housing Programme will be financed using own funds and a Public Investment Corporation (PIC) loan facility. The availability of the PIC loan facility came to an end in April 2016, but the final repayment date is July 2023. The PIC has consented to the consolidation of NURCHA with NHFC, and the written confirmation has been obtained.

The directors are satisfied that NURCHA has access to adequate resources to continue in operational existence up to the effective date of the consolidation.

Property, plant and equipment

Furniture and equipment were acquired at a cost of R782 313 (2016: R298 613). There were no changes in the nature of property, plant and equipment nor in the policy regarding their use during the year under review.

Group construction finance facilities

Group construction finance facilities raised in the form of cash deposits as at the year-end were as follows:

	2017 R'000	2016 R'000
Construction finance capital received in the form of accumulated surplus	537 752	479 132
Public Investment Corporation (PIC) loan for construction finance	70 000	70 000
Total capacity before contingent liabilities	607 752	549 132
Commitments relating to loans signed and issued by NURCHA	422 798	645 919

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2017

Project losses

Project losses of R16 000 (2016: R36 million) for the Group (NURCHA and its subsidiary companies) were incurred during the year under review as a result of defaults on loans to construction projects. The Group will pursue legal action on some of these contractors or employers and a portion of this amount may be recovered as the contractors have assets in the background and/or the claims are considered valid.

Allowance for impairment of loans

During the year under review, the allowance for impairment of loans for the Group increased by R12,9 million (2016: R36,5 million). The increase is mainly due to project loans that are in default. Diversion of funds by contractors and late payment by employers also contributed to this increase.

Delays in payment of contractor claims by other organs of state are still being experienced. These contributors to the state of NURCHA's loan book have been brought to the attention of the Department of Human Settlements and National Treasury for their intervention.

Loans to subsidiary companies

During the year under review, the Board took a decision that part of the loans made by NURCHA to the two subsidiary companies in prior years must be written off. The decision was informed by the fact that the financial position of the two companies is very weak following the major impairment of their loan books in prior years. These companies are now dormant and chances are limited that their business growth will be significant in future. The total amount written off during the financial year is R28 million (2016: R25 million). The write-off, however, does not affect the Group's results.

Subsidy housing programme

NURCHA continued its role as primary lender of the contractors under the Subsidy Housing Programme. Loans signed are now financed out of NURCHA's own funds.

The loan value committed under the Subsidy Housing Programme as at end of the financial year, using the direct lending method, is R104 million (2016: R208 million). The use of the direct lending method is in line with the decision of the Board in the 2012 financial year regarding the termination of relationship with the intermediaries to manage aspects of the loan book on its behalf.

TUSK, however, has continued supporting projects that were signed through them to their completion, but all new projects are signed directly with NURCHA.

Irregular expenditure

Irregular expenditure amounting to R13,4 million is reported during the year under review. Of this amount, R10,5 million relates to contracts that were signed in the 2016 financial year but expenditure incurred in the 2017 financial year; and R2,9 million relates to contracts that were signed in the 2017 financial year. In respect of the current year's expenditure, R1,4 million relates to tenders that were not advertised on the e-Tender Publication portal and the Government Tender Bulletin. These tenders were, however, advertised on a local newspaper and NURCHA's website. R728 000 relates to expenditure that was incurred without obtaining prior approval from the committee with delegated authority to approve changes to the scope of bids. In one instance reported, a quotation amounting to R30 871 was not evaluated using the 80/20 preference point system.

The directors are satisfied that in all these reported cases, no financial losses were suffered and NURCHA received full value for money on the expenditure that was incurred. The directors will continue to improve internal controls in the area of Supply Chain Management in order to be fully compliant with legislative requirements at all times.

Refer to note 38 for details of this irregular expenditure and corrective action taken or to be taken by management.

Auditors

The auditors of NURCHA and its subsidiary companies are Ngubane and Company. They have carried out an independent examination of the financial statements in accordance with the Public Audit Act of South Africa, 2004 (Act No 25 of 2004) (PAA), the General Notice issued in terms thereof and with International Standards on Auditing and have reported their findings in the audit report on page 47 to 51.

Post-balance sheet events

The Minister of Human Settlements made an announcement in May 2017 that the Human Settlement Development Bank has been established. The three DFIs are being merged to ultimately form an HSDB. This will be done through a transfer of business of the two DFIs (NURCHA and RHLF) to NHFC.

The Companies Tribunal approved, on 28 April 2017, the transfer of NURCHA business to NHFC after the exemption application was made by the two parties to the Tribunal in terms of section 6(2), read with section 6(3) of the Companies Act No 71 of 2008, to be allowed to merge a Non-Profit Company (NURCHA) with a Profit Company (NHFC) as prohibited by paragraph 2(1)(a) of Schedule 1 of the Companies Act, No 71 of 2008.

Development outputs

The following table provides development outputs for the year ended 31 March 2017:

	Contracts signed		Houses/sites in contracts		Houses/sites completed		Loans signed (R'million)		Project values (R'million)	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Subsidy Housing	35	28	17 500	4 890	12 830	4 820	140,0	80,1	1 750,0	601,3
Affordable Housing	23	8	3 450	1 085	2 500	1 904	345,0	180,6	690,0	581,4
Infrastructure and Community Facilities (projects)	4	4	n/a	n/a	4	1	18,0	12,8	100,0	43,2

The annual financial statements as set out on page 44 to 104 have been approved by the directors and are signed on their behalf by Mr K Shubane and Mr V Gqwetha.



Khehla Shubane
Chairman – Board



Viwe Gqwetha
Managing Director

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Notes	Group		Company	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
Assets					
Current assets		567 583	621 116	347 559	345 400
Loans for construction projects	3	257 428	252 958	189 987	185 598
Receivables from exchange transactions	4	27 419	10 866	573	634
Non-current assets held for sale	5	1 300	3 138	1 300	3 400
Cash and cash equivalents	6	281 436	354 154	155 699	155 768
Non-current assets		122 507	87 704	225 984	252 757
Property, plant and equipment	7	893	496	893	496
Intangible assets	8	770	1 257	770	1 257
Investments in controlled entities	9	—	—	1	1
Investments in associates	10	—	—	—	—
Loans to economic entities	11	—	—	125 861	183 922
Loans for construction projects	3	120 844	85 951	98 459	67 080
Total assets		690 090	708 820	573 543	598 156
Liabilities					
Current liabilities		82 362	121 414	5 967	4 830
Current tax payable	14	641	—	—	—
Payables from exchange transactions	12	28 981	24 905	3 089	2 636
Managed funds	13	49 862	94 315	—	—
Provisions	15	2 228	2 194	2 228	2 194
Other payables	5	650	—	650	—
Non-current liabilities					
PIC loan	16	69 976	69 974	—	—
Total liabilities		152 338	191 390	5 967	4 830
Net assets		537 752	517 431	567 576	593 326
Capital contributed by Government	17	361 000	361 000	361 000	361 000
Other reserves		199 284	199 284	199 284	199 284
Formation grants	18	38 300	38 300	38 300	38 300
Accumulated deficit		(60 832)	(81 153)	(31 008)	(5 258)
Total net assets		537 752	517 431	567 576	593 326

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL PERFORMANCE**FOR THE YEAR ENDED 31 MARCH 2017**

	Notes	Group		Company	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
Revenue					
Revenue from exchange transactions					
Fees on loans for construction projects		10 360	10 922	7 748	6 957
Fees charged to controlled entities		–	–	21 001	16 670
Interest on loans for construction projects		53 459	38 880	37 273	23 490
Other income		5 098	9 167	1 964	6 750
Programme management fees	19	59 889	35 950	–	–
Interest received from investments	20	13 585	17 846	10 673	16 670
Interest on loans to controlled entities	20	–	–	9 678	8 772
Total revenue from exchange transactions		142 391	112 765	88 337	79 309
Expenditure					
Employee-related costs	21	(38 251)	(34 660)	(38 248)	(34 660)
Depreciation and amortisation		(967)	(1 102)	(967)	(1 102)
Finance costs	22	(7 351)	(8 186)	–	(4 439)
Lease rentals on operating lease		(2 769)	(2 717)	(2 303)	(2 347)
Bad debt written off	23	(16)	(36 216)	(28 000)	(52 333)
Repairs and maintenance		(217)	(418)	(215)	(418)
Other operating expenses	24	(57 155)	(47 846)	(11 418)	(14 122)
Total expenditure		(106 726)	(131 145)	(81 151)	(109 421)
Operating surplus/(deficit)		35 665	(18 380)	7 186	(30 112)
Other gains/(losses)		(14 600)	36 429	(32 933)	54 217
Gain/(loss) on disposal of property, plant and equipment		19	(29)	19	(29)
Gain/(loss) on fair value adjustment		155	–	(1 453)	–
Impairment (loss)/reversal – loans	3	(12 936)	36 458	(29 399)	54 246
Impairment (loss)/reversal – non-current assets held for sale	5	(1 838)	–	(2 100)	–
Surplus/(deficit) before taxation		21 065	18 049	(25 747)	24 105
Taxation	14	(745)	–	–	–
Surplus/(deficit) for the year		20 320	18 049	(25 747)	24 105

**CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES
IN NET ASSETS**

FOR THE YEAR ENDED 31 MARCH 2017

	Contributed capital R'000	Other reserves R'000	Formation reserve R'000	Total reserves R'000	Accumulated surplus R'000	Total net assets R'000
Group						
Balance at 1 April 2015	300 000	199 284	38 300	237 584	(99 200)	438 384
Changes in net assets						
Surplus for the year	–	–	–	–	18 049	18 049
Capital grants received	61 000	–	–	–	–	61 000
Total changes	61 000	–	–	–	18 049	79 049
Balance at 1 April 2016	361 000	199 284	38 300	237 584	(81 151)	517 431
Changes in net assets						
Surplus for the year	–	–	–	–	20 320	20 320
Total changes	–	–	–	–	20 320	20 320
Balance at 31 March 2017	361 000	199 284	38 300	237 584	(60 831)	537 752
Company						
Balance at 1 April 2015	300 000	199 284	38 300	237 584	(29 363)	508 221
Changes in net assets						
Surplus for the year	–	–	–	–	24 105	24 105
Capital grants received	61 000	–	–	–	–	61 000
Total changes	61 000	–	–	–	24 105	85 105
Balance at 1 April 2016	361 000	199 284	38 300	237 584	(5 258)	593 326
Changes in net assets						
Deficit for the year	–	–	–	–	(25 747)	(25 747)
Total changes	–	–	–	–	(25 747)	(25 747)
Balance at 31 March 2017	361 000	199 284	38 300	237 584	(31 008)	567 576

Notes

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CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Group		Company	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
Cash flows from operating activities					
Receipts					
Loan fees and programme management fees		70 248	46 872	7 748	23 627
Loan repayments		64 848	56 679	46 267	24 298
Other receipts		7 449	9 167	2 188	5 520
		142 545	112 718	56 203	53 445
Payments					
Employee costs		(36 971)	(34 659)	(36 971)	(34 659)
Suppliers		(117 292)	(49 531)	(28 069)	(45 541)
Finance costs		(7 351)	(8 186)	–	(4 439)
		(161 614)	(92 376)	(65 040)	(84 639)
Net cash flows from operating activities	26	(19 069)	20 342	(8 837)	(31 194)
Cash flows from investing activities					
Purchase of property, plant and equipment	7	(782)	(299)	(782)	(299)
Proceeds from sale of property, plant and equipment		42	9	42	9
Purchase of other intangible assets	8	(118)	(405)	(118)	(405)
Proceeds from sale of other intangible assets	8	–	74	–	74
Loans advanced to economic entities		–	–	58 060	67 585
Loan disbursements for construction projects		(52 948)	(44 139)	(46 981)	(122 539)
Net cash flows from investing activities		(53 807)	(44 760)	10 219	(55 575)
Cash flows from financing activities					
Capital grants received	18	–	61 000	–	61 000
Repayment of SEDF loan		–	(55 541)	–	(55 541)
Repayment of CADIZ loan		–	(8 000)	–	–
Increase in PIC loan		2	69 975	–	–
Net cash flows from financing activities		2	67 434	–	5 459
Net increase/(decrease) in cash and cash equivalents		(72 874)	43 016	1 382	(81 310)
Cash and cash equivalents at the beginning of the year		354 154	311 138	155 768	237 078
Gain/(loss) on fair value adjustment		155	–	(1 453)	–
Cash and cash equivalents at the end of the year	6	281 436	354 154	155 699	155 768

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2017

Group	Reference	Approved budget R'000	Adjust- ments R'000	Final budget R'000	Actual amounts on comparable basis R'000	Difference between final budget and actual R'000
Statement of financial performance						
Revenue						
Revenue from exchange transactions						
Fees on loans for construction projects	(a)	8 450	—	8 450	10 360	1 910
Interest on loans for construction projects		54 245	—	54 245	53 459	(786)
Other income	(b)	3 027	—	3 027	5 098	2 071
Programme management fees	(c)	12 153	—	12 153	59 889	47 736
Interest received – investments and controlled entities	(a)	2 772	—	2 772	13 585	10 813
Total revenue from exchange transactions		80 647	—	80 647	142 391	61 744
Expenditure						
Employee-related costs	(d)	(39 206)	—	(39 206)	(38 251)	955
Depreciation and amortisation		(1 059)	—	(1 059)	(967)	92
Finance costs	(e)	(10 500)	—	(10 500)	(7 351)	3 149
Lease rental on operating lease		(2 671)	—	(2 671)	(2 769)	(98)
Bad debts written off	(f)	—	—	—	(16)	(16)
Repairs and maintenance	(g)	(274)	—	(274)	(217)	57
Other operating expenses	(c)	(26 433)	—	(26 433)	(57 155)	(30 722)
Total expenditure		(80 143)	—	(80 143)	(106 726)	(26 583)
Operating surplus		504	—	504	35 665	35 161
Other gains/(losses)		1 050	—	1 050	(14 600)	(15 650)
Gain/(loss) on disposal of property, plant and equipment		—	—	—	19	19
Gain/(loss) on fair value adjustment		—	—	—	155	155
Impairment (loss)/reversal – loans		1 050	—	1 050	(12 936)	(13 986)
Impairment (loss)/reversal – non-current assets held for sale		—	—	—	(1 838)	(1 838)
Surplus before taxation		1 544	—	1 544	21 065	19 511
Taxation		—	—	—	(745)	(745)
Surplus/(deficit) for the year		1 544	—	1 544	20 320	18 766

Group	Reference	Approved budget R'000	Adjust- ments R'000	Final budget R'000	Actual amounts on comparable basis R'000	Difference between final budget and actual R'000
Statement of financial position						
ASSETS						
Current assets		618 650	–	618 650	567 583	(51 067)
Loans for construction projects	(a)	537 691	–	537 691	257 428	(280 263)
Receivables from exchange transactions		9 803	–	9 803	27 419	17 616
Non-current assets held for sale		–	–	–	1 300	1 300
Cash and cash equivalents	(a)	71 156	–	71 156	281 436	210 280
Non-current assets		96 600	–	96 600	122 507	25 907
Property, plant and equipment		550	–	550	893	343
Intangible assets		734	–	734	770	36
Loans for construction projects	(a)	95 316	–	95 316	120 844	25 528
Total assets		715 250	–	715 250	690 090	(25 160)
LIABILITIES						
Current liabilities		109 750	–	109 750	82 364	(27 386)
Current tax payable		–	–	–	641	641
Payables from exchange transactions	(h)	16 591	–	16 591	28 983	12 392
Managed funds	(i)	91 026	–	91 026	49 862	(41 164)
Provisions		2 133	–	2 133	2 228	95
Other payables		–	–	–	650	650
Non-current liabilities		–	–	–	–	–
PIC loan	(e)	100 000	–	100 000	69 976	(30 024)
Total liabilities		209 750	–	209 750	152 340	(57 410)
Net assets		505 500	–	505 500	537 750	32 250
Net assets						
Capital contributed by Government		361 000	–	361 000	361 000	–
Other reserves		199 284	–	199 284	199 284	–
Formation grants		38 300	–	38 300	38 300	–
Accumulated deficit		(93 084)	–	(93 084)	(60 834)	32 250
Total net assets		505 500	–	505 500	537 750	32 250

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

Material differences between budget and actual amounts

- (a) The good performance in income relates to fees from the lending business. The budget for interest income from loans was not met by a small margin because even though new loans were signed up during the financial year, the conversion rate for those loans was slow. This impacted adversely both the interest income and size of loan book performance.
- (b) Bad debts recovered are budgeted as part of the other income and collection targets during the financial year were exceeded.
- (c) The positive performance in programme management was driven by good performance of the Cape Town ceilings retrofit project. NURCHA was reappointed to implement the second phase of the programme. However, in order to generate this additional income, additional expenses were incurred. These additional expenses, classified as implementation expenses in note 24, did not exceed the income that was generated.
- (d) Not all the vacancies in the approved structure were filled during the financial year.
- (e) The PIC loan facility was not fully utilised. Management decided to draw only 70% of the facility and this resulted in reduced interest expense and loan amount outstanding.
- (f) The Group does not budget for losses. These bad debts had been provided for in full.
- (g) The repairs and maintenance budget was understated during the budgeting process.
- (h) The payables budget was understated during the budgeting process.
- (i) The variance relates to managed funds, which are funds that NURCHA is managing on behalf of Provincial Departments of Human Settlements. Cash flow projections for these funds are done at Provincial level.
- (j) Impairment of loans increased because of the ageing in the loan book.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

ACCOUNTING POLICIES

1. Presentation of consolidated and separate annual financial statements

The consolidated and separate annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with section 91(1) of the Public Finance Management Act (Act No 1 of 1999).

These consolidated and separate annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated and separate annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These consolidated and separate annual financial statements are presented in South African rand, which is the functional currency of the Group.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the Group will continue to operate as a going concern in the foreseeable future. Refer to note 32 on how the Group will be structured in the future.

1.3 Consolidation

Basis of consolidation

Consolidated and separate annual financial statements are the consolidated and separate annual financial statements of the Group presented as those of a single entity.

The consolidated and separate annual financial statements incorporate consolidated and separate annual financial statements of the company and all controlled entities, which are controlled by the company.

Control exists when the company has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities are included in the consolidated and separate annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the controlled entity recognised in net assets in accordance with the Statement of GRAP on the The Effects of Changes in Foreign Exchange Rates, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

1. Presentation of consolidated and separate annual financial statements (continued)

1.3 Consolidation (continued)

An investment in an entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the fair value on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The financial statements of the company and its controlled entities used in the preparation of the consolidated financial statements are prepared as of the same reporting date.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Investment in associates

An associate is an entity over which the company has significant influence and that is neither a controlled entity nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of an activity but is not control or joint control over those policies.

An investment in associate is accounted for using the equity method. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any impairment losses.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. The surplus or deficit of the Group includes the Groups' share of the surplus or deficit of the investee.

The Group's share of the surplus or deficit of the investee is recognised in surplus or deficit.

Distributions received from an investee reduce the carrying amount of the investment.

The most recent available consolidated and separate annual financial statements of the associate are used by the Group in applying the equity method. When the reporting dates of the Group and the associate are different, the associate prepares, for the use of the Group, consolidated and separate annual financial statements as of the same date as the consolidated and separate annual financial statements of the Group unless it is impractical to do so.

When the consolidated and separate annual financial statements of an associate used in applying the equity method are prepared as of a different date from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated and separate annual financial statements. In any case, the difference between the end of the reporting dates of the associate and that of the Group is no more than three months. The length of the reporting dates and any difference between the ends of the reporting dates is the same from period to period.

The Group's consolidated and separate annual financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances.

Deficits in an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred a legal or constructive obligation to make payments on behalf of the associate. If the associate subsequently reports surpluses, the Group resumes recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Surpluses and deficits on transactions between the Group and an associate are eliminated to the extent of the Group's interest therein.

The company discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and account for the investment in accordance with the Standards of GRAP on Financial instruments from that date, unless the associate becomes a controlled entity or a joint venture, in which case it is accounted for as such. The carrying amount of the investment at the date that it ceases to be an associate is regarded as the fair value on initial recognition as a financial asset in accordance with the Standards of GRAP on Financial instruments.

1.4 Comparative figures

When the presentation or classification of items in the consolidated and separate annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and/or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, 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.

1.5 Significant judgements and sources of estimation uncertainty

In preparing the consolidated and separate annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated and separate annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated and separate annual financial statements. Significant judgements include:

Trade receivables and/or loans and receivables

The Group assesses its loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus 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 loans and receivables 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 balances in the portfolio and scaled to the estimated loss emergence period.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

1. Presentation of consolidated and separate annual financial statements (continued)

1.5 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the latest information available.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and recoverable amount.

1.6 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 Group; 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.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is not 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 useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5 years
Office equipment	Straight line	5 years
Computer equipment	Straight line	3 years

The residual value, the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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 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.

1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in the statement of financial position only 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 of fair value of the asset can be measured reliably.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the Group or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

The Group 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.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

1. Presentation of consolidated and separate annual financial statements (continued)

1.7 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

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.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Item	Useful life
Computer software, internally generated	3 years
Computer software, other	3 years

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.8 Investments in controlled entities

Group consolidated annual financial statements

The Group financial statements include those of a company and its controlled entities. The revenue and expenses of the controlled entities are included from the effective date of acquisition.

On acquisition the Group recognises the controlled entity's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

Company annual financial statements

In the entity's separate annual financial statements, investments in controlled entities are carried at cost less accumulated impairment.

1.9 Investments in associates

Group consolidated and separate annual financial statements

An investment in an associate is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the surpluses or deficits of the investee after acquisition date. The use of the equity method is discontinued from the date the Group ceases to have significant influence over an associate.

Any impairment losses are deducted from the carrying amount of the investment in associate.

Distributions received from the associate reduce the carrying amount of the investment.

Surpluses and deficits resulting from transactions with associates are recognised only to the extent of unrelated investors' interests in the associate.

On acquisition of the investment any difference (whether positive or negative) between the cost of the investment and the investor's share of the net fair value of the associate's identifiable assets and liabilities is accounted for in accordance with the Standard of GRAP on Transfer of functions between entities not under common control.

The excess of the Group's share of the net fair value of an associate's identifiable assets, liabilities and contingent liabilities over the cost is excluded from the carrying amount of the investment and is instead included as revenue in the period in which the investment is acquired.

The most recent available consolidated and separate annual financial statements of the associate are used by the investor in applying the equity method. When the end of the reporting period of the investor is different from that of the associate, the associate prepares, for the use of the investor, consolidated and separate annual financial statements as of the same date as the consolidated and separate annual financial statements of the investor unless it is impracticable to do so.

The recognition of the Group's share of losses is discontinued once the Group's share of losses of an associate equals or exceeds its interest in the associate.

Company annual financial statements

An investment in an associate is carried at cost less accumulated impairment.

1.10 Non-current assets held for sale

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held-for-sale, are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held-for-sale, or while it is part of a disposal group classified as held-for-sale.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

1. Presentation of consolidated and separate annual financial statements (continued)

1.10 Non-current assets held for sale (continued)

Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the statement of financial performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

1.11 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.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

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 guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unutilised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

1. Presentation of consolidated and separate annual financial statements (continued)

1.11 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.12 Tax

Holding company

The holding company is exempted from income tax in terms of section 10(1)(c11) of the Income Tax Act of 1962.

Subsidiary companies

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 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 and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

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.

1.13 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

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.

1.14 Capital contributed by Government

An equity instrument is any contract that evidences a residual interest in the assets of a group after deducting all of its liabilities.

1.15 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

1. Presentation of consolidated and separate annual financial statements (continued)

1.15 Employee benefits (continued)

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions whereby an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and, as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.16 Provisions and contingencies

Provisions are recognised when:

- the Group 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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the Group settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

1.17 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 should be 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 (for example, contracts for computer or building maintenance services).
- 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.

1.18 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.

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.

Gains and losses arising from a change in the fair value of financial investments are included in net surplus or deficit in the period in which they arise.

Measurement

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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

1. Presentation of consolidated and separate annual financial statements (continued)

1.18 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Group;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date.

Interest and dividends

Revenue arising from the use by others of entity assets yielding interest and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

Gains or losses arising from changes in the fair value of investment property are included in surplus or deficit for the period in which it arises.

1.20 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and, where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note No.4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year, and which was condoned before year-end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year-end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.22 Budget information

The Group is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the Group shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by programmes linked to performance outcome objectives.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

1. Presentation of consolidated and separate annual financial statements (continued)

1.22 Budget information (continued)

The approved budget covers the fiscal period from 1 April 2016 to 31 March 2017.

The budget for the economic entity includes all the entities' approved budgets under its control.

The consolidated and separate annual financial statements and the budget are on the same basis of accounting, therefore, a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

1.23 Related parties

The Group operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

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

All transactions with related parties are disclosed.

1.24 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).

The Group will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The Group 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.

1.25 Transfer of functions between entities under common control

Definitions

An acquirer is the Group that obtains control of the acquiree or transferor.

The carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another group so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a group's objectives, either by providing economic benefits or service potential.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the reallocation of functions between entities by transferring functions between entities or into another group.

A transferor is the group that relinquishes control of a function.

Common control – For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a group's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole Group. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that, when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which group to the transaction or event is the transferor(s) and which group is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which group is the acquirer and which group is the transferor.

Determining the acquirer includes a consideration of, among other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The Group has not applied the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2017 or later periods:

Standard/Interpretation	Effective date: Years beginning on or after	Expected impact
GRAP 20: <i>Related parties</i>	No effective date has been determined.	No impact
GRAP 32: <i>Service Concession Arrangements: Grantor</i>	No effective date has been determined.	No impact
GRAP 34: <i>Separate Financial Statements</i>	No effective date has been determined.	No impact
GRAP 35: <i>Consolidated Financial Statements</i>	No effective date has been determined.	No impact
GRAP 36: <i>Investments in Associates and Joint Ventures</i>	No effective date has been determined.	No impact
GRAP 37: <i>Joint Arrangements</i>	No effective date has been determined.	No impact
GRAP 38: <i>Disclosure of Interests in Other Entities</i>	No effective date has been determined.	No impact
GRAP 108: <i>Statutory Receivables</i>	No effective date has been determined.	No impact
GRAP 109: <i>Accounting by Principals and Agents</i>	No effective date has been determined.	No impact
GRAP 110: <i>Living and Non-living resources</i>	No effective date has been determined.	No impact

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
3. Loans for construction projects				
Designated at fair value				
Loans for construction projects	395 380	343 082	300 200	253 217
Impairments of loans	(17 108)	(4 173)	(11 754)	(539)
	378 272	338 909	288 446	252 678
Non-current assets				
Loans for construction projects	120 844	85 951	98 459	67 080
Current assets				
Loans for construction projects	257 428	252 958	189 987	185 598
	378 272	338 909	288 446	252 678
Repayment schedule:				
The above loans bear interest at rates ranging between 10,5% and 16,25% per annum, are secured and are repayable on completion of the projects or by:				
31 March 2017	–	257 132	–	186 137
31 March 2018	274 536	66 717	201 741	66 717
31 March 2019	119 742	18 938	97 357	68
31 March 2020	78	77	78	77
31 March 2021	889	86	889	86
31 March 2022	99	97	99	97
31 March 2023	36	35	36	35
	395 380	343 082	300 200	253 217

The loans are secured by subordination or cession of shareholders' loans in the borrowing entities; cession of book debts; work in progress in projects; mortgage bonds over properties; pledges of cash balances and personal suretyship by the borrowing entities' shareholders (where applicable). These securities are ceded to funders where applicable.

Allowance for impairment of loans

Reconciliation of changes in allowance for impairment of loans

	Opening balance R'000	Contributions R'000	Reversals R'000	Written off R'000	Closing balance
2017					
Group					
Impairments of loans	4 173	12 995	(45)	(15)	17 108
Company					
Impairments of loans	539	11 260	(45)	–	11 754

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Opening balance R'000	Contributions R'000	Reversals R'000	Written off R'000	Closing balance
2016					
3. Loans for construction projects (continued)					
Reconciliation of changes in allowance for impairment of loans					
Group					
Impairments of loans	40 630	481	(31 113)	(5 825)	4 173
Company					
Impairments of loans	28 746	481	(28 474)	(214)	539

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
4. Receivables from exchange transactions				
Salary advance	3	14	3	14
Prepayments	81	69	–	–
Deposits	638	634	570	570
Other receivables	–	1 050	–	50
Programme management receivables	25 541	6 769	–	–
VAT receivable	1 156	2 330	–	–
	27 419	10 866	573	634

5. Non-current assets held-for-sale

A decision was taken to sell the investment in associate, and a buyer has been identified. The sale agreement has been signed by the two parties. The price of the investment has been fixed at R1,3 million, which is based on a valuation that was conducted by an independent valuator. R650 000 has been received from the buyer as part payment for the sale of shares.

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Reconciliation of changes in non-current assets held for sale				
Opening balance	3 138	3 138	3 400	3 400
Impairments	(1 838)	–	(2 100)	–
Closing balance	1 300	3 138	1 300	3 400

	Group		Company	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
6. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand	–	3	–	3
Bank balances	88 716	116 401	13 232	12 558
Short-term deposits held for lending purpose	142 833	143 306	142 467	143 207
Managed funds	49 887	94 444	–	–
	281 436	354 154	155 699	155 768

	2017			2016		
	Accumulated depreciation and impairment			Accumulated depreciation and impairment		
	Cost/valuation	accumulated impairment	Carrying value	Cost/valuation	accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
7. Property, plant and equipment						
Group						
Leasehold property	856	(856)	–	856	(856)	–
Furniture and fixtures	1 102	(1 028)	74	1 274	(1 193)	79
Computer equipment	3 139	(2 320)	819	2 388	(2 019)	369
Other equipment	–	–	–	143	(95)	48
Total	5 097	(4 204)	893	4 659	(4 163)	496
Company						
Leasehold property	856	(856)	–	856	(856)	–
Furniture and fixtures	1 102	(1 028)	74	1 272	(1 193)	79
Computer equipment	3 139	(2 320)	819	2 388	(2 019)	369
Other equipment	–	–	–	143	(95)	48
Total	5 097	(4 204)	893	4 659	(4 163)	496

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
7. Property, plant and equipment (continued)					
Reconciliation of property, plant and equipment Group 2017					
Furniture and fixtures	79	31	(3)	(33)	74
Computer equipment	369	751	–	(301)	819
Other equipment	48	–	(20)	(28)	–
	496	782	(23)	(362)	893
Group 2016					
Leasehold property	41	–	(38)	(3)	–
Furniture and fixtures	70	37	–	(28)	79
Computer equipment	401	262	–	(293)	370
Other equipment	76	–	–	(28)	48
	588	299	(38)	(352)	497
	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Reconciliation of property, plant and equipment Company 2017					
Furniture and fixtures	79	31	(3)	(33)	74
Computer equipment	369	751	–	(301)	819
Other equipment	48	–	(19)	(29)	–
	496	782	(22)	(363)	893
Company 2016					
Leasehold property	41	–	(38)	(3)	–
Furniture and fixtures	70	37	–	(28)	79
Computer equipment	401	262	–	(293)	370
Other equipment	76	–	–	(28)	48
	588	299	(38)	(352)	497

	2017			2016		
	Cost/ valuation R'000	Accumulated depreciation and accumulated impairment R'000	Carrying value R'000	Cost/ valuation R'000	Accumulated depreciation and accumulated impairment R'000	Carrying value R'000
8. Intangible assets						
Group						
Computer software, internally generated	4 022	(3 702)	320	4 022	(3 381)	641
Computer software, other	2 643	(2 193)	450	3 118	(2 502)	616
Total	6 665	(5 895)	770	7 140	(5 883)	1 257
Company						
Computer software, internally generated	4 022	(3 702)	320	4 022	(3 381)	641
Computer software, other	2 643	(2 193)	450	3 118	(2 502)	616
Total	6 665	(5 895)	770	7 140	(5 883)	1 257

	Opening balance R'000	Additions R'000	Disposals R'000	Amorti- sation R'000	Total R'000
Reconciliation of intangible assets					
Group 2017					
Computer software, internally generated	641	–	–	(321)	320
Computer software, other	616	118	–	(284)	450
	1 257	118	–	(605)	770
Group 2016					
Computer software, internally generated	1 201	–	(75)	(486)	640
Computer software, other	474	405	–	(263)	616
	1 675	405	(75)	(749)	1 256

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Opening balance R'000	Additions R'000	Disposals R'000	Amorti- sation R'000	Total R'000
8. Intangible assets (continued)					
Reconciliation of intangible assets					
Company 2017					
Computer software, internally generated	641	–	–	(321)	320
Computer software, other	616	118	–	(284)	450
	1 257	118	–	(605)	770
Company 2016					
Computer software, internally generated	1 201	–	(75)	(486)	640
Computer software, other	474	405	–	(263)	616
	1 675	405	(75)	(749)	1 256

		Company	
	% share- holding	Carrying Amount R'000 2017	Carrying Amount R'000 2016
9. Investments in controlled entities			
Name of company			
NURCHA Finance Company (Proprietary) Limited	100	–	–
NURCHA Equity Services (Proprietary) Limited	100	1	1
NURCHA Development Finance (Proprietary) Limited	100	–	–
NURCHA Management Services (Proprietary) Limited	100	–	–
NURCHA Bridging Finance (Proprietary) Limited	100	–	–
NURCHA Loan Fund (Proprietary) Limited	100	–	–
		1	1
The investments in controlled entities are shown at cost.			

	% share- holding	Company	
		Carrying Amount R'000	Carrying Amount R'000
		2017	2016
10. Investments in associates			
Name of entity			
SEBRA (Proprietary) Limited	30		
Investment in associates		1 044	1 044
Impairment of investments in associates		(1 044)	(1 044)
		–	–
The carrying amounts of associates are shown net of impairment losses.			

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
11. Loans to/(from) economic entities				
Controlled entities				
NURCHA Management Services (Proprietary) Limited	–	–	46 563	48 354
NURCHA Finance Company (Proprietary) Limited	–	–	16 323	18 553
NURCHA Equity Services (Proprietary) Limited	–	–	13 058	13 038
NURCHA Development Finance (Proprietary) Limited	–	–	17 354	39 961
NURCHA Bridging Finance (Proprietary) Limited	–	–	15 699	47 238
NURCHA Loan Fund (Proprietary) Limited	–	–	66 599	48 330
	–	–	175 596	215 474
Impairment of loans to controlled entities			(49 735)	(31 551)
	–	–	125 861	183 923

The loans to subsidiary companies are unsecured and have no fixed term. Interest on the interest-bearing portion of the loan is charged between 0% and prime less 1,5%.

During the year, the Board approved to write off loans to subsidiary companies of R28 million as uncollectable and raised impairments of loans of 49,7 million. These loans are classified as non-current loans because the Board is not intending to request repayment of the loans in the next 12 months. All loans to economic entities will be transferred to NHFC. Refer to note 29 for detailed transactions with the subsidiaries.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
11. Loans to/(from) economic entities (continued)				
Reconciliation of changes in impairments				
Opening balance	–	–	31 551	57 590
Additions to impairments	–	–	20 394	–
Reversal of impairments	–	–	(2 210)	26 039
Closing balance	–	–	49 735	31 551
12. Payables from exchange transactions				
Trade payables	6 355	4 386	888	602
CFDP grant	8 694	13 272	–	–
Other payables	10 664	678	310	217
VAT payables	75	21	–	–
Payroll-related payables	1 521	1 398	1 521	1 398
Other accrued expenses	1 672	5 150	370	419
	28 981	24 905	3 089	2 636
13. Managed funds				
Vulindlela rural housing project	44 707	80 752	–	–
Eastern Cape bucket eradication programme	2 350	2 214	–	–
Eastern Cape rural housing pilot	2 805	11 349	–	–
	49 862	94 315	–	–
14. Taxation				
Major components of the tax expense				
Current tax				
Local income tax – current period	641	–	–	–
Underprovision of the prior year income tax	104	–	–	–
	745	–	–	–
15. Provisions				
Leave provision				
Opening balance	2 194	1 809	2 194	1 809
Additions	148	595	148	595
Utilised during the year	(114)	(210)	(114)	(210)
Closing balance	2 228	2 194	2 228	2 194

		Group		Company	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
16. PIC loan					
PIC loan carrying value		69 976	69 974	–	–
The loan bears interest at prime interest rate and interest is serviced monthly. The capital is repayable in eight equal quarterly instalments commencing on July 2021. The loan is secured by subordination of shareholder's loan account; pledge and cession of bank account, shares and book debts; and cession of developer securities.					
17. Capital contributed by Government					
Capital grants received		361 000	361 000	361 000	361 000
18. Formation grants					
Open Society Institute of New York		18 300	18 300	18 300	18 300
SA Government – Department of Human Settlements		20 000	20 000	20 000	20 000
		38 300	38 300	38 300	38 300
19. Programme management fees					
Vulindlela enhanced peoples housing programme		2 310	1 514	–	–
Cape Town retrofit ceilings programme		54 002	27 035	–	–
Contractor finance and development programme		3 577	1 000	–	–
Eastern Cape bucket eradication programme		–	915	–	–
Eastern Cape rural housing programme		–	1 889	–	–
Free State geographic housing programme		–	3 597	–	–
Total		59 889	35 950	–	–
20. Interest received from investments					
Money markets		11 256	16 408	10 448	16 396
Current accounts		2 329	1 438	225	274
		13 585	17 846	10 673	16 670
Controlled entities		–	–	9 678	8 772
Total		13 585	17 846	20 351	25 442

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Group		Company	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
21. Employee-related costs				
Basic pay	30 582	28 207	30 582	28 207
Performance bonus	2 317	1 838	2 317	1 838
Unemployment Insurance Fund	83	81	83	81
Workmen's Compensation Fund	21	37	21	37
Skills development levy	334	306	334	306
Leave pay provision charge	149	595	149	595
Travel, motor car, accommodation, subsistence and other allowances	262	199	259	199
Group life insurance	507	495	507	495
Temporary staff	3 895	2 934	3 895	2 934
Staff debt written off	24	–	24	–
Provident fund management fees	77	104	77	104
	38 251	34 796	38 248	34 796
22. Finance costs				
Fair value adjustments: notional interest	–	4 439	–	4 439
Interest paid on borrowings	7 351	3 747	–	–
	7 351	8 186	–	4 439
23. Bad debts written off				
Bad debts written off – controlled entities	–	–	28 000	24 751
Bad debts written off – other loans	16	36 216	–	27 582
	16	36 216	28 000	52 333

These bad debts written off were part of the provisions that were raised in the previous financial years which were reversed in the current financial year.

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
24. Other operating expenses				
Auditors' remuneration	2 004	1 689	1 600	991
Bank charges	173	115	52	49
Cleaning	184	158	184	158
Consulting and professional fees	4 212	5 498	3 373	3 167
Consumables	48	82	47	54
Debt collection	408	3 163	12	2 981
Entertainment	8	2	8	2
Fines and penalties	–	29	–	–
Insurance	455	466	344	270
Marketing	287	765	287	725
Annual report	142	178	142	178
Placement fees	661	457	661	457
Postage and courier	178	154	176	154
Printing and stationery	427	297	396	297
Secretarial fees	13	8	4	3
Software expenses	418	673	330	643
Staff welfare	4	9	4	9
Subscriptions and membership fees	146	133	146	128
Telephone and fax	571	354	549	354
Training	988	770	988	756
Travel – local	1 426	1 697	718	889
Expensed assets	2	49	2	49
Electricity	974	769	974	769
General expenses	421	881	421	1 039
Programme implementation expenses	43 005	29 316	–	–
	57 155	47 710	11 418	14 122
25. Auditors' remuneration				
Fees	1 883	1 601	1 479	903
Expenses	121	88	121	88
	2 004	1 689	1 600	991

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

		Group		Company	
		2017	2016	2017	2016
		R'000	R'000	R'000	R'000
26.	Cash (used in)/generated from operations				
	Surplus/(deficit)	20 320	18 048	(25 747)	24 104
	Adjustments for:				
	Depreciation and amortisation	967	1 102	967	1 102
	Impairment loss/(reversal) of loans	12 936	(36 458)	6 377	(54 217)
	Loss/(gain) on disposal of property, plant and equipment	(19)	29	(19)	–
	Fair value gain/(loss) on investments	(155)	–	1 453	–
	Interest on SEDF loan	–	4 439	–	4 439
	SEDF debt recovery	–	(6 119)	–	(6 119)
	Impairment loss – non-current assets held for sale	1 838	–	2 100	–
	Changes in working capital	(54 990)	39 301	5 998	(503)
	Receivables from exchange transactions	(15 303)	(3 821)	5 546	(625)
	Payables from exchange transactions	4 766	7 065	452	(261)
	Movements in leave provisions	34	385	34	385
	Managed funds	(44 453)	35 673	–	–
		(19 069)	20 342	(8 837)	(31 194)
27.	Commitments				
(a)	Commitments in respect of operational requirements				
	Loans for construction projects				
	Approved and contracted for				
	Loans granted	697 616	518 641	360 429	258 527
	Approved but not yet contracted for				
	Pending loans	147 980	75 373	105 601	75 321
	Total operational commitments	845 596	594 015	466 031	333 848
(b)	Commitments in respect of capital expenditure				
	Programme management portfolio				
	Approved and contracted for				
	Ceiling retrofit programme	25 560	10 500	–	–
	Total capital expenditure commitments	25 560	10 500	–	–

This committed expenditure relates to operational requirements and will be financed by external loans, retained surpluses, existing cash resources and funds internally generated.

		Group		Company	
		2017	2016	2017	2016
		R'000	R'000	R'000	R'000
27. Commitments (continued)					
(c) Operating leases – as lessee					
Minimum lease payments due					
– within one year		1 016	2 346	1 016	2 346
– in second to fifth year inclusive		–	4 033	–	4 033
Total operating lease commitments		1 016	6 379	1 016	6 379

Operating lease payments represent rentals payable by the Group for its office space. Leases are negotiated for an average term of three years and rentals are fixed for an average of one year. No contingent rent is payable. NURCHA will be moving offices to NHFC offices during the 2017 calendar year because of the impending merger of the three DFIs.

28. Contingencies

There are no significant contingent liabilities at the reporting date.

29. Related parties

Relationships

Member

Holding company

Directors

Controlled entities

Shareholder with significant influence

Directors' and prescribed officers' remuneration

Loans to economic entities (subsidiaries)

Balances and transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation. All of the transactions between the Group and other related parties are at arm's length and are disclosed below:

		Group		Company	
		2017	2016	2017	2016
		R'000	R'000	R'000	R'000
Related-party transactions					
NURCHA Management Services (Proprietary) Limited					
Administration fees		–	–	10 003	8 451
Interest		–	–	169	78
Loans repayments		–	–	14 700	13 256
Loans disbursements		–	–	(2 725)	(1 265)

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
29. Related parties (continued)				
NURCHA Finance Company (Proprietary) Limited				
Administration fees	–	–	20	20
Interest	–	–	2 250	500
Loans repayments	–	–	–	(96)
Loans written off	–	–	–	(20 533)
NURCHA Equity Services (Proprietary) Limited				
Administration fees	–	–	20	20
Loans repayments	–	–	–	8 136
Loans written off	–	–	–	(4 218)
NURCHA Development Finance (Proprietary) Limited				
Administration fees	–	–	50	50
Interest	–	–	3 481	2 621
Loans repayments	–	–	5 316	8 136
Loans disbursements	–	–	(3 178)	(9 532)
Loans written off	–	–	(24 000)	–
NURCHA Bridging Finance (Proprietary) Limited				
Administration fees	–	–	5 431	4 048
Interest	–	–	2 309	2 515
Loans repayments	–	–	42 402	42 785
Loans disbursements	–	–	(11 581)	(34 618)
Loans written off	–	–	(4 000)	–
NURCHA Loan Fund (Proprietary) Limited				
Administration fees	–	–	5 478	4 082
Interest	–	–	3 719	3 558
Loans repayments	–	–	31 600	176 996
Loans disbursements	–	–	(9 073)	(115 267)
South African Government through NDOHS – Recapitalisation grant	–	–	–	61 000
	–	–	72 391	150 723

The remuneration of directors and prescribed officers amounted to R10 million (2016: R8,9 million). Refer to note 30 for details on directors' and prescribed officers' emoluments.

	Salary	Bonus	Provident	Total
30. Directors' and prescribed officers' emoluments				
Executive				
2017				
Mr V Gqwetha (Managing Director)	2 029	267	401	2 697
Mr S Nxusani (Financial Director)	1 544	138	305	1 987
Ms A Struwig (Executive Director: Lending Portfolio)	1 583	194	176	1 953
	5 156	599	882	6 637
2016				
Mr V Gqwetha (Managing Director)	1 858	205	367	2 430
Mr S Nxusani (Financial Director)	1 440	113	285	1 838
Ms A Struwig (Executive Director: Lending Portfolio)	1 450	106	161	1 717
	4 748	424	813	5 985
	Members' fees			Total
Non-executive				
2017				
Mr K Shubane (Chairman)		300		300
Mr W Ndodana		32		32
Ms M Nkomo		82		82
Mr T Nzimakwe		203		203
Mr H Prinsloo		74		74
Ms Z Rylands		120		120
Ms L Sing		175		175
		986		986
2016				
Mr K Shubane (Chairman)		285		285
Mr W Ndodana		31		31
Ms M Nkomo		69		69
Mr T Nzimakwe		207		207
Mr H Prinsloo		84		84
Ms Z Rylands		113		113
Ms L Sing		214		214
		1 003		1 003

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

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	Salary	Bonus	Provident	Total
30. Directors' and prescribed officers' emoluments (continued)				
Prescribed officers				
2017				
Ms T Jali	1 001	83	111	1 195
Ms N Ndzimbomvu	985	82	109	1 176
	1 986	165	220	2 371
2016				
Ms T Jali (appointed on 1 August 2015)	691	65	69	825
Ms N Ndzimbomvu	919	67	102	1 088
	1 610	132	171	1 913

31. Risk management

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out internally under policies approved by the Board. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as, interest rate risk, credit risk, use of financial instruments and investment of excess liquidity.

(a) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

The Group's risk to liquidity is a result of the funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The opposite table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Maturity analysis table

	Total	Due within a year	Due within 2 years	Due within 3 years	Due within 4 years	Due after 5 years
Financial instruments	R'000	R'000	R'000	R'000	R'000	R'000
2017						
Loans for contraction projects	287 379	274 535	11 742	78	889	135
Trade and other receivables	25 541	25 541	—	—	—	—
Non-current assets held for sale	1 300	1 300	—	—	—	—
Cash in current banking institutions	281 436	281 426	—	—	—	—
Trade and other payables	80 125	80 125	—	—	—	—
PIC loan	69 975	—	—	—	—	69 975
2016						
Loans for contraction projects	343 982	257 132	66 717	18 938	77	218
Trade and other receivables	6 769	6 769	—	—	—	—
Non-current assets held for sale	3 138	3 138	—	—	—	—
Cash in current banking institutions	354 154	354 154	—	—	—	—
Trade and other payables	117 801	117 801	—	—	—	—
PIC loan	69 974	—	—	—	—	69 974

(b) Credit risk

Credit risk is managed on a group basis. Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Group only deposits cash with major banks with high-quality credit standing and limits exposure to any one counterparty.

Receivables comprise mainly construction contractors and property developers. Management evaluates credit risk relating to these customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The Group establishes an allowance for doubtful loans based upon factors surrounding the general and specific credit risk of the customers, historical trends and other information. The utilisation of credit limits is regularly monitored. No credit limits were exceeded during the reporting period. See note 3 for gross receivables and net receivables.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

31. Risk management (continued)

(c) Market risk

Interest rate risk

Interest rate risk is the potential impact on earnings or the value of the Group's holdings of financial instruments and on future cash flow of financial instrument due to changes in the interest rate.

The Group is exposed to interest rate risk through its cash, financial assets, long-term investments and interest-bearing borrowings. The Group does not hedge its long-term interest exposure. Cash reserves/unutilised funds are monitored in terms of the investment policy and mandate.

32. Events after the reporting date

- (a) The Minister of Human Settlements took a decision to merge three DFIs under her ministry in order to form a Human Settlements Development Bank that will be able to deliver in the human settlement sector at a larger scale than the three DFIs are able to do individually. In May 2017, the Minister of Human Settlements announced the establishment of the Human Settlements Development Bank. The three merging DFIs will ultimately form part of this bank.

The formation of the bank will happen in two phases. The first phase will entail transfer of NURCHA's and RHLF's assets and liabilities to NHFC. This will be done through a transfer of functions and GRAP 105 will be applied. The transfer is planned to take place during the 2017 calendar year. The second phase will entail formation of the bank once all the legislative requirements have been fulfilled.

- (b) On 28 April 2017, the Companies Tribunal of South Africa granted an exemption in terms of section 6(2) of the Companies' Act which effectively allows NURCHA and RHLF, non-profit companies to merge and donate assets to NHFC. NHFC will continue to exist, and NURCHA and RHLF will be deregistered.

	Group		Company	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
33. Cumulative support by South African Government through NDOHS since inception				
Formation grant	20 000	20 000	20 000	20 000
Specialised lending grant	61 660	61 660	61 660	61 660
Recapitalisation grant	361 000	361 000	361 000	361 000
Interest on loan grant	3 500	3 500	3 500	3 500
Contractor Finance and Development Programme grant	20 000	20 000	20 000	20 000
	466 160	466 160	466 160	466 160

	Budget	Actual
34. Key performance indicators		
Value of loans signed (R'million)		
Subsidy Housing	140,0	80,1
Affordable Housing (including serviced sites)	345,0	180,6
Infrastructure and Community Facilities	18,0	12,8
Houses/sites and infrastructure project completed		
Subsidy Housing	12 830	4 820
Affordable Housing (including serviced sites)	2 500	1 904
Infrastructure and Community Facilities	4	1
Loan defaults (R'million)		
Impairment of loans for construction projects	17,1	4,0

	Group		Company	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
35. Amount available for construction finance				
Accumulated surplus and reserves	537 752	479 132	567 576	593 326
PIC facility available for construction finance	70 000	70 000	–	–
Shortfall transferred to NURCHA	–	–	(68 940)	–
	607 752	549 132	498 636	593 326
Less: Construction finance capacity committed				
Loans granted and committed	(422 798)	(645 919)	(286 204)	(451 596)
	184 954	(96 787)	212 432	141 730

Loans granted and committed are reflected at 50% of the loan amount approved because of the pattern in which loans are drawn. For the affordable housing loans, the disbursements are per the projected cash flows, and for the subsidy and infrastructure loans, the cash flows are of a revolving facility nature.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

36. Transfer of functions between entities under common control

Transfer of functions between entities under common control occurring after the end of the reporting period but before the financial statements are authorised for issue

NURCHA will transfer all its assets and liabilities as a function to NHFC during the 2017 calendar year. The planned effective date is 31 August 2017. Refer to note 32 for details on how the transaction will be implemented.

All assets and liabilities will be donated at a value of Rnil and transferred to NHFC at their carrying amounts. All loan covenants, commitments, salaries of employees and employment contracts will be transferred to NHFC as they are. No changes will be made.

As at 31 March 2017, the carrying amounts of the assets to be transferred and liabilities to be relinquished on the effective date are as follows:

	Group		Company	
	2017	2016	2017	2016
Value of assets	R'000	R'000	R'000	R'000
Assets transferred				
Property, plant and equipment	894	496	894	496
Intangible assets	770	1 257	770	1 257
Loans for construction projects	378 271	338 909	288 445	252 678
Receivables from exchange transactions	27 418	10 866	573	634
Non-current assets held for sale	1 300	3 138	1 300	3 400
Investments in controlled entities	—	—	1	1
Loans to economic entities	—	—	125 861	183 922
Cash and cash equivalents	281 436	354 154	155 699	155 768
	690 089	708 820	573 543	598 156
Liabilities relinquished				
Current tax payable	641	—	—	—
Payables from exchange transactions	28 984	24 903	3 091	2 638
Managed funds	49 862	94 315	—	—
Provisions	2 229	2 195	2 229	2 195
Other payables	650	—	650	—
PIC loan	69 976	69 976	—	—
	152 342	191 389	5 970	4 833
Difference between the carrying amounts of the assets to be acquired and the liabilities to be assumed	537 747	517 431	567 573	593 323

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
37. Fruitless and wasteful expenditure				
Current year	19	29	19	–
Cancellation of meetings				
The total cost of conducting coaching for executive and senior management increased by the stated amount because of cancellation of sessions at short notice. All the cancellations were for valid reasons. For example, there were instances whereby the Managing Director was scheduled to attend meetings with business partners but other urgent meetings were called by the Department of Human Settlements because of the merger at short notice and other members of the Executive Committee had to cancel their scheduled coaching in order to stand in for the Managing Director in meetings with the business partners. There is one session that was cancelled due to ill health.				
38. Irregular expenditure				
Opening balance	–	–	–	–
Irregular expenditure – current year	2 859	39 201	764	–
Irregular expenditure – previous year*	10 500	–	–	–
Less: Amounts condoned	(13 459)	(39 201)	(764)	–
Total	–	–	–	–

* This relates to irregular expenditure that took place in the previous year, but because the contracts were over two financial periods the balance of the expenditure was incurred in the current financial year.

	Incident	Action taken	R'000
(a)	Details of irregular expenditure – current year		
(i)	The SCM process was not followed and the expenditure was not approved according to NURCHA's delegation of authority. Payment was made for work done but the deviation was not submitted for approval to Bid Adjudication Committee (BAC) and the Managing Director.	Corrective action has been taken against the employee involved.	728

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

38. Irregular expenditure (continued)

	Incident	Action taken	R'000
(a)	Details of irregular expenditure – current year (continued)		
(ii)	Work was done by a service provider after their contract expired.	An investigation will be conducted to determine the cause, and appropriate action will be taken. Implementation date: 31 October 2017	34
(iii)	The contracted amount for coaching conducted for executive management was exceeded by R19 000 due to cancellation of certain coaching sessions.	As the reasons for cancellation were considered to be valid, no further action will be taken.	19
(iv)	The tenders awarded were not advertised on the eTender Publication portal and in the Government Tender Bulletin as required. Tenders were advertised in the <i>Cape Times</i> .	An investigation will be conducted to determine the cause, and appropriate action will be taken. Implementation date: 31 October 2017	1 367
(v)	Supply chain processes were not followed when appointing service providers. Processes that were not followed included the following: not obtaining the minimum prescribed number of quotations; incorrect method of evaluation system used; not updating the irregular expenditure register as incidents occurred.	An investigation will be conducted to determine the cause, and appropriate action will be taken. Implementation date: 31 October 2017	355
(vi)	Payments were made to legal subcontractors who were appointed by the main service provider. The main contract with the appointed service provider indicates that legal cost should be paid by NURCHA directly to the subcontractors.	Addendums to the existing contract will be signed in order to regularise this arrangement.	356
	Total irregular expenditure – current year		2 859

38. Irregular expenditure (continued)

	Incident	Action taken	R'000
(b)	Details of irregular expenditure – previous year		
(i)	Invitation for competitive bidding was not advertised in at least the Government Tender Bulletin and the CIDB website per the applicable regulations. However, the competitive bids were advertised on newspapers (<i>Cape Times</i> and <i>Sowetan</i>) and on the NURCHA website for the minimum required period. The award results for these competitive bids were also advertised on the NURCHA website.	Corrective action was taken against the employee involved.	10 500
	Total irregular expenditure – previous year		10 500
	Total irregular expenditure – 31 March 2017		13 359
	No financial loss was suffered by the Group due to these incidents. Full value of the expenditure was obtained.		
(c)	Details of irregular expenditure – 31 March 2016		
(i)	Invitation for competitive bidding was not advertised in at least the Government Tender Bulletin and the CIDB website per the applicable regulations. However, the competitive bids were advertised in newspapers (<i>Cape Times</i> and <i>Sowetan</i>) and on the NURCHA website for the minimum required period. The award results for these competitive bids were also advertised on the NURCHA website.	No financial losses were incurred by the entity because of this non-compliance. The entity has put in place corrective measures and plans to ensure that the entity's procurement policies are adhered to at all times.	28 015
(ii)	Invitation for competitive bidding for construction contract was not advertised for a required minimum period. Advertisement for the bid had different requirements to the tender document and subsequent award. The error on the advertisement was communicated during the briefing sessions.	No financial losses were incurred by the entity because of this non-compliance. The entity has put in place corrective measures and plans to ensure that the entity's procurement policies are adhered to at all times.	9 806

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

38. Irregular expenditure (continued)

	Incident	Action taken	R'000
(c)	Details of irregular expenditure – 31 March 2016 (continued)		
(iii)	A request for quotations process was followed instead of a competitive bid process. Initial estimates had indicated that the work in progress that had to be completed would not exceed the threshold of R500 000. This transaction related to work in progress of seven houses that had to be completed so that the entire project could be handed over to the client. When the term for this project came to an end, only R264 811 worth of work had been done by the contractor and their term was not extended. Therefore the expenditure for this transaction was only limited to R264 811.	No financial losses were incurred by the entity because of this non-compliance. The entity plans to ensure that the entity's procurement policies are adhered to at all times.	509
(iv)	A request for quotations was not followed per the required regulation policy.	No financial losses were incurred by the entity because of this non-compliance. The entity has put in place corrective measures and plans to ensure that the entity's procurement policies are adhered to at all times.	871
	Total irregular expenditure – 31 March 2016		39 201

ACRONYMS

CFDP	Contractor Finance Development Programme
CIDB	Construction Industry Development Board
CRO	Community Resource Organisation
DFI	Development Finance Institution
DWS	Department of Water and Sanitation
EPHP	Enhanced People's Housing Programme
FG	Futuregrowth Asset Managers
FLISP	Finance Linked Individual Subsidy Programme
FNB	First National Bank
GRAP	Generally Recognised Accounting Practice
HDA	Housing Development Agency
IFRS	International Financial Reporting Standards
MDI	Mortgage Default Insurance
MTSF	Medium-Term Strategic Framework
NBF	NURCHA Bridging Fund (Proprietary) Limited
NDF	NURCHA Development Finance (Proprietary) Limited
NDOHS	National Department of Human Settlements
NES	NURCHA Equity Services (Proprietary) Limited
NFC	NURCHA Finance Company (Proprietary) Limited
NHBRC	National Home Builders Regulatory Council
NHFC	National Housing Finance Corporation
NLF	NURCHA Loan Fund (Proprietary) Limited
NMBMM	Nelson Mandela Bay Metropolitan Municipality
NMS	NURCHA Management Services (Proprietary) Limited
NURCHA	National Urban Reconstruction and Housing Agency
OPIC	Overseas Private Investment Corporation
OSI	Open Society Institute
PFMA	Public Finance Management Act
PIC	Public Investment Corporation
PMU	Programme Management Unit
RHLF	Rural Housing Loan Fund
SAFE	South African Financing Enterprise Inc.
SARS	South African Revenue Service
SEBRA	Support Empower Bridge Reconstruct Account (Proprietary) Limited
SEDA	Small Enterprise Development Agency
SEDF	Soros Economic Development Fund
SME	Small and medium enterprise
VDA	Vulindlela Development Association

ADMINISTRATION

Registration number

1995/004248/08

Registered office as at financial year-end

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Chartered Accountants (SA)
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Midrand, 2194
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Directors

Mr K Shubane (*Chairman*)
Mr V Gqwetha (*Managing Director*)
Mr S Nxusani (*Financial Director*)
Ms A Struwig (*Executive Director: Lending Portfolio*)
Mr C de Beer
Mr W Ndodana
Ms M Nkomo
Mr T Nzimakwe
Mr H Prinsloo
Ms Z Rylands
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Ms Nontsikelelo Ndzimbomvu

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Level of assurance

The consolidated and separate financial statements have been audited in terms of section 29(1)(e)(i)(aa) of the Companies Act.

Preparer

The financial statements were prepared under the supervision of Mr S Nxusani, Chief Financial Officer CA(SA).

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**NATIONAL URBAN RECONSTRUCTION
AND HOUSING AGENCY (NPC)**



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