Annual Integrated Report 2015/2016

Rural Housing Loan Fund SOC NPC
1996/010988/08

Board of **Directors**

Thembi Chiliza
Board Chairperson
Non-Executive Director

Adrienne Egbers
Chair: Credit and Development Committee
Non-Executive Director

Reginald Haman
Chair: Audit and Risk Committee
Non-Executive Director

Molefe Mathibe
Chair: Human Resource, Ethics and Remuneration Committee
Non-Executive Director

Jabulani Fakazi
Chief Executive Officer

Contents

Mandate:

The mandate of the Rural Housing Loan Fund is to facilitate funding to enable rural low income earners to better their living conditions through improving their housing situation.

Mission:

To empower people in rural areas to maximise their housing choices and improve their living conditions through access to housing credit and government housing subsidy funds.

Vision:

The Rural Housing Loan Fund (RHLF) is a world-class rural housing social venture capital fund that creates new financial arrangements and opportunities for rural families to improve their housing, economic and living environments.

Values

We subscribe to the following values:

- Transparency
- Integrity and honesty
- Accountability and responsibility
- Passion for development
- Excellence
- Empowerment
- Respect

Foreword by the **Chairperson**

Twenty years ago the National Government established the Rural Housing Loan Fund with a mandate to facilitate access to incremental housing finance for low income earners in rural areas. Over the ensuing two decades the Fund, I am pleased to report that the company has delivered on its mandate as shown in this report. However, more still needs to be done to achieve greater penetration of the market we serve so that more people can achieve their housing dreams.

The Rural Housing Loan Fund was established as a wholesale development finance institution. To deliver on its mandate, the company had to identify and fund retail intermediaries to on-lend to individual borrowers who sought to improve their living conditions. This wholesale business model has enabled the fund to deliver housing loans in a cost effective manner, while helping to develop the Small, Medium and Microenterprises who service the lending.
Among the successes the Rural Housing Loan Fund is proud to have achieved, in the twenty years, are the following:

- Funds disbursed to the intermediaries have totalled close to R1.5 billion for on-lending to the rural housing market.
- The retail intermediaries have granted a cumulative total of 495 109 housing loans to the benefit of people in our target market.
- 45 intermediaries have been funded over the 20 years, including a number that we assisted as start-ups and community based organisations. While some among these have since gone out of business or are no longer clients, we are happy that many are still our retail partners and continue to play a key role in the achievement of our mandate, in particular Lendcor, Norufin, Bayport and Izwe can be mentioned.

While we have been able to deliver on our mandate during the first two decades of our existence, there have been challenges in some years that adversely affected our performance. The "small bank" crisis in the early 2000s, and the contagion effect thereof stands out, as it resulted in significant losses to the company. However, we have since managed to clawback those losses and our Accumulated Reserves stand at R154 million at the end of March 2016.

Further challenges emanated from economic disasters such as the global meltdown that led to the recession in 2009, the first since the advent of democracy. Slow economic growth and the high unemployment rate that has persisted for too long, can also be described as disasters for our target market.

The general high levels of consumer indebtedness, perhaps as the result of some of the financial problems already mentioned, continue to be of concern and many people in the target market have been unable to access incremental housing loans. Unfortunately, there have been years during which we did not meet our key performance targets in the number of loans provided or in disbursements to our intermediaries and 2015/2016 is one such year.

During this financial year, our retail partners struggled to meet their lending targets and were able to finance their business without calling on extra funding from RHLF. We thus failed to meet targets in the two key development areas:

- Number of loans delivered was 39 790 (2014/15: 40 185) against the budget of 43 457 (2014/15: 49 668), a 92% (2014/15: 81%) achievement; and
- Total disbursements to lenders amounted to R168 million (2014/15: R261 million) against the target of R258 million (2014/15 R298 million), which was only 65% of the budget (2014/15: 88%). On a slightly more positive note intermediaries managed to lend a total of R233 million to rural housing beneficiaries.

We are extremely disappointed with the lower than planned performance. Unfortunately it reflects the reality of the current economic downturn. It serves no purpose to grant unsecured loans to people who cannot afford to repay them. Our primary objective is to create improved living conditions for our beneficiaries, and this cannot be achieved if we lend recklessly.

During the year, we continued to participate in the consolidation process of the three Human Settlements Development Finance Institutions. The Rural Housing Loan Fund is in the process of being consolidated with the National Housing Finance Corporation and the National Urban Reconstruction and Development Agency to form a new Human Settlements Development Institution. This process has been delayed due to the need for Government to amend the Income Tax Act in order to ensure that the transaction can occur in a tax neutral manner.

On the governance front, the Board has been faced with severe challenges following the death of a long serving director together with unfilled vacancies caused by resignations in the previous year. The Minister of Human Settlements decided that, given the consolidation process that is underway, there was no need to appoint new directors. The four remaining non-executive directors have now been retained until the consolidation process is completed and the Rural Housing Loan Fund subsequently deregistered.

While we anticipate another challenging year, given the stagnant global and local economy, there are some glimmers of hope that a positive year may be achieved. Our focus on building new channels for future growth appears to be paying off and we expect to sign up a number of new intermediaries in the first quarter of 2016/17.

In conclusion, I would like to thank our staff and my fellow Board members for their commitment and dedication in ensuring that we create value for the Company as well as for all stakeholders in our business. Equally, I would like to extend our sincere gratitude to our intermediary partners who have again ensured that we reached all provinces during the

year under review for the benefit of people in our target market.

As reported in last year's integrated report, Mr Knowles Oliver, a director since February 2000 passed away in June 2015. Knowles played an important role in the development of the company and his presence and input are sorely missed.

Ms Thembi Chiliza
Chairperson RHLF Board

People who benefit:
Creating value for our customers

Mr and Mrs Setheiso, Kanana, City of Matlosana Local Municipality, North West Province

Mr and Mrs Setheiso are a married couple living at Kanana, Orkney with three children who are still schoolgoing. The married couple have been residing in an RDP house since 2009, after having applied for the RDP house in 2005. The household has access to electricity, tap water inside the house as well as a flush toilet.

Mr and Mrs Setheiso took two loans from a **RHLF intermediary lender, Norufin Housing Finance** of R20 000 and R10 000 for house extension in September 2015 and December 2015. Their RDP house was partly demolished and they built a nine roomed house (as per pictures above) done by a local builder. The couple had the house plan for extension approved by the local municipality.

The borrowers are both employed in the private sector, they used both loans along with their own savings to do the house extension and to pay for a local builder who helped them to extend the house. The family was happy with the house given to them by government but extended the house because it was too small for the household needs. The family plans to use their savings to plaster and paint the house, pave the yard, install ceilings as well as to tile the floors.

Mr A M Mendu, Ogies (Phola), Emalahleni Local Municipality, Witbank, Mpumalanga Province

Mr Mendu is married with three children and all children are still attending school. The family lives in a six roomed house at Ogies, Phola. The family has access to electricity, tap water inside the house and pit latrine for toilet system. Mr Mendu is employed in the private sector earning more than R9 800 per month.

He took a loan of R5 000 in March 2015 from a **RHLF intermediary lender, Norufin Housing Finance**, for home improvement. He bought building materials to renovate his house, which entailed internal and external plastering and door replacements. The borrower used his savings to pay for labour from a local builder. Mr Mendu is happy with the service that he received from Norufin and stated that the loan enabled him to make his house beautiful as it was not attractive before the improvements.

Mr TL Rapuleng, Jouberton, Klerksdorp, City of Matlosana Municipality, North West Province

Mr Rapuleng is a married man and lives at Jouberton, Klerksdorp with his unemployed wife and their three children, who are still schoolgoing. The Rapuleng household lives in a RDP house inherited from the borrower's late father in 2002. The household has access to electricity, tap water inside the house and a flush toilet. The borrower is employed in the private sector, earning an income of just above R 9 500 per month.

He took a loan of R20 000 in September 2015 from a **RHLF intermediary lender, Norufin Housing Finance.** Mr Rapuleng partly demolished his RDP house to do extensions and renovations to his house, turning it into a 9 roomed house. He used the loan and his savings to pay for labour, done by a local builder. Mr Rapuleng felt that the house was small and old, and he wanted to renovate it and extend for additional living space. He intends on taking another loan when he finishes repaying his loan. Mr Rapuleng still needs to do roofing, tiling and installing new doors.

Mrs Pricilla Mogoshi, Riverside Jane Furse, Makhuduthamaga Local Municipality, Limpopo Province

Mrs Mogoshi is a married lady living at Riverside, Jane Furse with her husband and their four children. Two of the children are still at school and the other two are now employed. The borrower is employed in the private sector, earning more than R 9 500 per month. Mrs Mogoshi's old parents' house had cracks and their roof was blown away by the wind in 2014 (as shown in the picture on the left). The house has electricity, tap water and a flush toilet.

She took a loan of R28 082 from a **RHLF intermediary lender, Makoko Finance** in December 2015 to build her disabled brother a new house (as pictured on the right) in her late parents yard. The borrower's disabled brother will live with his part-time employed wife and their two children in the new house being built. They currently live in a one room house. Mrs Mogoshi used the loan together with her savings to build this new 10 roomed house that will have access to electricity, pit latrine for toilet and uses a Jojo tank for accessing water in the yard. The borrower stated that she used a local builder to build the house. Mrs Mogoshi stated that she is happy with the service received from Makoko Finance and at the time of the second visit, she mentioned that she has fully repaid the loan and has taken another loan to complete the house.

Mr Frans Sindane, Clewer, Witbank, Emalahleni Local Municipality, Mpumalanga Province

Mr Frans Sindane is a 24 year old single man living at his parents' house with his father, his employed sister and her two children at Clewer. The household has access to electricity, public tap water outside the yard and uses a bucket toilet system. Mr Sindane is employed in the private sector earning between R 6000 – R9 500 per month, he has one child who does not stay with him.

He took a loan of R20 000 in October 2014 from a **RHLF intermediary lender, Norufin Housing Finance**. Mr Sindane used the loan to build the back rooms (as per picture above) at his parent's house for his privacy. He used a local builder and he was assisted by both his parents. At the time of the first visit by the RHLF team his mother was well and alive but sadly on the second visit his mother had passed on.

Mr Wilson Mokoena, Ga-Malokela Village, Burgersfort, Tubatse Local Municipality, Limpopo Province

Mr Wilson Mokoena is married with two children who are still schoolgoing. He is a breadwinner at home. The family lives at Ga- Malokela village. He is employed in the private sector earning more than R9 800 per month. The household has access to electricity but has no tap water and uses a pit latrine for a toilet.

Mr Mokoena took a loan of R15 000 in March 2015 from a **RHLF intermediary lender, Norufin Housing Finance.** Wilson and his family were staying in a shack in the yard at the time of the first visit by the RHLF team, while awaiting completion of his 7 roomed house. At the time of the second visit, Mr Mokoena and family had moved in to the house. He used the loan and his own savings to complete the building of his house. Mr Mokoena stated that he invested in building this house as he needed more living space for his family.

Integrated report to **31 March 2016**

About this Report

The Rural Housing Loan Fund produced the integrated report for the first time in the 2014/15 financial year. We believe that an integrated report enables us to highlight the connections between our developmental, financial and other performance. We also believe that this more informative reporting style enables a better understanding of our mandate and business. This means changes in the information required to evaluate the performance of the Company and the presentation thereof. The company's future success hinges on how well the social, environmental, and economic contexts in which we operate are managed.

Scope and boundary
The 2016 annual integrated report covers the period 1 April 2015 to 31 March 2016. Any material events after 31 March 2016 up to the Board's approval 18 August 2016 have also been included.

Reporting to stakeholders
The Rural Housing Loan Fund has a wide range of stakeholders with varied information needs. This annual integrated report is our primary report aimed at not only our shareholder, but all our stakeholders mentioned in this report as well as those that we have not yet engaged.

Integrated thinking
In preparing our annual integrated report, we have been guided by The International Framework issued by the International Integrated Reporting Committee in December of 2013. Using the principles in this Framework we will embrace integrated thinking in our operations to improve both the delivery on our mandate and to supply information to our stakeholders.

The Rural Housing Loan Fund exists to create value for itself and its stakeholders and depends on various forms of capital to achieve value creation. The following are critical in the value creation of the Rural Housing Loan Fund and our stakeholders:

- **Financial capital:** This is the money that we have and use to finance all our business activities in the implementation of our mandate of enabling people in our target market to access housing loans. Sources of our financial capital include South African Government transfers, grant and loan finance from our funders (KFW – the German Development Bank and the Development Bank of Southern Africa) as well as retained earnings accumulated since inception.

- **Human capital:** This refers to our human resources. We recruit and develop our people in order to enable them to enhance their competencies, and capabilities, and acquire experience that enables them to provide excellent service in ensuring that we deliver on our mandate and add value to our various stakeholders. In recent years, including the year under review, we have recruited interns as part of our contribution to addressing the problem of unemployed youth. All our interns have subsequently been employed by us on a permanent basis on successful completion of their twelve month internships.

- **Intellectual capital:** As an organisation we have built knowledge-based expertise in housing microfinance delivery that enables low income people in rural areas to fulfill their desire to improve their housing conditions through incremental building.

- **Social and relationships capital:** The co-operative relationships we have built with various stakeholders in government, commerce, communities and non-governmental organisations have enabled us to consistently deliver on our mandate and deliver on value creation for various stakeholders.

- **Natural capital:** We support sustainable use of natural resources used to produce building materials that our money finances. In particular, we would like to see more borrowers using our money to access renewable sources of energy and other environmentally friendly alternative building technologies.

Capitals

- Finance
- People
- Intellectual
- Relationships

Activities

- Lending
- Verification
- Risk Management

Outputs

- Incremental housing loans

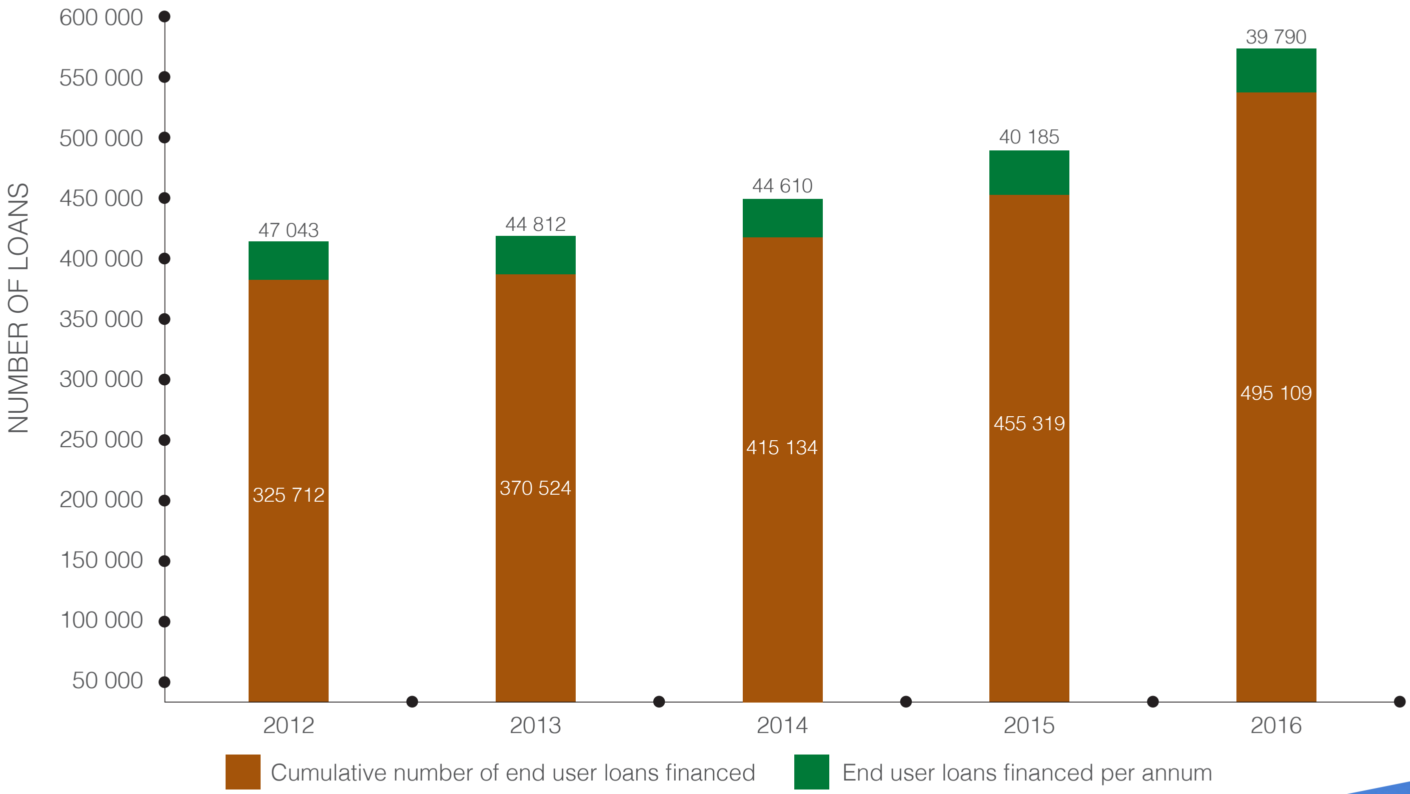
Outcomes

- A better life for people in rural areas

Five Year Highlights of the Rural **Housing Loan Fund's Performance**

Development performance

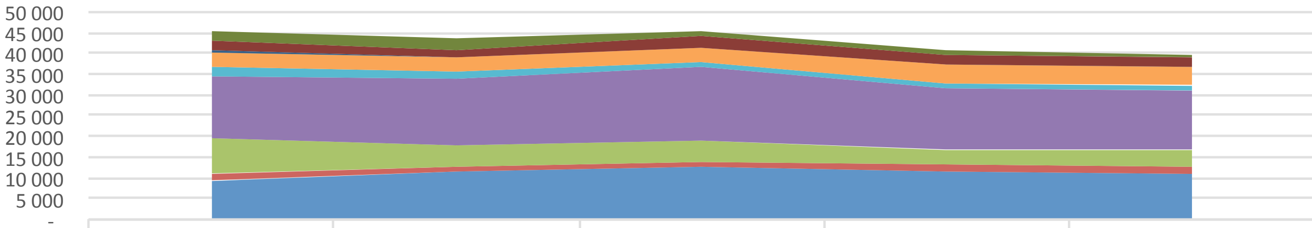
Number of housing loans delivered



Loan outcomes

MANDATE COMPLIANCE INFORMATION					
Statistics Compiled from Monthly Housing Impact Monitoring Reports	**2012**	**2013**	**2014**	**2015**	**2016**
Number of new loans	**47 043**	**44 812**	**44 610**	**40 185**	**39 790**
Loan usage					
New House	4.0%	3.0%	3.0%	1.0%	3.5%
Extension	12.0%	11.0%	8.0%	8.0%	5.7%
Improvement	71.0%	76.0%	82.0%	74.0%	77.2%
Services	3.0%	2.0%	3.0%	14.0%	12.0%
Total housing usage	**90.0%**	**92.0%**	**96.0%**	**97.0%**	**98.4%**
Other	10.0%	8.0%	4.0%	3.0%	1.6%
	100%	100%	100%	100%	100%
Repeat loan borrowers	29.0%	30.0%	31.0%	32.0%	36.1%
Borrowers using loan together with government subsidy	5.0%	9.0%	4.0%	2.0%	2.9%
Gender of borrower					
Male	43.0%	48.0%	38.0%	39.0%	39.9%
Female	57,0%	52.0%	62.0%	61.0%	60.1%
Source of income					
Private sector employment	28.0%	23.0%	23.0%	26.0%	26.7%
Public sector (including social grants)	71.0%	72.0%	76.0%	72.0%	7.0%
Self / informal employment	1.0%	5.0%	2.0%	2.0%	2.1%
State pension					63.9%
Farm workers					0.2%
	100%	**100%**	**100%**	**100%**	**100%**
Borrower's income					
less than R1 500 per month	43.0%	56.0%	63.0%	64.0%	63.2%
R1 500 per month - R2 500 per month	4.0%	5.0%	5.0%	6.0%	5.7%
R2 500 per month - R3 500 per month	4.0%	5.0%	4.0%	5.0%	7.6%
Sub-total below R3 500 per month	**51.0%**	**66.0%**	**72.0%**	**75.0%**	**76.5%**
R3 500 per month - R6 000 per month	14.0%	11.0%	7.0%	6.0%	7.3%
R6 000 per month - R9 800 per month	18.0%	11.0%	9.0%	6.0%	5.5%
more than R9 800 per month	17.0%	12.0%	12.0%	11.0%	5.1%
more than R15 000 per month (w.e.f. 1/4/2014)				2.0%	5.6%
	100%	**100%**	**100%**	**100%**	**100%**

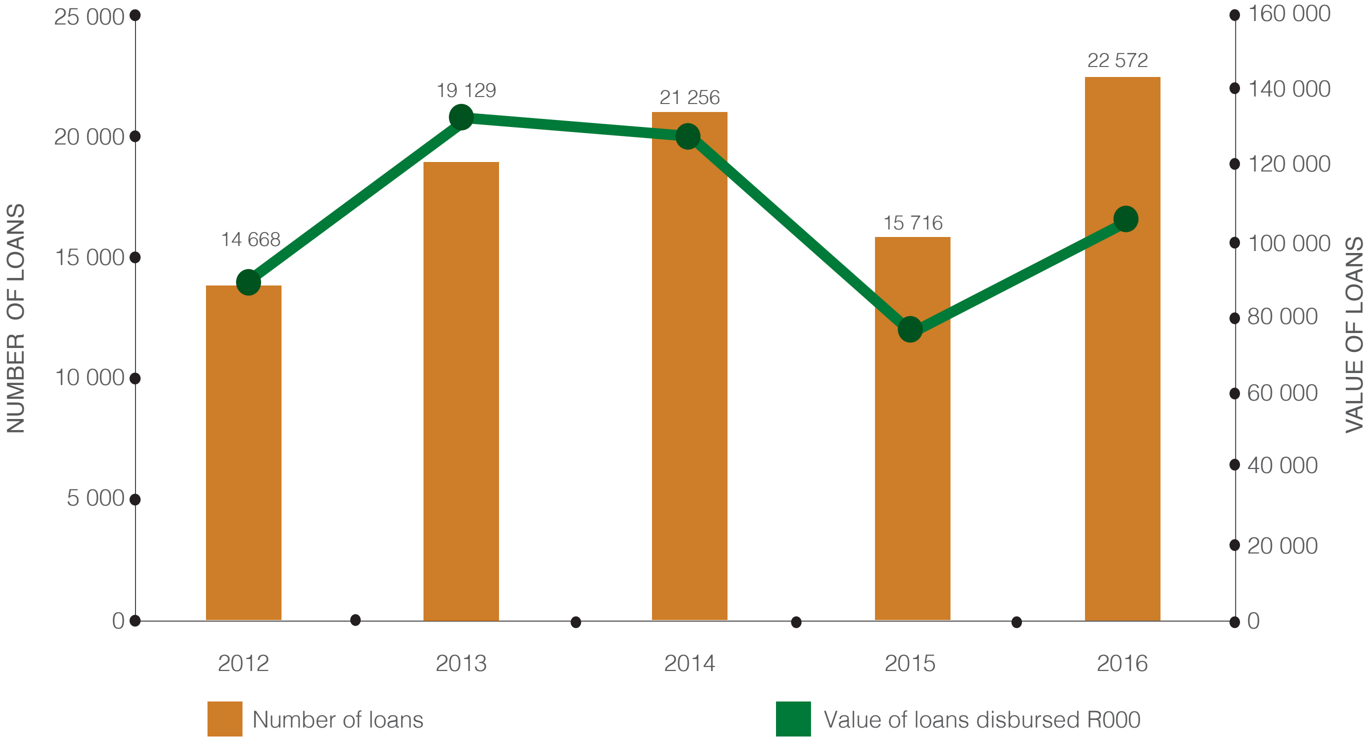
Provincial distribution of loans



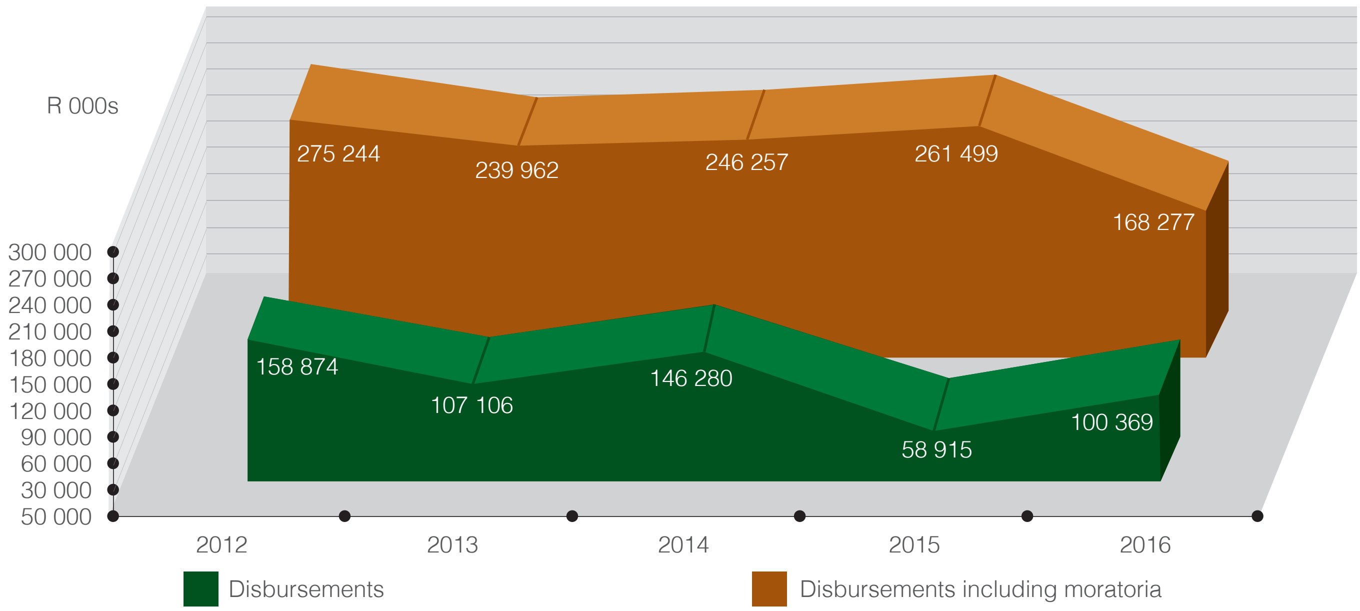
	2012	2013	2014	2015	2016
Western Cape	2 342	2 807	1 147	869	713
Northwest	2 068	1 952	2 793	2 548	2 315
Northern Cape	621	161	95	156	73
Mpumalanga	3 146	3 543	3 496	4 179	4 245
Limpopo	2 207	1 602	1 273	1 264	1 373
Kwazulu Natal	15 278	15 734	17 301	14 828	14 147
Gauteng	8 333	5 270	5 426	3 858	4 345
Free State	1 645	1 329	1 367	1 292	1 358
Eastern Cape	9 451	11 403	12 414	11 713	11 190

Eastern Cape Free State Gauteng Kwazulu Natal Limpopo Mpumalanga Northern Cape Northwest Western Cape

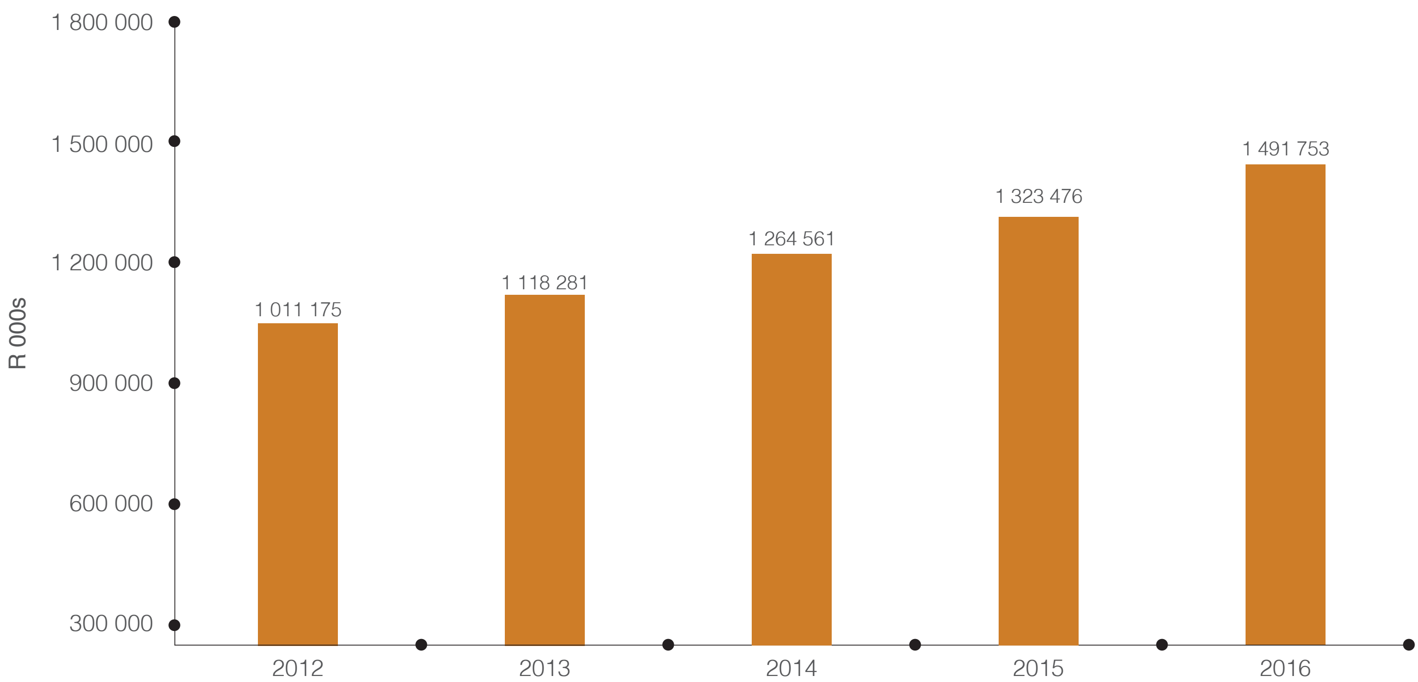
Housing loans delivered in prioritised rural district municipalities



Annual disbursements

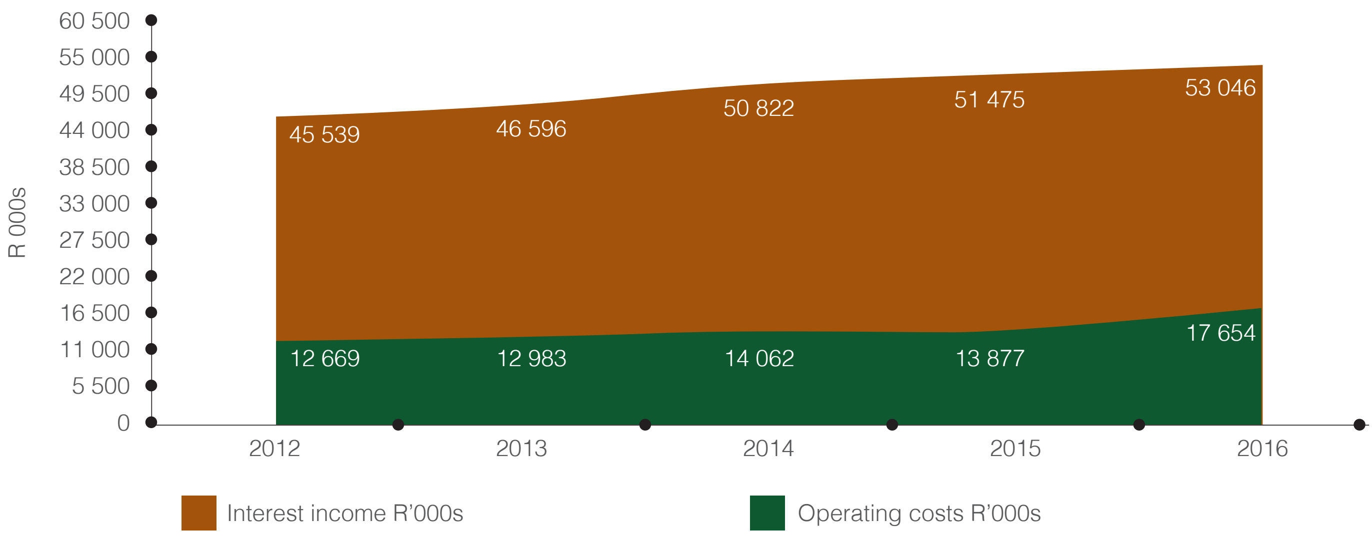


Cumulative disbursements

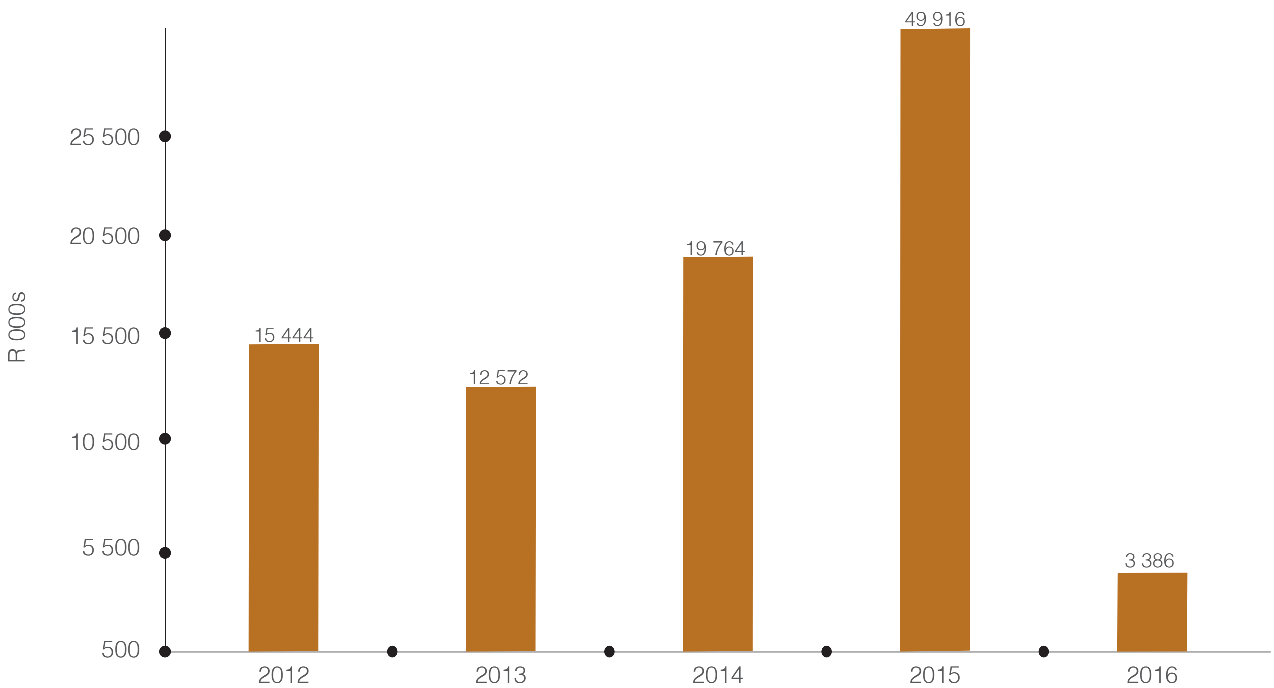


Financial performance

Interest income against operating expenses



Annual Surplus After Taxation



Who are **we?**

Ownership and operating structure

The Rural Housing Loan Fund SOC NPC is owned by the people of South Africa represented by the Minister of Human Settlements.

The business is registered as a Not For Profit company in terms of the Companies Act and is listed under Schedule 3A of the Public Finance Management Act. It operates as a not for profit organisation with an exemption from income tax.

People

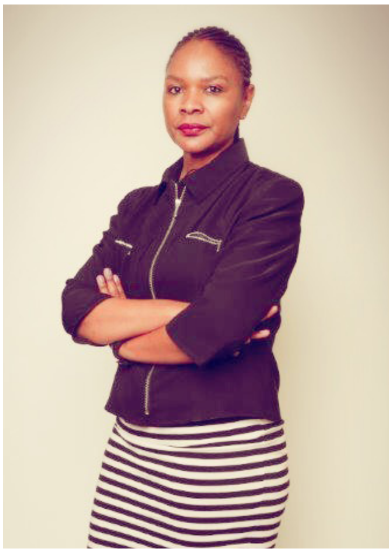
All the Rural Housing Loan Fund employees have full time employment contracts.

Executives

Jabulani Fakazi
- Chief Executive Officer and executive director
- Appointed 2010
- Joined the Rural Housing Loan Fund 2002

Bruce Gordon
- Chief Financial Officer and company secretary
- Appointed 2012
- Joined the Rural Housing Loan Fund 2012

Client Focus



Tsaliko Ntoampe
- Client Executive
- Appointed 2003
- Manages intermediary relationships and sources new intermediaries

William Malatji
- Client Executive
- Appointed 2003
- Manages intermediary relationships and sources new intermediaries

Relebile Moeketsi
- Client Executive
- Appointed 2012
- Joined the Rural Housing Loan Fund 2011
- Manages intermediary relationships and sources new intermediaries with special focus on CBOs

Lindokuhle Ndlovu
- Junior Client Executive
- Appointed July 2013
- Joined the Rural Housing Loan Fund 2012
- Manages intermediary relationships and sources new intermediaries with special focus on CBOs

Motlalepule Mothobi
- Marketing Officer
- Appointed 2010
- Joined the Rural Housing Loan Fund 2009
- Manages marketing, corporate social responsibility and the annual client workshop

Risk management

Makgalaborwa Maila
- Risk Manager
- Appointed 2001
- Manages intermediary risk

Caroline Ndlovu
- Risk Analyst
- Appointed February 2014
- Reviews intermediary practices, processes and financial status

Mlungisi Hlabangani
- Junior Risk Analyst
- Joined the Rural Housing Loan Fund in 2014
- Appointed in 2015
- Assesses and consolidates client financial and development reports

Klaas Motshabi
- Development Compliance Monitor
- Appointed July 2013
- Joined the Rural Housing Loan Fund July 2012
- Visits beneficiaries to assess the usage of loans to ensure compliance with RHLF mandate

Kenneth Molapo
- Intern Development Compliance Monitor
- Joined the Rural Housing Loan Fund 2015
- Visits beneficiaries to assess the usage of loans to ensure compliance with RHLF mandate

Administration

Myriam Kheza
- Office Manager
- Appointed 1996
- Takes minutes at all formal meetings as well as managing the office

Porche Knauf
- Accountant
- Appointed 2002
- Prepares financial information and supervises supply chain

Dipolelo Chuene
- Junior Office Administrator
- Appointed 2012
- Assists with supply chain, office management, accounting and manages telephone calls

Rhona Mokhele
- Office Assistant
- Appointed 2005
- Ensures offices hygiene

Performance incentive bonus

The following table shows how the percentage of incentive bonuses to pay for the year under review is determined.

Categories of performance	Weight	Target	Actual	Achieve-ment	Result	Minimum achievement
1) Financial (50%) : Surplus R000	50%	13 010	3 386	26%	0,0%	100%
2) Impact (50%):						
Disbursements to retail inter-mediaries including moratoria (R000)	30%	258 329	168 277	65%	0,0%	80%
End user loans disbursed (Units)	10%	43 457	39 790	92%	9,2%	80%
Qualifying housing use target (% of loan instances) - higher is better	10%	88,0%	96,3%	109,4%	10,0%	75%
					19,2%	**75%**

The result shows that the individual bonus will not be paid out, as the minimum achievement was not reached. The low surplus is a consequence of a dispute with the South African Revenue Service, as detailed in the Income Tax note. The following table shows targets set for the 2016/17 financial year and minimum achievement required in order to pay incentive bonuses:

Categories of performance	Weight	Target	Minimum achievement
1) Financial (50%): Surplus R 000	50%	10 679	100%
2) Impact (50%):			
Disbursement to retail	30%	224 920	80%
End user loans	10%	43 187	80%
Qualifying housing use target (% of loan instances)	10%	88%	75%
			75%

Training

While the Rural Housing Loan Fund has a small team it can be seen that the majority of employees have been promoted into their roles, reflecting on the success of the Rural Housing Loan Fund's policy to improve the skills base of South Africans. In addition to training employees, the company provides training for its SMME clients as well as its directors

	YTD 2016	Breakdown Executives R	Client Focus R	Risk R	Administra-tion R
University fees	108 293		45 500	31 940	30 853
Short courses	173 867	9 118	41 734	62 165	60 850
Total	**282 160**	**9 118**	**87 234**	**94 105**	**91 703**
Number of people	15	2	4	4	5
Budget	152 000	4 559	21 809	23 526	18 341
Average spend per person	19 279				
Budget as % of employee costs	2.40%				

Executive remuneration

2015					
Title	**Incumbent**	**Basic salary R 000**	**Benefits R 000**	**Performance Bonus R 000**	**Total**
Chief Executive Officer	J J Fakazi	1 531	416	410	2 356
Chief Financial Officer	B C Gordon	1 220	224	179	1 623
Total		**2 750**	**640**	**589**	**3 979**
2016					
Title	**Incumbent**	**Basic salary R 000**	**Benefits R 000**	**Performance Bonus R 000**	**Total**
Chief Executive Officer	J J Fakazi	1 614	444	371	2 429
Chief Financial Officer	B C Gordon	1 280	235	272	1 787
Total		**2 893**	**679**	**643**	**4 216**

The bonuses for the executives are only finalised when the integrated report is published as certain aspects of these bonuses are dependent upon the contents of this report. The amounts reflected here relate to bonuses awarded for the previous year's performance.

Personnel costs
The personnel expenditure set out in the following tables relate to the cost to company packages provided to employees and do not take into account other costs of employees.

Average salary per employee category

Year	Level	Personnel expenditure	% of expenditure to total personal cost	No. of employees	Average cost per employee
2016	Executive	3 515	38%	2	1 758
2016	Managers	3 749	41%	5	750
2016	Skilled	1 637	18%	6	273
2016	Trainees	322	3%	3	107
2015	Executive	3 335	41%	2	1 668
2015	Managers	3 494	43%	5	699
2015	Skilled	1 052	13%	5	210
2015	Trainees	192	2%	3	64

Performance awards as percentage of total personnel cost

Year	Level	Personal awards	% of personal expenditure to total personal cost	No. of employees	Average cost per employee
2016	Executive	643	6%	2	294
2016	Managers	647	7%	5	129
2016	Skilled	181	2%	6	30
2016	Trainees	28	0%	3	9
2015	Executive	589	7%	2	294
2015	Managers	451	6%	5	90
2015	Skilled	178	2%	5	36
2015	Trainees	22	0%	2	11

Vacancies

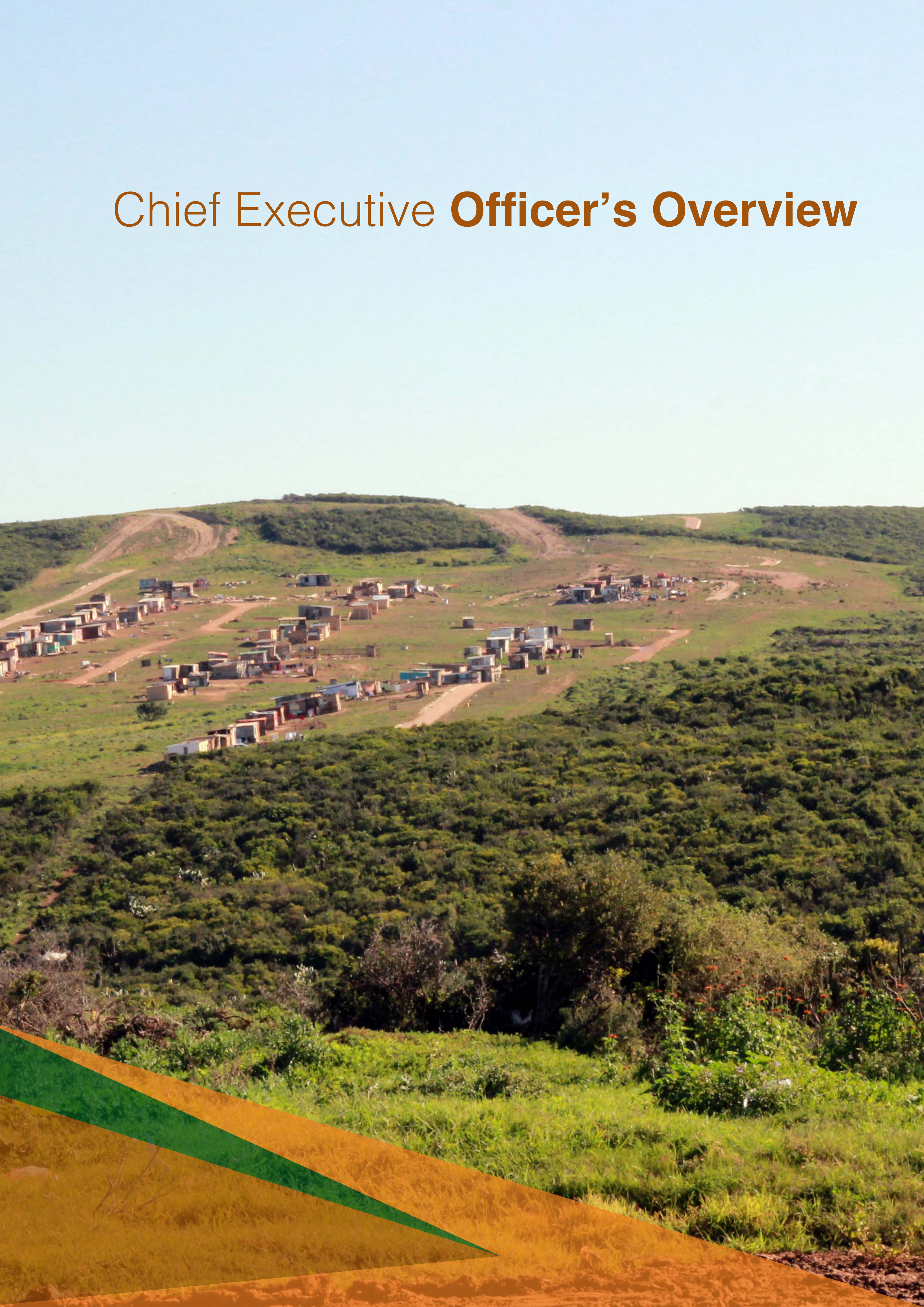
Year	No. of employees	Approved employees	Number of vacancies	% of vacancies
2016	16	20	4	20%
2015	15	16	1	6%

New positions were created for the pilot of the voucher programme. Permission to commence this pilot was delayed and therefore no recruitment took place.

Employment equity

Level	African Female	Coloured Female	Indian Female	White Female	Total Female	African Male	Coloured Male	Indian Male	White Male	Total Male	Total
Executive	-	-	-	-	-	1	-	-	1	2	2
Managers	2	-	-	1	3	2	-	-	-	2	5
Skilled	3	-	-	-	3	3	-	-	-	3	6
Trainees	2	-	-	-	2	1	-	-	-	1	2
Total	**7**	**-**	**-**	**1**	**8**	**7**	**-**	**-**	**1**	**8**	**16**

Chief Executive **Officer's Overview**



The Rural Housing Loan Fund fulfils its mandate through a network of commercial and community based intermediary partners who access funds from the Rural Housing Loan Fund and lend on to the target market. Through these partners, year after year, we are able to reach the people that we exist to serve in rural areas of all provinces. However, more still needs to be done to broaden and deepen the reach of our incremental housing product to enable people in rural areas to progressively realise the improvement of their housing conditions. Of particular concern is the difficulty experienced with enabling self-employed people to access housing finance.

Our performance is largely affected by economic and market conditions. During the 2015/16 financial year the credit industry faced a number of challenges and these limited our retail intermediaries' extent of lending. As a result, our performance measured by key development indicators - number of loans and disbursements - was below the targets set for the year:

- Number of loans delivered was 39 790 (2014/15: 40 185) against the budget of 43 457, a 92% (2014/15: 81%) achievement; and
- Total disbursements to lenders achieved was R168 million (2014/15: R261 million) against a target of R258 million which was only 65% (2014/15: 88%). On a slightly more positive note intermediaries lent R233 million to our beneficiaries by using receipts before they repay us as well as their own or other funds.

Our performance coming in below budget is attributed mainly to the following factors:

- The rate of growth of the South African economy has remained low and was in fact revised downwards with year on year growth reported at 0.6% at the end of quarter 4 of 2015.
- A relatively stable and unsatisfactory unemployment rate during the financial year. For the period April - June 2015 the unemployment rate was 25.0% and increased to 26.7% at the end of the first quarter 2016 calendar year.
- Inflation rate remained within the 3 - 6% band during 2015, but breached the upper limit in January 2016 at 6.2%, rising to 7% in February before receding to 6.3% in March 2016. The main drivers of the rise in inflation rate were the severe drought that led to higher food prices and weakening rand exchange rate that also has inflationary pressure. Our concern with high inflation

is that it erodes disposable income for our borrowers and leaves very little money to enable them to afford housing loans.

- The REPO rate was adjusted upwards during the year on the back of the weakening of the Rand exchange rate and rising inflation. With the interest rate charged for unsecured credit based on the SA Reserve Bank determined Repo Rate, the cost of credit began to rise, thus adversely affecting the unsecured credit affordability.
- In addition to the above mentioned economic factors, levels of consumer indebtedness and low affordability remained a challenge, resulting in high rejection rates at retail lending levels which in some cases were as high as 80%.

All these factors, taken together, led to the lower demand for new facilities and lower than projected drawdown of facilities by intermediaries adversely affecting our ability to disburse and thus the lower number of loans delivered.

We continue to intensify our efforts to build lending capacity and the competitiveness of the retail intermediary network by signing up new intermediaries and community based organisations. As regards to community based organisations, we engaged with a number of Co-operative Financial Institutions that are registered with the Co-operatives Bank Development Agency. By the end of the financial year, a number of credit proposals for these businesses had been approved by the Credit and Development Committee subject to them meeting certain conditions before loan facility agreements are signed. A credit proposal for a commercial intermediary with a potential to absorb a large loan book and therefore contribute strongly to the achievement of our mandate, was approved.

Notwithstanding the tough market conditions during the year, we are pleased to report that our financial performance achievement was better than budget. Income from core business achieved for the year was R39.9 million (2015: R42.1 million). This was lower than the income of R44.2 million budgeted for 2016. Operating expenditure for the year, before loan impairments, was below the budgeted amount of R18.8 million at R17.3 million (2015: R13.7 million). This can largely be attributed to savings in various items such as travelling, marketing, cancellation of the purchase of an IT system and other small items. Operating surplus before taxation achieved was below the budgeted amount of R13 million at R3.3 million (2015: R49.5 million). This is due to a reversal of a portion of the refund expected from SARS accounted for in the previous year.

We are encouraged that our retail partners continue to ensure they grant good quality loans and thus avoid causing over indebtedness, as well as building themselves sound balance sheets. As the Rural Housing Loan Fund, we promote both responsible lending and responsible borrowing. In this regard, while people are always tempted to take bigger loans so that they complete their houses quicker, we encourage our borrowers to take small loans that they can afford to repay and go back for further loans as they improve their housing conditions. The essence of incremental building is to build in line with affordability levels as repeat access to credit is the hallmark of incremental housing.

No activities were discontinued during the year nor do we plan to discontinue any activity. Although implementation of the Individual Rural Housing Subsidy Voucher Programme was not commenced with during the year, we built two houses - one in Limpopo and another in KwaZulu-Natal - with the objective of piloting costs of building a 'voucher' house. The Minister of Human Settlements took a decision in March 2015 that we must build a standard Breaking New Ground house for government to determine the subsidy quantum that could be used for the programme. At the time of this report, the report was being prepared to provide feedback to the Minister on the cost associated with the two houses built.

In terms of our supply chain management policy, all services procured in 2016 were completed and paid for within the year. We did not receive or conclude any unsolicited bid proposals during the year under review.

The process to consolidate the three Human Settlements Development Finance Institutions is still continuing and is expected to be concluded during the course of the 2016/17 financial year. Within the consolidated entity, unsecured incremental housing finance will be provided to both urban and rural housing markets. However, we will ensure that this change does not disadvantage borrowers in rural areas.

The outlook for the year ahead remains gloomy with economic and credit industry conditions not showing any signs of recovery. The new Regulations on Limitation on fees and maximum interest rate were approved by the Minster of Trade and Industry for implementation with effect from 6 May 2016. In addition, the draft Regulations on credit life insurance are also being considered by the Minister of Trade and Industry. Already we have seen one of our clients indicating its intention to withdraw from providing unsecured housing loans as a result of these regulatory changes.
The full impact of these changes on our business remains to be seen.

Another challenge going forward related to the regulatory environment is the requirement that all credit providers, including community based organisations such as stokvels, have to register with the National Credit Regulator as per Determination of Application, Registration and Renewal fees Regulations issued by the Minister of Trade and

Industry. These regulations will become effective in November 2016. From our perspective, this requirement will make it difficult for the community based organisations we have been trying to work with to access our funding and on-lend to their members. Most community based organisations are made up of members who are non-literate and thus might find it difficult to comply with these regulations.

I would like to thank all members of the Rural Housing Loan Fund Board for their wise counsel and guidance to myself and the team. I also extend my gratitude to all our retail partners for their contribution in ensuring that we achieve our mandate. We are pleased that our loan verification reports have shown that our funding is indeed used for the intended purpose - enabling people in our target market to improve their housing conditions.

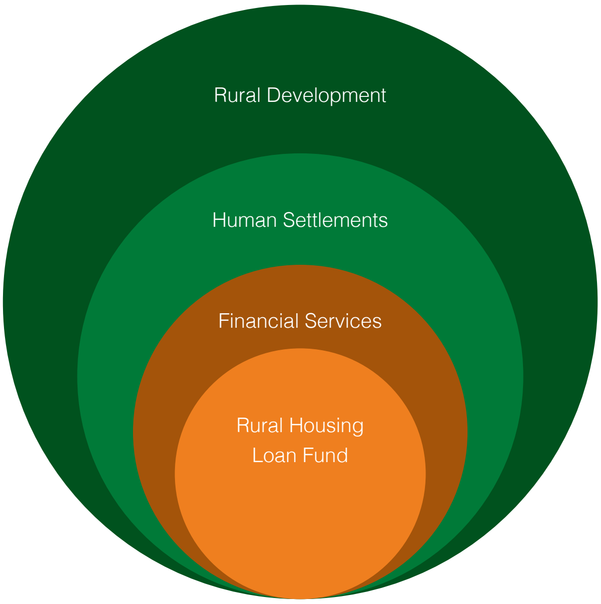
In conclusion, I would like to thank our staff for their unwavering commitment to their work and ensuring that our company achieves its mandate and helps improve the living conditions of people the Rural Housing Loan Fund exists to serve.

Jabulani Fakazi
Chief Executive Officer

What do **we do?**

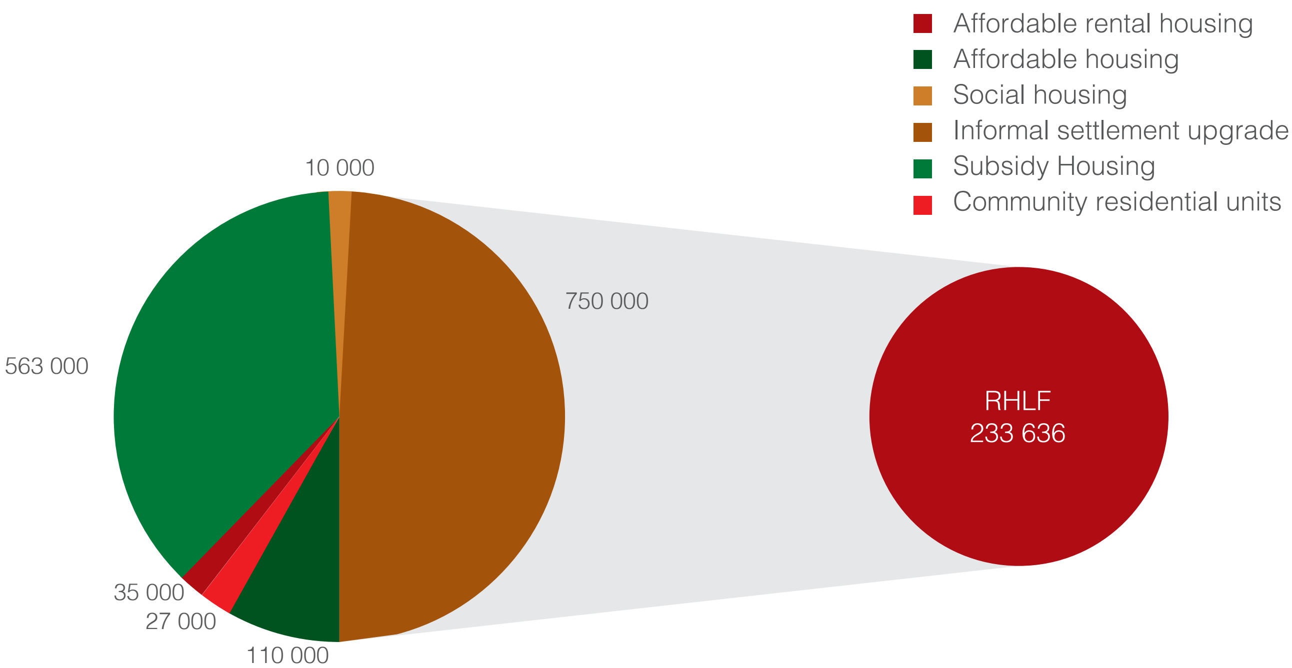
The Rural Housing Loan Fund adds value to its stakeholders by efficiently utilising its limited funding to improve the lives of South Africans living in rural areas by ensuring that they are able to access incremental housing loans to improve their housing conditions. In essence, our operation is embedded in three sectors, namely: rural development, human settlements and financial services.

We are set up as a wholesale funder and have established a delivery mechanism through our intermediary partners who enable households in rural areas to access finance to improve their living conditions and in the process contribute to sustainable rural human settlements and rural development. The graph below illustrates this relationship:



Commitment by the Minister of Human Settlements

The Minister of Human Settlements has committed to the delivery of 1 495 000 housing opportunities during the term of the current government. This delivery will be carried out by the Department of Human Settlements, the public entities that report to the Minister and the private sector. The following table shows the breakdown of these opportunities by type, indicating where Rural Housing Loan Fund delivers.



Rural Housing Loan Fund's contribution

The Rural Housing Loan Fund facilitates access to unsecured loans through intermediaries for retail borrowers in rural areas who currently earn under R15 000 per month.

The Rural Housing Loan Fund is committed to the following goals for the present term of Government, that is 2014 to 2019. We annually report our performance towards achieving the number of loans we have planned to deliver by the end of the Medium Term Strategic Framework period.

	Previous term targets	Previous term achieved	Current term targets	Year 1 current term	Year 2 current term	% achieved to date	
Incremental rural housing loans (number)	181 111	209 866	233 636	40 185	39 790	34.2%	Higher is better
Percentage used for housing	80.0%	94.0%	88.0%	96.0%	99.7%	NA	Higher is better
Percentage to people earning over R15,000 (R9,800 in previous term)	20.0%	12.7%	12.0%	2.0%	5.6%	NA	Lower is better
Percentage to people earning under R3,500	60.0%	72.0%	60.0%	75.0%	76.5%	NA	Higher is better

How we create value in support of our mandate

Key performance indicators 2015/16

	2014/15	2015/16			
	Actual	Actual	Budget	Variance	Commentary
End user loans disbursed (Units)	40 185	39 790	43 457	(3 667)	The over-indebtedness in the market place as well as the weak economy had a negative effect on RHLF's achievement for the year
Qualifying housing use target (% of loan instances) - higher is better	96.0%	96.3%	88.0%	8.3%	Despite raising the target from previous years RHLF is still exceeding its goals
Loans to households earning R15 000 or more (%) - lower is better	2.0%	5.6%	20.0%	14.4%	Target exceeded
Loans to households earning R3 500 or less (%) - higher is better	75.0%	76.5%	60.0%	16.5%	Target exceeded

The number of loans delivered was below the set target due to challenging economic conditions being experienced by our targeted beneficiaries.

- 96.3% of the loans delivered were used for a housing related purpose, marginally up on the previous year's achievement.
- 76.5% of the loans were accessed by borrowers earning R3 500 and less per month, showing that we are creating value for the lowest income earners again, an improvement on the 2014/15 year.
- 5.6% of the loans were accessed by borrowers earning above R15 000 per month, which is the current upper income limit in terms of our mandate. Put differently, 94.4% of the loans were accessed by borrowers earning within the mandated upper income limit.

Analysis of loans granted in 2015/16

MANDATE COMPLIANCE INFORMATION		
Development mandate statistics compiled from Monthly Housing Mandate Monitoring Reports	**2016**	**2015**
Number of new loans	**39 790**	**40 185**
Actual Loan usage		
New House	3.5%	1.0%
Extension	5.7%	8.0%
Improvement	77.2%	74.0%
Basic Services	12.0%	14.0%
	98.4%	**97.0%**
Other	1.6%	3.0%
	100%	**100%**
Repeat borrowers	36.1%	32.0%
Borrowers using loan together with government subsidy	2.9%	2.0%
Gender of borrower		
Male	39.9%	39.0%
Female	60.1%	61.0%
Borrower's employment		
Private sector	26.7%	26.0%
Public sector (up to 2014/15 includes state pension)	7.0%	72.0%
Self-employed, informal	2.1%	2.0%
State pension (Measured from 2015/16)	63.9%	
Farm workers (Measured from 2015/16)	0.2%	
	100%	**100%**
Borrower's income		
less than R1 500 per month	63.2%	64.0%
R1 501 - R2 500	5.7%	6.0%
R2 501 - R3 500	7.6%	5.0%
	76.5%	**75.0%**
R3 501 - R6 000	7.3%	6.0%
R6 001 - R9 800	5.5%	6.0%
R9 801 - R15 000	5.1%	11.0%
> R15 001	5.6%	2.0%
	100%	**100%**

Contribution of intermediaries to loans delivered

Name		2014/15	% Contribution	2015/2016	Total %
Bayport	Value (R)	44 322 060	17.6%	31 375 983	13.4%
	Number #	2 621	6.5%	1 617	4.1%
	Average	16 908	0.0%	19 408	
Izwe	Value (R)	17 080 155	6.8%	32 901 536	14.1%
	Number #	1 221	3.0%	2 262	5.7%
	Average	13 990	0.0%	14 545	
Kuyasa Fund	Value (R)	3 373 139	1.3%	5 163 075	2.2%
	Number #	502	1.3%	776	2.0%
	Average	6 715	0.0%	6 652	
Lendcor	Value (R)	93 778 666	37.3%	118 438 185	50.7%
	Number #	30 308	75.4%	31 817	80.0%
	Average	3 094	0.0%	3 722	
Moliko	Value (R)	559 200	0.2%	102 500	0.0%
	Number #	138	0.3%	32	0.1%
	Average	4 052	0.0%	3 203	
Norufin	Value (R)	24 059 970	9.6%	22 128 832	9.5%
	Number #	1 891	4.7%	1 756	4.4%
	Average	12 723	0.0%	12 602	
RPH	Value (R)	49 919 262	19.9%	-	0.0%
	Number #	2 214	5.5%	-	0.0%
	Average	22 547	0.0%	-	
Thuthukani	Value (R)	17 507 803	7.0%	22 155 206	9.5%
	Number #	1 214	3.0%	1 430	3.6%
	Average	14 422	0.0%	15 493	
Makoko	Value (R)	276 555	0.1%	1 011 174	0.4%
	Number #	23	0.1%	81	0.2%
	Average	12 024	0.0%	12 484	
Lehae	Value (R)	352 678	0.1%	208 906	0.1%
	Number #	25	0.1%	19	0.0%
	Average	14 107	0.0%	10 995	
Amajuba	Value (R)	22 000	0.0%	-	
	Number #	8	0.0%	-	
	Average	2 750	0.0%	-	
Bomme le Batjha	Value (R)	40 000	0.0%	-	
	Number #	7	0.0%	-	
	Average	5 714	0.0%	-	
Shiyendlele	Value (R)	160 913	0.1%	-	
	Number #	12	0.0%	-	
	Average	13 409	0.0%	-	
Total	**Value (R)**	**215 452 401**	**100.0%**	**233 485 396**	**100.0%**
	Number #	**40 185**	**100.0%**	**39 790**	**100.0%**
	Average	**6 257**	**0.0%**	**5 868**	

The amounts disbursed here includes other funds of intermediaries, including receipts on loans they issue before they pay Rural Housing Loan Fund. This is considered positive as it results in more funds being provided for beneficiaries than the Rural Housing Loan Fund alone can provide.

Loans granted in prioritised rural district municipalities

We support government's efforts to deliver in the prioritised rural District Municipalities thereby creating value to households living in these municipalities as we delivered loans as shown in the table below

Prioritised District Municipality 2014/15	Value of loans granted (R)	Value of loans granted
Alfred Nzo District Municipality	2 000 068	587
Amajuba District Municipality	997 793	178
Capricorn District Municipality	3 798 692	228
Chris Hani District Municipality	7 192 451	2 696
Ehlanzeni	6 450 748	831
iLembe District Municipality	378 054	93
Maluti a Phofung	949 831	137
Mopani District Municipality	304 566	22
O.R.Tambo	9 242 640	3 424
Sekhukhune	135 168	9
Sekhukhune Cross Boundry District Municipality	1 123 821	202
Sisonke District Municipality	1 810 168	402
Ugu District Municipality	4 409 080	1 240
Umkhanyakude District Municipality	2 606 776	908
Umzinyathi District Municipality	3 366 933	1 217
Uthukela District Municipality	1 181 134	214
Uthungulu District Municipality	7 687 358	1 918
Vhembe District Municipality	1 354 337	94
Zululand District Municipality	3 887 010	1 316
Total	**58 876 629**	**15 716**

Presidential Node 2015/16	Value of loans granted	Number of loans granted
Alfred Nzo District Municipality	10 201 269	1 558
Amajuba District Municipality	4 991 310	389
Capricorn District Municipality	24 013 987	1 278
Chris Hani District Municipality	12 453 696	2 970
Ehlanzeni	18 770 359	1 640
iLembe District Municipality	2 020 436	180
Maluti a Phofung	4 928 510	303
Mopani District Municipality	4 464 650	239
O.R.Tambo	12 429 053	3 576
Sekhukhune	315 914	23
Sekhukhune Cross Boundary District Municipality	6 252 700	534
Sisonke District Municipality	3 930 800	563
Ugu District Municipality	7 845 770	1 500
Umkhanyakude District Municipality	6 797 334	1 306
Umzinyathi District Municipality	6 277 747	1 394
Uthukela District Municipality	3 990 962	443
Uthungulu District Municipality	31 162 272	2 903
Vhembe District Municipality	4 974 435	259
Zululand District Municipality	7 855 669	1 514
	173 676 875	**22 572**

Cumulative number and value of loans disbursed in prioritised rural district municipalities

In 2005/06, the Rural Housing Loan Fund started on an annual basis to report on the number and value of loans that are granted in priority rural nodes as part of our contribution to the improvement of living conditions in these areas. The table below also shows the cumulative number and value of loans that we have delivered in support of the government's Rural Development priority.

Financial Year	2012	2013	2014	2015	2016	Cumulative Total since 2006
Number of loans	14 668	19 129	21 256	15 716	22 572	156 010
Value of loans disbursed R000	R 93 876	R 138 677	R 129 467	R 58 877	R 104 841	R 815 045

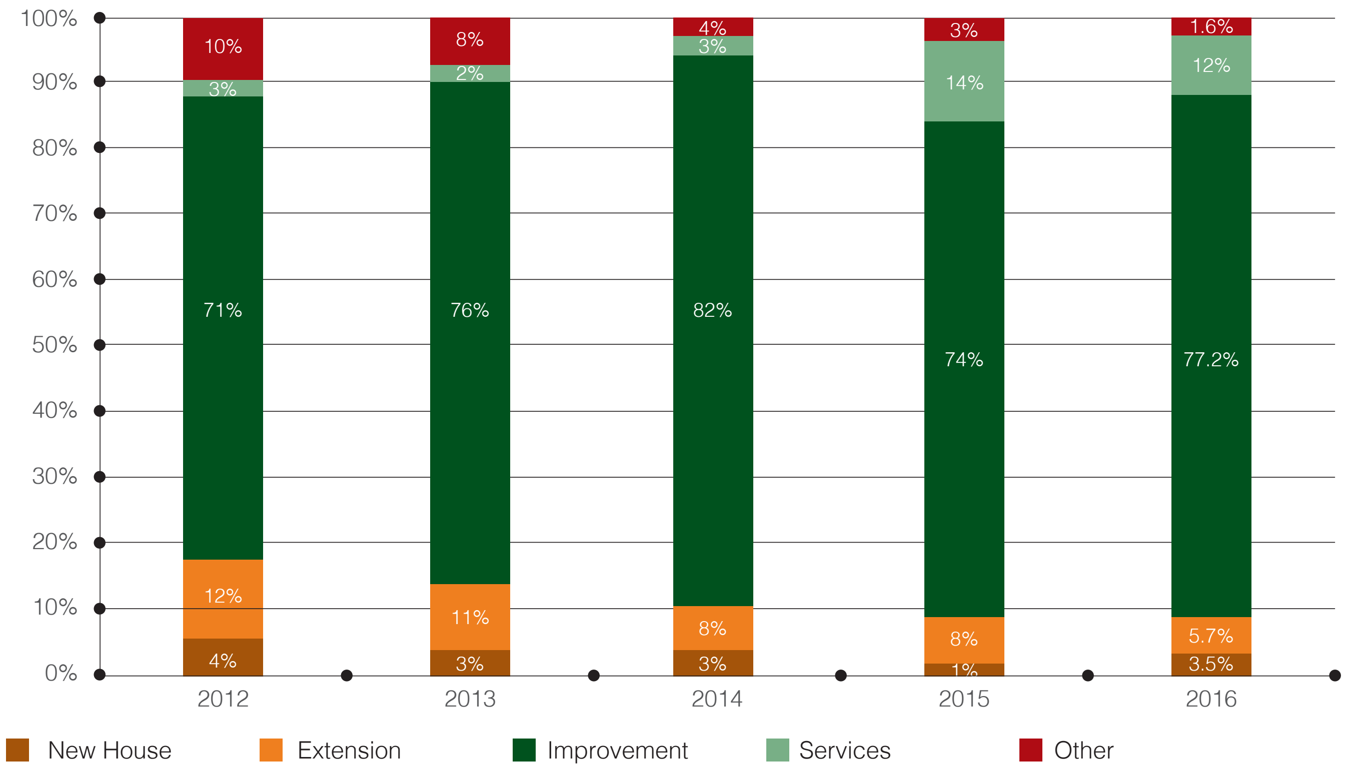
Loans granted in mining towns and labour sending areas

We create value for households in the mining towns that are prioritised in the Special Presidential Package for supporting prioritised distressed mining towns as well as mining labour sending areas as shown in the table below:

Area	Mining or labour sending	Value of loans granted	Number of loans granted
Alfred Nzo District Municipality	Labour sending	10 201 269	1 558
Elias Motsoaledi	Mining	2 281 678	197
Emalahleni	Mining	22 454 862	1 351
Fetakgomo	Mining	318 403	26
Greater Tubatse	Mining	3 833 450	271
Kgetlengrivier	Mining	346 027	22
Moqhaka	Mining	3 465 429	191
Moses Kotane	Mining	241 934	13
O.R.Tambo	Labour sending	12 429 053	3 576
Randfontein	Mining	879 384	41
Rustenburg	Mining	4 667 379	242
Thabazimbi	Mining	452 655	22
Westonaria	Mining	35 413 688	1 857
Zululand District Municipality	Labour sending	7 855 669	1 514
		104 840 881	**10 881**

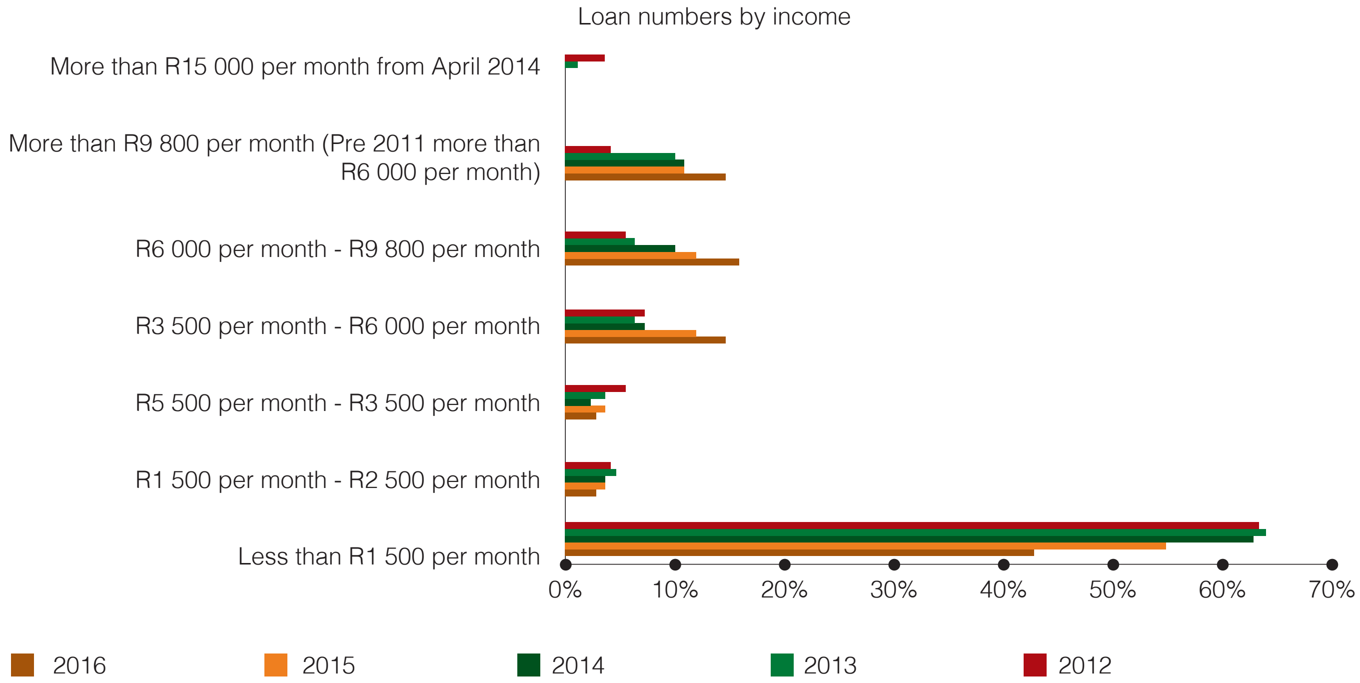
Although there are more mining and labour sending areas, the table only shows the areas that are selected for the Special Presidential Package.

Loan usage



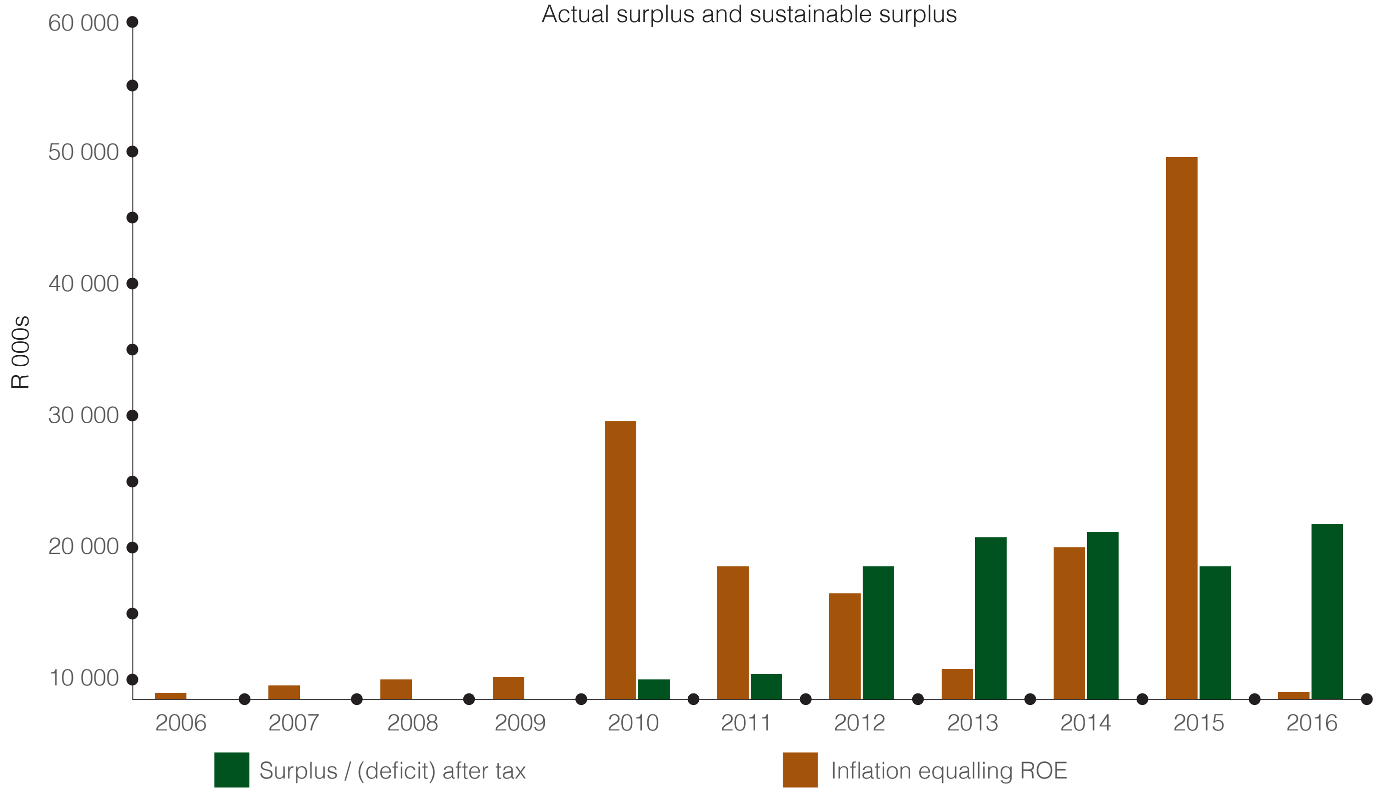
Income category of borrowers

The following graph shows how people use the loans that they receive from the Rural Housing Loan Funds intermediaries.



Value added to remain sustainable

In order to remain financially stable it is necessary that the Rural Housing Loan Fund earns a return on its equity higher than the inflation rate.



While it can be seen that 2015 shows a substantial surplus over what is needed for sustainability, this surplus includes a reversal of income tax since 2004 as a result of a back dated income tax exemption being obtained. This amounted to R36.8 million, and without this once off amount the Rural Housing Loan Fund would have only just achieved the amount needed for sustainability. In 2016 the company once again achieved below the income needed to remain sustainable.

This refund due from the South African Revenue Services resulting from backdating of its tax exemption is currently in dispute with SARS about the reopening of income tax assessments before the 2012 assessment. The amount in dispute is R18.2 million.

The environment in which we operate

The Rural Housing Loan Fund's delivery on its mandate is largely influenced by various factors in the external environment in which we operate. Some of these factors come from government policy, while others come from the business environment.

Government development policy
As a government owned entity, we have to take into account the government development policy agenda. In this context the government priorities as enunciated in the National Development Plan and by the governing party are taken into account in the delivery of our services to the target market:

- **Rural development:** This has been one of the government apex priorities for a long time. The National Development Plan also dedicates a chapter to building an Integrated and Inclusive Rural Economy. Therefore in our mandate delivery we ensure that loans that we facilitate reach into the rural nodes that are prioritised by government in terms of the Comprehensive Rural Development Programme.
- **Sustainable human settlements:** We contribute to the transformation and creation of human settlements, which is chapter eight of the National Development Plan and also contribute to Outcome Eight of the Government's Medium term Strategic Framework. Our activities result in low income earners in rural areas accessing loans to achieve adequate housing.

- **Supporting the development of Small, Medium and Micro Enterprises and Co-operatives:** Government has prioritised the development of small businesses and co-operatives to the extent that a new Department of Small Business has been established after the May 2014 elections. We therefore continue to intensify our efforts to identify start-up commercial intermediaries who want to venture into incremental housing finance lending and provide support mechanisms to ensure they reach sustainability. Furthermore, we continue to identify community based organisations such as stokvels, co-operatives, building clubs and associations in order to ensure that we are able to deepen our reach to informally and self-employed people.

Our development focus will continue to be on supporting applicable aspects of the National Development Plan to ensure that people within our mandate are able to access housing loans so that they also experience the journey towards Vision 2030.

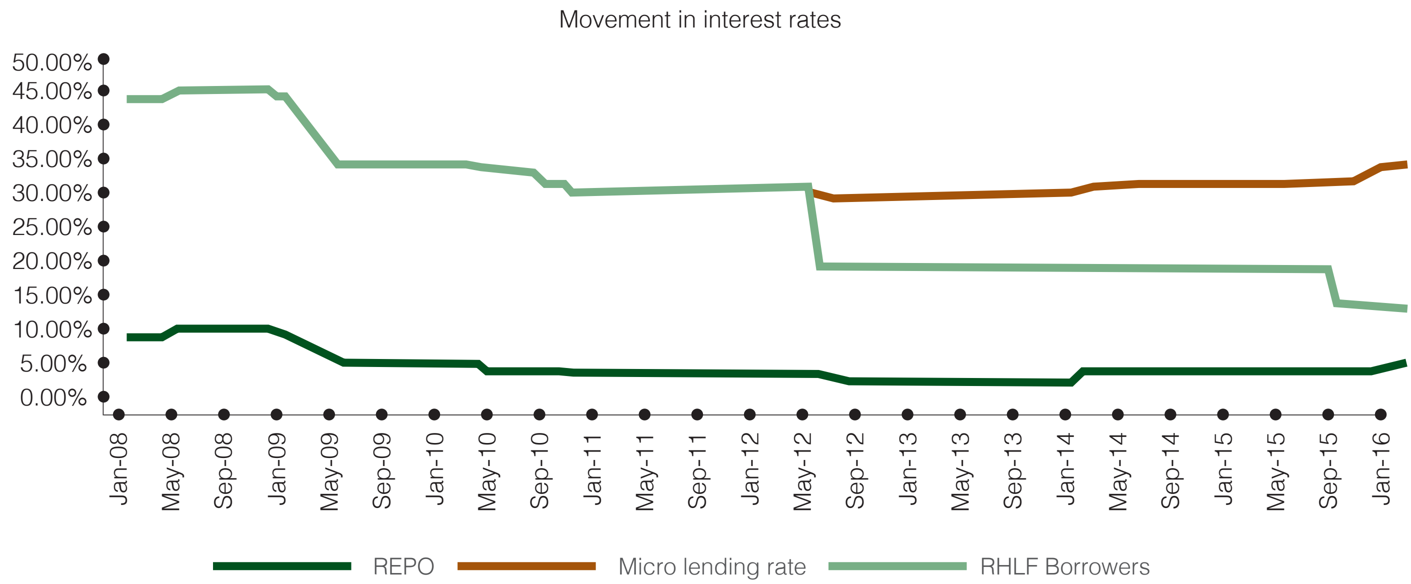
Economic growth and unemployment

The economic environment in which the Rural Housing Loan Fund operates remained challenging for the whole of the 2015/16 financial year. Economic growth was revised downwards throughout the year, as indeed was the case in the previous year. The outlook for 2016 and beyond remains bleak, with growth estimates of below 1% for the year.

The fact is that the domestic economy is not growing fast enough to create jobs that are so desperately needed to make a dent in the dire unemployment situation.

Interest rates

As can be seen from the graph below interest rates are not near the peak that was seen in 2008. Rates have, however, moved off the low levels experienced during 2012 to mid-2014 with two increases of 0.25% each.



Legal changes to interest and fees

Charge type		Up to 5 May 2016 at 7% REPO (Fees on a R6 000 loan)	From 6 May 2016 at 7% REPO (Fees on a R6 000 loan)	Different 7% REPO for R6 000 loan
Interest	Consumption	REPO X 2.2 + 20% = 35.4%	REPO + 21% = 28.0%	(7.4%)
	Housing and small business	REPO X 2.2 + 20% = 35.4%	REPO + 27% = 34.0%	(1.1%)
Initiation fees-consumtion	Consumption	R150 + 10% of amount over R1 000 to maximum of R1 000 = R650	R160 + 10% of amount over R1 000 to maximum of R1 050 = R665	R15
Initiation fees-development	Small business	R250 + 10% of amount over R1 000 to maximum of R2 500 = R750	R275 + 10% of excess over R1 000 to maximum of R2 600 = R775	R25
	Housing	R500 + 10% of amount over R1 000 to maximum of R2 500 = R1000	R550 + 10% of excess over R1 000 to maximum of R2 600 = R1 050	R50
Service fees	All	R50 + VAT per month = R57	R60 + VAT per month = R68.40	R11.40 per month

The above changes appear to disadvantage people borrowing for developmental purposes as the cost of borrowing for a developmental purpose remain high compared to unsecured personal loans. The intention of the Department of Trade and Industry is to ensure that there are more funds available for developmental purposes than for consumption. Nonetheless, we will continue to offer discounts to intermediaries who pass discounts to our borrowers.

Effect of interest rates

While the interest rates charged by the Rural Housing Loan Fund's cheapest intermediaries still appear high when compared to those charged on secured debt the following points need to be considered:

- These loans are unsecured. If the retail borrower does not repay a loan, their house cannot be repossessed by the lender.
- These loans require a large amount of administration in relation to the amount being borrowed.
- In general while micro-lenders have a bad reputation, the majority are struggling to survive. In the Rural Housing Loan Fund's experience, this is because of bad debts and not excessive pay or dividends to shareholders.
- We discount interest rates to our housing microfinance intermediaries and they in turn lower the cost of credit to their borrowers, thereby reducing even further the total cost of credit to our borrowers.

How we engage with our stakeholders

We maintain an open dialogue with all our stakeholders in the execution of our mandate. Our stakeholders are those entities or individuals who are greatly affected by the Rural Housing Loan Funds activities and that we also expect to have influence on the Rural Housing Loan Fund as we deliver our mandate. The manner in which we engage with our stakeholders and frequency of engagements vary. Our engagement with each stakeholder is based on identified issues or matters of concern that may have an impact on our stakeholders or the Rural Housing Loan Fund's delivery on its mandate.

Stakeholders	Method of engagement	Purpose of engagement
Ministry and Department of Human Settlements	Meetings and presentations	Presentation of Progress Report on the Voucher Programme to MINMEC Presentation of Rural Housing Loan Fund 2015 Quarter 4 performance. Participation in various committees and task teams of the department Briefing to the Mining Towns Steering Committee on the role of Rural Housing Loan Fund in addressing housing issues in mining towns Briefing to the Mining Towns Steering Committee on the role of Rural Housing Loan Fund in addressing housing issues in mining towns Presentation on Repositioning the Housing Consumer Education-presentation made to national department and provincial departments Meetings of the steering committee on the consolidation of the Human Settlements' Development Finance Institutions
The Presidency: Department of Performance Monitoring and Evaluation	Meetings and presentation	Inputs into Strategy to address mineworker accommodation. (Strategy drafted by Shisaka)
Other government departments: • National Treasury (NT) • Rural Development & Land Reform (RDLR)	Meetings and workshops	NT: Discuss RHLF application for funding from KFW and government; PFMA compliance related matters RDLR: Discuss areas of collaboration between RHLF and RDLR and extended invitation to present on rural development at the annual workshop

How we engage with our stakeholders, continued

Stakeholders	Method of engagement	Purpose of engagement
Local Government (Municipalities): • Moses Kotane • Kgetleng • Kuruman • Matjhabeng • Madibeng • Lephalale • Moqhaka • Westonaria • Randfontein • Bojanala	Briefings and presentations	Build capacity of councillors and municipal officials on incremental housing finance and the role of Rural Housing Loan Fund in supporting incremental housing
Intermediaries (existing and potential, commercial and community based organisations)	One-on-one meetings	Discuss funding requirements of our existing clients and potential clients; appraising potential clients to assess the suitability of them becoming our intermediary partners
Funders (KFW)	Written correspondence and meetings	Discussion on the outcome of the Ex post evaluation mission report Discussion of consolidation of Human Settlements Development Finance Institutions and new products (energy housing)
Other Development Finance Institutions: NURCHA & NHFC, SEFA & CBDA	NURCHA & NHFC: one-on-one and meetings among the three institutions	Discussions on the consolidation of the Development Finance Institutions
	Small Enterprise Finance Agency (SEFA): one on one meetings	Share information on risk issues identified on common client, Moliko
	Co-operatives Bank Development Agency one-on-one meeting	Discussion on partnership to support Co-operative Finance Institutions
National Credit Regulator	Written communication and formal meetings	Follow up on issues pertaining to credit life insurance. Objective is to ensure all our intermediaries are compliant with regulatory requirements
Borrowers (people who access housing loans from our intermediaries	Borrower interviews at their homes	To conduct verification of loan usage and other mandate compliance issues
Employees	Continuous staff engagement at various levels, staff meetings, training and development needs, internal workshops and performance reviews	Enhance operational performance of RHLF and enhance team performance
Suppliers/service providers	One-on-one meetings	Delivery of goods and services

How we engage with our stakeholders, continued

Stakeholders	Method of engagement	Purpose of engagement
General members of public	Advertisements in various media - The 2015 Housing Finance in Africa Yearbook - Voice of local government magazine: October edition - Banker SA - Stokvel Voice - Seipone News - Platinum Weekly News - Mahikeng Mail - Limpopo Mirror - Commuter SA magazine - Northern Cape and Free State Express Newspapers Radio interviews of the Chief Executive Officer: Tru FM, Metro FM, Power FM	Raising awareness about Rural Housing Loan Fund and its incremental housing finance product

How we are **governed?**

Profile of our board of directors

Thembi Chiliza
Bachelor of Administration
Chairperson of the Board
Human Resources, Ethics and Remuneration Committee member,
Credit and Development Committee member,
Independent non-executive director,
8 years Rural Housing Loan Fund service

Adrienne Egbers
Chartered Accountant (South Africa)
Deputy Chairperson of the Board,
Credit and Development Committee Chairperson,
Audit and Risk Committee Member,
Independent non-executive director,
4 years Rural Housing Loan Fund service

Molefe Mathibe
Bachelor of Commerce
Human Resources, Ethics and Remuneration Committee Chairperson,
Audit and Risk Committee member,
Independent non-executive director
4 years Rural Housing Loan Fund service

Reginald Haman
Master of Business Administration
Audit and Risk Committee chair,
Independent non-executive director,
2 years Rural Housing Loan Fund service.

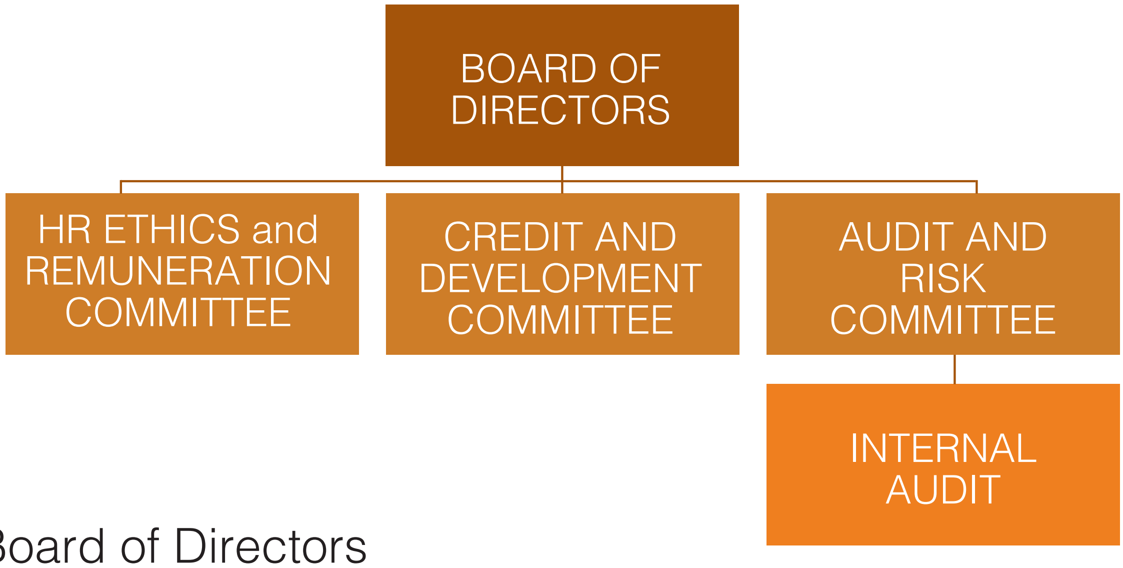
Jabulani Fakazi
Master of Arts (Development Policy)
Credit and Development Committee Member,
Chief Executive Officer and Executive director,
14 years Rural Housing Loan Fund service, 6 as executive director

The entire Board was reappointed by the Minister to serve until the conclusion of the consolidation of the Human Settlements development finance institutions.

Responsibility

This integrated report is prepared on behalf of the Board by the Executives of the Rural Housing Loan Fund. The Audit and Risk Committee is delegated with the responsibility of recommending the report for approval by the Board. The Board is however responsible for the systems and controls that are used to prepare this report. For this reason the Board acknowledges that final responsibility for this report, as well as the results it presents, rests with the Board of Directors.

The Board Structure



The Board of Directors

The company has a maximum of 8 directors at any time. The composition of the board of directors provides for a majority of non-executive directors, including a non-executive chairperson. The Chief Executive Officer is the only Executive Director on the Board. The Chief Financial Officer acts as a Company Secretary and is therefore not a director.

The board of directors retains full and effective control over the company, monitors management and ensures that decisions on material matters are in the hands of the board.

Committees established by the Board:

Audit and Risk Committee

- Meets at least four times a year, with management and the external and internal auditors. These meetings generally coincide with the end of each quarter, enabling the Committee to review the quarterly performance of the entity;
- Reviews the financial statements and accounting policies, the effectiveness of management information and other systems of internal control, quarterly financial reports, address the auditors' findings by ensuring that management take the necessary action to correct issues raised and
- Monitors and evaluates the company's enterprise risk management strategy and its implementation.

Credit and Development Committee

- Meets as needed but usually six times per annum;
- Considers and approves applications for new facilities to clients;
- Approves changes to existing facilities;
- Monitors credit and related risks in terms of the Risk Management Policy and
- Monitors the Rural Housing Loans Fund's delivery against mandate and budget

Human Resources, Ethics and Remuneration Committee

- Meets at least three times per annum.
- Is responsible for:
  - all human resources policies;
  - the management of human resources;
  - the provision of guidance and monitoring with regard to ethical issues;
  - the review of employee remuneration and
  - recommending to the Minister of Human Settlements candidates for appointment as directors in its capacity of Nomination Committee in terms of the company's Memorandum of Incorporation.

The Rural Housing Loan Fund substantially complies with King III and fully complies with the Public Finance Management Act of 1999, as amended.

BOARD AND COMMITTEE MEETINGS ATTENDANCE RECORD AND REMUNERATION																			
	2015														2016				
	Apr	Apr	May	May	May	Jun	Jul	Jul	Aug	Aug	Sep	Oct	Oct	Nov	Dec	Jan	Feb	Mar	REMUNERATION
Board Meetings																			
Date	30		12	29			7		13	28				19					
T Chiliza	x		x	x			x		x	x				x					R 31 500
J J Fakazi	x		x	x			x		x	x				x					
A Egbers	x		x	x			x		x	x				x					R 31 500
M Mathibe	x		x	x			x		A	x				A					R 22 500
RT Haman			x	x			x		A	A				x					R 18 000
Credit and Development Committee																			
Date			18			25	9		27			5	29	30			29	31	
J J Fakazi			x			x	x		x			x	x	x			x	x	
A Egbers			x			x	x		x			x	x	x			x	x	R 40 500
T Chiliza*									x			x	x	x			x	x	R 27 000
Audit and Risk Committee																			
Date			26				9	27				27				26			
A Egbers			x				x	x				x				x			R 22 500
M Mathibe							x	x				x				x			R 18 000
RT Haman			x				x	x				x				x			R 22 500
Human Resources, Ethics and Remuneration Committee																			
Date	16	29							5					18					
T Chiliza	x	x							x					x					R 18 000
M Mathibe	x	x							x					x					R 18 000
SPECIAL MEETINGS																			
Date			7	12&13	22&23	26	8	30&31			4			9,19&26			18&19		
T Chiliza			x	xx	xx	x		xx			x			x x					R 49 500
A Egbers				xx		x	x	xx			x						xx		R 40 500
RT Haman											x						xx		R 13 500
M Mathibe				x		x		x			x			x x			x		R 31 500
																			R 405 000

A: Absent xx: Present

** T Chiliza was appointed as member of the Credit and Development Committee with effect from August 2015, to replace the late Mr Knowles Oliver who served in this committee.*

**M Mathibe was appointed as a member of the Audit and Risk Committee with effect from August 2015, replacing the late Mr Knowles Oliver who served on the committee.*

Risks and **opportunities**

Managed risks

The company is in the business of being a wholesale provider of finance to micro-lenders as intermediaries. The two greatest risks it faces are:

- The failure of an intermediary to repay funds and
- The failure of an intermediary to perform according to the Rural Housing Loan Fund's mandate.

These risks are well managed through:

- Conducting of due diligences prior to lending;
- Approval of loans by the Credit and Development Committee of the Board;
- Risk reviews of each client with the results submitted to the Credit and Development Committee at least annually;
- Monthly reporting by clients on their development and financial performance and
- Mandate compliance reviews conducted on site by the Rural Housing Loan Fund's team.

The governance, financial and control risks of the business are well managed with an established internal audit process ensuring compliance with the Rural Housing Loan Fund's policies and procedures. Outsourced Internal Auditor reports through the Audit and Risk Committee.

The Rural Housing Loan Fund reputational risks are generally managed through the above processes. However in order to increase its visibility the Rural Housing Loan Fund targets media for briefings, conduction briefings and training of municipal councillors and officials on our products and advertising in media targeting our retail borrowers. The Company also has an annual workshop where it interacts with current and potential intermediaries to discuss industry relevant issues.

The following are strategic objectives that are implemented to manage risks and opportunities. We report in the performance information section.

- *Sharpen portfolio risk management and enhance early warning system:* This is achieved by measuring the number of client due diligences, risk reviews and loan verification reviews performed at RHLF's intermediaries.
- *Accelerate client acquisition process.* The goal here is to develop our business by ensuring that we take suitable credit proposals to the Credit and Development Committee.
- *Targeted positioning and branding of the Rural Housing Loan Fund.* These goals are set to ensure our business model is presented to various stakeholders, including the general public. This is measured by number of media briefings, number of paid editorials and advertisements placed and the number of information briefings to various stakeholders.

Other risks

The Rural Housing Loan Fund is faced with the following risks.

Risk description	Cause	Mitigation	Future
Insufficient funding	National budget constraints, lack of prioritisation of the Rural Housing Loan Fund	Ongoing selling of the Rural Housing Loan Fund's mandate to all stakeholders	Integrated reporting, research into the Rural Housing Loan Fund outcomes Selling of the benefits of the mandate
Development Financial Institution merger	Policy decision	Ensuring that the Rural Housing Loan Fund's mandate throughout the process is protected	Selling of the benefits of the Rural Housing Loan Fund's mandate
Debt levels of retail borrowers	Overenthusiastic lending by consumption lending businesses	Looking for intermediaries who can deliver in areas where indebtedness is lower	Educating consumers on the management of their finances
Inability to earn an adequate Return on Equity	The need to reduce interest rates to retail borrowers	Additional funding is required, ideally grant funds that can earn the Rural Housing Loan Fund additional funds Income tax exemption Relaxation of Development Bank of Southern Africa / KFW liquidity covenant	Exemption from requirement to deposit spare funds with the Corporation for Public Deposits
Inability to achieve success with community based organisations	Lack of resources well skilled in successfully working with these organisations	Using Junior Clients Executives to manage these	KFW funds will be used to support community based organisations

Performance Information in **2015/16**

Stakeholder perspective

Strategic objective: Broaden and deepen the reach of rural housing finance

	2014/15	2015/16			
	Actual	Actual	Budget	Variance	Commentary
End user Loans (Units)	40 185	39 790	43 457	(3 667)	The overindebtedness in the market place as well as the weak economy had a negative effect on RHLF's achievements for the year
Qualifying housing target (% of loan instances) - higher is better	96.00%	96.30%	88.0%	8.3%	Despite raising the target from previous years RHLF is still exceeding its goals
Loans to households earning R15 000 or more (%) - lower is better	2%	5.6%	20.0%	14.4%	Income leakage is well managed
Loans to households earning R3 500 or less (%) - higher is better	75%	76.5%	60.0%	16.5%	Core poor people are accessing housing loans

Achieve visibility for the Rural Housing Loan Fund and enhance its ability to attract commercial lenders and developmental partners for rural housing delivery.

Financial perspective

Strategic objective: Real capital preservation

	2014/15	2015/16			
	Actual	Actual	Budget	Variance	Commentary
Expenditure excluding debtors provision (R000)	(13 732)	(17 274)	(18 838)	1 564	A variety of small savings in addition to lower depreciation as a result of holding back on the IT procurement
Operating surplus after taxation (R000)	49 916	3 386	13 010	(9 624)	Lower revenue than budgeted was offset by increased interest on cash holdings and lower expenses. In addition the value of an income tax refund is R18 million lower than previously provided

Business process perspective

Strategic objective: Sharpen portfolio risk management and enhance early warning system

	2014/15	2015/16			
	Actual	Actual	Budget	Variance	Commentary
Loan verification visits	12	11	10	1	Budget exceeded as a result of new intern being able to work independently sooner than expected
Disbursements to retail intermediaries including roll over R000	261 499	168 277	258 329	-90 052	The overindebtedness in the market place as well as the weak economy had a negative effect on RHLF's achievements for the year

Learning and growth perspective

Strategic objective: Equip all staff with the skills necessary for their roles and encourage continued skills development

	2014/15	2015/16			
	Actual	Actual	Budget	Variance	Commentary
Training expenses R000	235	305	152	153	Reflective of RHLF's policy of ensuring employees are well trained

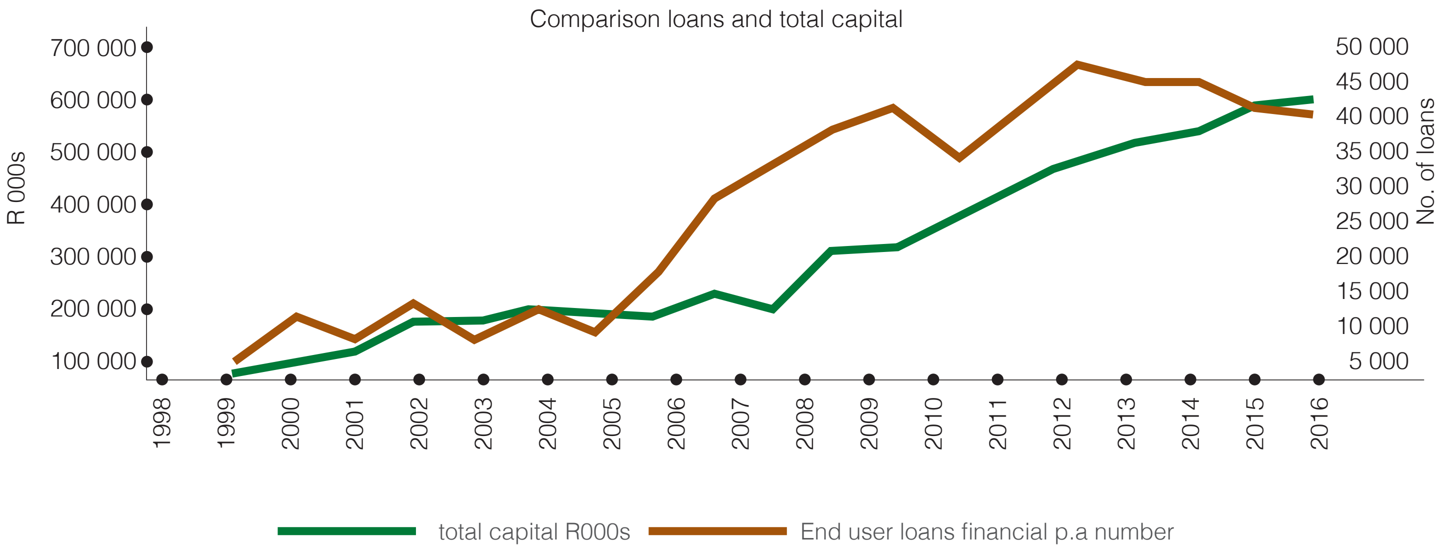
The actual amount reflected here includes training of directors and SMME clients

Looking **forward**

Funding

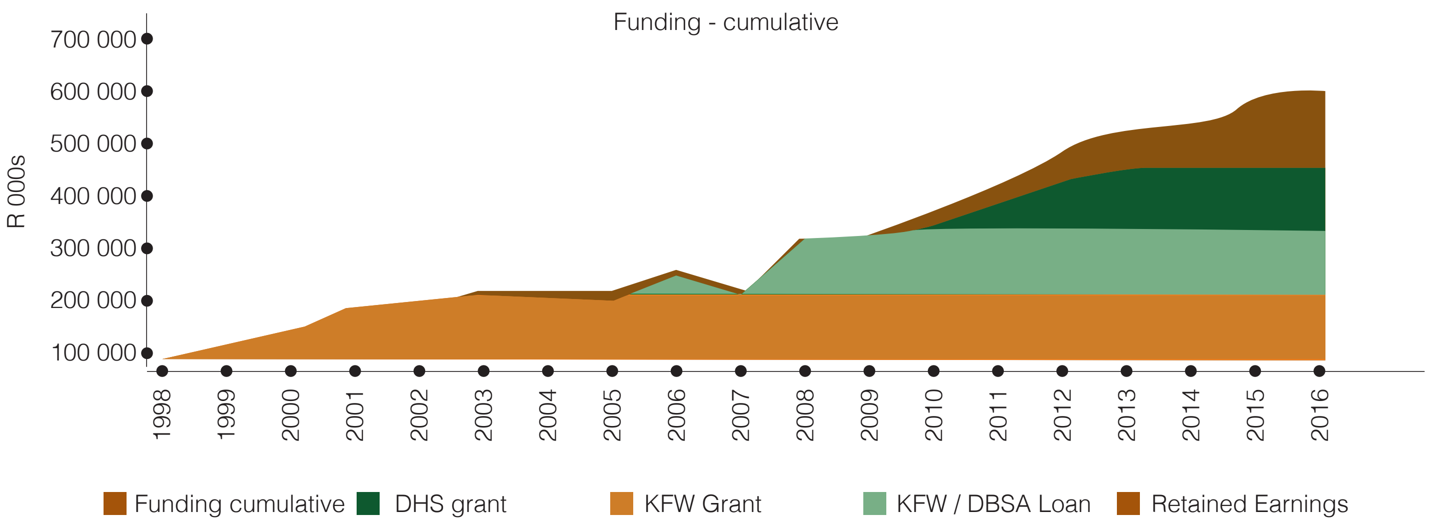
Despite the challenges that the economy poses, the biggest constraint on the Rural Housing Loan Fund delivering to more of its potential retail borrowers has been insufficient funding. The following graph indicates how the Rural Housing Loan Fund's delivery of housing loans tracks with the funding that is available.

The Department of Human Settlements has allocated amounts of R50 million and R52 million in 2017/8 and 2018/9, respectively. These additional amounts should assist more of our beneficiaries with improving their living standards.



The only time that housing loans do not grow with funding is during times of economic crisis. While the country is currently in such a crisis, the Rural Housing Loan Fund is confident that by obtaining funds now it will be in a position to meet the demand as it arises. A delay in receiving funding until the economy improves will lead to delays while the Rural Housing Loan Fund tries to build its intermediary capacity when the funds do become available.

The following table shows how we have been funded since starting operations in 1998.



Planned projects

In order to assist the Rural Housing Loan Fund its funder KFW has provided an accompanying measure grant to be used for business development, including research. Currently the Rural Housing Loan Fund is considering the following research projects.

Description	Purpose	Contribution to mandate
Capacity development for community based organisations and start up intermediaries	Develop capacity to enhance ability to absorb funding and scale up delivery	Enables wider spread of funding, lower interest rates and more self-employed borrowers
Joint marketing programmes with start-ups	Improve the competitiveness of the market and enable disadvantaged people to become intermediaries	Enables wider spread of funding and development of intermediaries by previously disadvantaged South Africans
Borrower location and affordability research	To provide new and existing intermediaries with market information	More competition and development of new markets
Impact assessment	Assessing whether the Rural Housing Loan Fund's lending model is improving the livelihoods of rural low income earners	Assess the actual improvement the Rural Housing Loan Fund's incremental housing programme provides to its retail borrowers
Research products the Rural Housing Loan Fund may add to enhance	Discover methods, in additional to incremental lending, whereby the Rural Housing Loan Fund can improve the lives of rural low income earners	Widening the scope of the Rural Housing Loan Fund's mandate in order to further improve the lives of rural people in South Africa
Quality assessment of houses	Assess the quality of improvement of housing conditions in rural human settlements as a result of the Rural Housing Loan Fund's funding	Assessment of the quality of houses built and extensions done with the Rural Housing Loan Fund funding

In addition to these KFW funded projects the Rural Housing Loan Fund:

- has budgeted for a computer system that can be provided as a service to its start-up and growing clients to enable them to grow without having to outlay large amounts of capital upfront. In this regard, we are exploring a possibility of partnering with the Cooperatives Bank Development Agency in setting up a banking platform for the Cooperative Financial Institutions it regulates;
- the Rural Housing Loan Fund has redesigned its Credit Policy to enable it to provide equity funding to developing businesses from previously disadvantaged communities. The revised Credit and Investment Policy was approved during the year under review.

Key performance indicators

In the Rural Housing Loan Fund's strategic plan the following key performance indicators are planned for the term of this government, together with the last year of the previous term.

	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Actual	Budget	Budget	Budget
Housing loans disbursed #	40 185	39 790	43 187	51 135	71 489
Qualifying housing use target (% of loan instances)	96.0%	96.3%	88.0%	88.0%	88.0%
Percentage of loans to people earning R15 000 or more per month	2.0%	5.6%	20%	20%	20%
Percentage of loans to people earning R3 500 or less per month	75.0%	76.5%	60.0%	60.0%	60.0%

These indicators are based on the following two key assumptions:

- the Rural Housing Loan Fund will only receive new funding by way of a R50 million grant from the Department of Human Settlements in the year ending 31 March 2018 and R52 million in the year ending 31 March 2019.
- the Rural Housing Loan Fund's income tax exemption will remain in place.

Individual Rural Housing Subsidy Voucher Programme

This is a programme that will enable qualifying individuals to access government subsidy funds on an individual basis to buy the building materials to build a house on communal land, instead of being allocated a project based Breaking New Ground house. The Rural Housing Loan Fund has been appointed as the agent to implement this programme, once it is approved. This will require a major modification of the company's structure as well as information technology systems. At the time of this report, we had completed the task given by the Minister of Human Settlements to build a house using the Voucher Programme methods in order to determine the possible subsidy quantum to be used in the Voucher Programme. Two houses were built in the process - one in Aganang Local Municipality and the other in Nongoma Local Municipality in KwaZulu-Natal. The report has been prepared for the Minister to enable her to take a final decision on the quantum to be used in the Voucher Programme and the implementation of the Programme.

Consolidation of the Human Settlements Development Finance Institutions

The process to consolidate the three Development Finance Institutions continues. It is planned that in the consolidated entity there will be one unit delivering incremental loans in both rural and urban areas of South Africa. We have been mandated to focus in rural areas, while the National Housing Finance Corporation has focused on urban areas. This will result in a need to set targets for both areas and ensure that the rural housing market is not disadvantaged with this shift. In addition, a huge capital injection will be required to meet the demand for incremental housing loans in both market segments. To scale up delivery in both markets will further entail building adequate human resource capacity to fulfill this mandate.

Basis of preparation **& presentation**

Stakeholders

The purpose of an integrated report is to ensure that while Minister of Human Settlements is kept informed, all stakeholders having an interest in the organisation are able to understand the report by the organisation. For this reason this document is prepared, as far as possible, without jargon or abbreviations.

The Rural Housing Loan Fund considers its primary stakeholders to be, among others, the following:

- Retail borrowers;
- The people of South Africa;
- Its employees;
- Its intermediaries and their employees;
- Its suppliers;
- The Minister of Human Settlements;
- The Department of Human Settlements;
- The Department of Rural Development and Land Reform;
- Municipalities;
- The Parliamentary Portfolio Committee on Human Settlements; and
- The Parliament of the Republic of South Africa.

Future view

The Rural Housing Loan Fund views a year as short term, the term of government as medium term and any period beyond that as long term. The intention of the Board is that the company's mandate will continue to serve its stakeholders for as long as it adds value to the lives of the low income earners in rural areas who constitute our retail borrowers.

Annual Financial **Statements**

Report of the Audit and Risk Committee

Audit and Risk Committee members and attendance

The Audit and Risk Committee consists of the members listed hereunder and should meet at least 4 times annum in accordance with its approved terms of reference. During the current year 5 meetings were held.

Name of member	Number of meetings attended
R Haman (Chairperson)	5
A Egbers	5
M Molefe	4

Audit and Risk Committee responsibility

The Audit and Risk Committee reports that it has adopted appropriate formal terms of reference through its Audit and Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

In line with the Public Finance Management Act (No 1 of 1999 as amended) requirements and the King Code of Governance Principles for 2009 recommendations, internal audit provides the Audit and Risk Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the internal auditors, the audit report on the annual financial statements, and the management report of the external auditors, it was noted that some matter were reported that indicate some minor deficiencies in the system of internal control and deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was satisfactory. Assurance was obtained that the identified problems are received the necessary attention from executive management.

Evaluation of the annual financial statements

The Audit and Risk Committee has:

- Reviewed and discussed the audits annual financial statements to be included in the annual report with the external auditors and the Board;
- Reviewed the externals auditor's management report and management's response thereto; and
- Reviewed the entity's compliance with legal and regulatory provisions.

The Audit and Risk Committee concurs with and accepts the external auditor's report 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 external auditors.

Internal audit

The Audit and Risk Committee is satisfied that he internal audit function is effective and that it has addressed the risks and internal controls pertinent to the Rural Housing Loan Fund and its audits.

External Audit

The Audit and Risk Committee has met with the external auditor to ensure that there are no unresolved issues.

Recommendation

At its meeting on 25 May 2016 the Audit and Risk Committee recommended the adoption of the annual financial statements to the Board.

Reginald Haman

Chairperson of the Audit and Risk Committee

18 August 2016

Statement of responsibility by the Board

The Board of Directors, which constitutes the Accounting Authority, is required by the Public Finance Management Act to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Rural Housing Loan Fund at 31 March 2016, and the results of its operations and cash flows for this period. The external auditors are engaged to express an independent opinion on the annual financial statements and have been given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors acknowledge that they are ultimately responsible for the systems of internal financial control and attach considerable importance in maintaining a strong control environment. To enable the Directors to meet these responsibilities they set standards of internal control aimed at reducing the risk of error or deficit in a cost-efficient manner. These standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring our business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of our enterprise wide risk management is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, we endeavour to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Independent internal auditors assist the Board in their task of ensuring that internal controls are adequate and operate as intended throughout the financial year under review. The Directors are of the opinion, based on the information and explanations given by management, and the internal auditors, that the system of internal control provides reasonable assurance, and that the financial records may be relied upon for preparing the annual financial statements.

The Directors have reviewed the Rural Housing Loan Fund's cash flow forecast for the year to 31 March 2017, and in light of this review and the current financial position, it is satisfied that we have access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the RHLF's annual financial statements and their report is presented on pages 61 to 62.

The annual financial statements, set out on pages 63 to 88, which have been prepared on the going concern basis, were approved by the Board of Directors on 18 August 2016 and were signed on their behalf by:

Ms Thembi Chiliza	**Mr Jabulani Fakazi**
Independent Non-executive Chairperson	Chief Executive Officer

Director’s Report

Mandate and Principal Activities

The Rural Housing Loan Fund SOC NPC (RHLF) was established by the National Department of Human Settlements as a Development Finance Institution (DFI) with the principal mandate of broadening and deepening access to affordable housing finance, for low to middle income South African households. The RHLF is listed as a schedule 3A public entity in terms of the Public Finance Management Act. Details of the RHLF’s principal activities are described on pages 29 to 37 of the Integrated Report.

Corporate Governance

The Directors embrace the principles of the King III Code and Companies Act and endeavour to comply with these recommendations as far as possible.

Financial Highlights

The financial highlights are set out on page 15 of the Integrated Report.

Financial Results

The financial results of the RHLF for the year under review are set out on in this report pages 63 to 67 of these financial statements.

Business Performance Results

The business performance against predetermined objectives for the year under review is set out on pages 49 to 50 of the Integrated Report.

Share Capital and Shareholder

The Government of the Republic of South Africa is the sole shareholder of the RHLF and the Minister of Human Settlements duly represents the shareholder’s interest. There were no changes to the authorised and issued share capital of the RHLF during the year.

Dividends

In terms of an agreed policy with its shareholder and subject to approval of the National Treasury in terms of section 53(3) of the Public Finance Management Act of 1999, all annual surpluses are retained by the RHLF in order to build its capital base, and thereby increase its activities and development impact.

Going Concern

The Board has given particular attention to the assessment of the going concern ability of the RHLF, and has a reasonable expectation that the RHLF has adequate resources to operate in the foreseeable future. The RHLF has therefore adopted the going concern basis in preparing the financial statements.

Notwithstanding this, RHLF is in negotiations to donate its business to the National Housing Finance Corporation (NHFC) as part of the consolidation process being conducted by the Department of Human Settlements with its development finance institutions. The implementation date for this has not yet been finalised, and thus uncertainty exists.

Directorate and Secretariat

Details pertaining to the directors appear on pages 43 to 45 of the Integrated Report. The Chief Financial Officer performs the duties of the Company Secretary.

Development Finance Institution Consolidation

The National Department of Human Settlements is currently supported by three Development Finance Institutions, the National Housing Finance Corporation SOC Limited (NHFC), the Rural Housing Loan Fund SOC NPC (RHLF) and the National Urban Reconstruction and Housing Agency SOC NPC (NURCHA). The drive to scale housing finance provision, to greater leverage private sector contribution and thus significantly grow the Human Settlements development impact, became the strategic rationale for the consolidation of the three DFIs. The expected consolidation outcome would be such that the whole is greater than the sum of its parts. This strategic rationale is also supported by the National Treasury’s review of the DFIs.

In line with the recommended structure of the transaction, the NHFC, as the identified institution, will acquire the assets and liabilities of both RHLF and NURCHA. This is viewed as stage one of the transaction towards a fully integrated Human Settlements Development Finance Institution supported by an enabling act. The DFI consolidation has fallen behind schedule, and will not be concluded within the stipulated timeframe as reported in the previous financial year. The delay has been due to unanticipated regulatory matters.

A significant milestone has been achieved though, which will accelerate the conclusion of the DFI consolidation. The Finance Minister in his budget speech of February 2016 proposed a special tax exemption similar to that provided to certain government entities that will enable the consolidation with the two tax exempted entities. Further amendments will be considered to ensure that the transfer of assets from both RHLF and NURCHA to the NHFC is tax neutral. It is envisaged that the implementation of the consolidation of the DFIs will start in the 2016/17 financial year, with the timeframe for the final integration likely to extend over the next eighteen months, due to the requirements of the enabling legislation and its enactment process. In this regard, the National Treasury has issued the 2016 Taxation Amendment Bill, for public comment. This Bill, if passed, will make NHFC tax exempt and a Public Benefit Organisation enabling the consolidation of the Rural Housing Loan Fund SOC NPC to be tax neutral.

20-YEAR ANNIVERSARY

Remuneration of Directors and Members of Board Committees

Directors' emoluments are set out on page 45 of these financial statements.

Audit and Risk Committee Members of Board Committees

The appointed Audit and Risk Committee members and External Auditors is in line with the Companies Act, Act 71 of 2008. RHLF's policy is, where possible, to not use the External Auditors for non-audit services. In cases where the External Auditors are to be used for non-audit services, prior approval of the Audit Committee must be obtained.

Internal Control

An effective internal control framework is the responsibility of the Board. The control framework provides a cost-effective assurance that the assets of the RHLF are safeguarded, liabilities and working capital are efficiently managed and that the RHLF complies with relevant legislation and regulations.

Information Technology

The Board is responsible for the governance of Information Technology (IT), including the implementation of an appropriate IT Strategy.

Events after the reporting date

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

Associates

The RHLF's investments are disclosed in notes 28 of the Annual Financial Statements.

Information required by the Public Finance Management Act Performance

The performance of the RHLF against the Shareholder's Compact with the Minister of Human Settlements is set out on pages 49 to 50 of the Integrated Report report.

Losses due to criminal conduct and fruitless and wasteful expenditure

In terms of the Materiality Framework agreed with the Shareholder, any losses due to criminal conduct or irregular, fruitless or wasteful expenditure, that individually (or collectively where items are closely related) exceed R5,1 million, must be reported. The RHLF did not incur any losses.

The Directors' Report for the year ended 31 March 2016 was approved by the Board of Directors on 18 August 2016 and is signed on their behalf by:

Ms Thembi Chiliza
Independent Non-executive
Chairperson

Mr Jabulani Fakazi
Chief Executive Officer

Report of the Independent Auditor to the Board of Directors on the Rural Housing Loan Fund SOC NPC

Report on the financial statements

Introduction

We have audited the financial statements of the Rural Housing Loan Fund SOC NPC set out on pages 63 to 85, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance for the year ended, statement of changes in net assets, and cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Recognised Accounting Practices and the requirements of the Public Finance Management Act of South Africa and the Companies Act, and for such internal control as the directors determine are necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Rural Housing Loan Fund SOC NPC as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with Generally Recognised Accounting Practices and the requirements of the Public Finance Management Act of South Africa and the Companies Act of South Africa.

Emphasis of Matter

Without modifying our opinion we draw your attention to note 3 of the annual financial statements. This note indicates the merger of the Rural Housing Loan Fund SOC NPC with two other Development Finance Institutions, note 3 also indicates that this condition indicates the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2016, we have read the Statement of responsibility by the board, the Director's report and the Report of the audit and risk committee for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on the reports.

Report on other legal and regulatory requirements

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, we have a responsibility to report findings on the reported performance information against predetermined objectives of selected objectives presented in the annual report, compliance with legislation and internal control. The objective of our tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual report of the Fund for the year ended 31 March 2016:

- Objective 1 – Capital preservation on page 50; and
- Objective 2 – Business process on page 50.

We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

We 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 all the above mentioned objectives.

Additional matters

Although we identified no material findings on the usefulness and reliability of the reported performance information for the selected programmes, we draw attention to the following matters:

Achievement of planned targets

Refer to the annual performance report on page 50 for information on the achievement of the planned targets for the year.

Compliance with legislation

We performed procedures to obtain evidence that the Fund had complied with applicable legislation regarding financial matters, financial management and other related matters. We did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

We considered internal control relevant to our audit of the financial statements, performance information and compliance with legislation. We did not identify any significant deficiencies in internal control.

SizweNtsalubaGobodo Inc.
Darshen Govender
Director
Chartered Accountant (SA)
Registered Auditor

18 August 2016
Woodmead

Statement of Financial Position

	Notes	31 Mar 16 R000	31 Mar 15 R000
Current assets		**330 431**	**353 037**
Cash and cash equivalents	17	213 038	180 176
Short term portion of intermediary loans	18	96 258	133 823
Receivables	19	1 277	970
Prepayments	20	1 141	1 187
Taxation	34	18 717	36 881
Non-current assets		**244 587**	**222 725**
Receivables from intermediaries	18	233 196	212 750
Investments in intermediaries	21	11 050	9 517
Property, plant and equipment	22	307	420
Intangible assets	23	34	38
Total assets		575 018	575 762
Liabilities			
Current liabilities		7 231	8 274
Trade creditors		781	733
Current portion of long term borrowings	25	5 999	5 999
Provisions	24	451	1 542
Non-current liabilities		129 422	132 509
Borrowings	25	129 422	132 509
Total liabilities		136 653	140 783
Net assets		**438 365**	**434 979**
Represented by			
Grant capital		**285 738**	**285 738**
KFW Grant		154 763	154 763
Department of Human Settlements Grant		130 975	130 975
Retained earnings		152 627	149 241
Total equity		**438 365**	**434 979**

Comprehensive income

	Notes	31 Mar 16 R000 Actual	31 Mar 15 R000 Actual
Interest from lending operations		**39 890**	**42 110**
Other income		**13 664**	**9 847**
Disposal of fixed assets		(13)	80
Bad debts recovered		312	395
Dividends		202	-
Sundry Income		15	7
Investment Interest		13 148	9 365
Interest paid to the Development Bank		**(10 087)**	**(10 228)**
Operating expenses		**(23 450)**	**(24 205)**
Accommodation		(902)	(942)
Amortisation	23	(13)	(15)
Audit		(725)	(534)
Communication and information technology		(526)	(533)
Depreciation	22	(180)	(159)
Employee costs	26	(10 720)	(10 327)
Impairment provisions	18	(7 221)	(8 687)
Internal audit		(661)	(486)
Marketing, promotions and workshops		(505)	(564)
Printing and stationery		(291)	(336)
Travel and entertainment		(1 032)	(1 163)
Other		(674)	(459)
Profit before taxation		**20 017**	**17 524**
Taxation	34	(18 164)	29 584
Fair value adjustment of associates	31	1 533	2 808
Profit after taxation		**3 386**	**49 916**

Cashflow Statement

	Notes	31 Mar 16 R000 Actual	31 Mar 15 R000 Actual
Cash flows from operating activities			
Receipts		**53 365**	**54 731**
Revenue		39 890	42 110
Interest, dividends and rent on land		13 475	12 621
Payments		**(27 216)**	**(25 951)**
Compensation of employees		(11 811)	(10 587)
Goods and services		(4 362)	(4 074)
Interest and rent on land		(10 935)	(11 116)
Other payments		(103)	(174)
Net cash flows from operating activities	35	**26 148**	**28 780**
Cash flows from investing activities			
Purchase of assets		(96)	(368)
Proceeds from sale of assets		(13)	80
Loans granted		(100 369)	(58 915)
Loan repayments received		110 281	91 824
Net cash flows from investing activities.		**9 803**	**32 621**
Cash flows from financing activities			
Repayment of borrowings		(3 089)	(1 139)
Net cash flows from financing activities		**(3 089)**	**(1 139)**
Net increase/(decrease) in cash and cash equivalents		**32 862**	**60 262**
Cash and cash equivalents at the beginning of the period		180 176	119 914
Cash and cash equivalents at the end of the period		**213 038**	**180 176**

Statement of comparison of budget and actual amounts

	Year ended 31 Mar 16				
	Actual	Budget	Variance		
	R000	R000	R000	%	Explanation of material variance
Revenue from exchange transactions	**39 890**	**44 209**	**(4 319)**	**-9.8%**	Funds disbursed was far lower than budgeted leading to lower interest being earned.
Other income	**13 663**	**4 988**	**8 733**	**177.2%**	
Disposal of fixed assets	(13)	-	(13)	0.0%	
Bad debts recovered	312	-	312	0.0%	
Dividends	202	59	143	239.9%	
Sundry Income	15	-	15	0.0%	
Investment Interest	13 148	4 929	8 219	166.7%	The rate of interest earned was higher than budgeted and more funds were in the bank than budgeted due to lower disbursements
Interest paid	**(10 087)**	**(10 073)**	**(14)**	**0.1%**	
Operating expenses	**(23 449)**	**(26 054)**	**2 605**	**-10.0%**	
Accommodation	(902)	(1 257)	355	28.2%	
Amortisation	(13)	(20)	7	35.8%	
Audit	(725)	(725)	-	0.0%	
Communication and information technology	(526)	(599)	73	12.1%	
Depreciation	(180)	(830)	650	78.3%	A budgeted computer solution to assist small intermediaries was not purchased
Employee costs	(10 720)	(11 848)	1 128	9.5%	
Impairment provisions	(7 221)	(6 849)	(372)	-5.4%	
Internal audit	(661)	(546)	(115)	-21.1%	A portion of the internal audit plan was finalised after year end
Marketing, promotions and workshops	(505)	(701)	196	28.0%	
Printing and stationery	(291)	(423)	132	31.3%	
Travel and entertainment	(1 032)	(1 675)	643	38.4%	This cost relates to visiting remote clients. Fewer were sourced than were budgeted.
Other	(674)	(581)	(93)	-16.0%	Donations were higher than budgeted
Profit before taxation	20 017	13 011	7 005	53.8%	
Taxation	(18 164)	-	(18 164)	0.0%	There is a dispute with SARS on a portion of the refund due resulting from the back-dating of the income tax exemption and a decision was make to provide for the disputed amount
Fair value adjustment of associates	1 533	-	1 533	0.0%	Associates performed better than bud-geted
Profit after taxation	3 386	13 011	(9 625)	-74%	

Statement of Changes in Net Assets

	at 31-Mar-16			
	Contributed capital KFW	Contributed capital Department of Human Settlements	Accumulated Surplus	Net Assets
	R000	R000	R000	R000
Balance at 31 March 2014	**154 763**	**130 975**	**99 325**	**385 063**
Balance at 1 April 2014	**154 763**	**130 975**	**99 325**	**385 063**
Surplus for the period	-	-	49 916	49 916
Balance at 31 March 2015	**154 763**	**130 975**	**149 241**	**434 979**
Balance at 1 April 2015	**154 763**	**130 975**	**149 241**	**434 979**
Surplus for the period	-	-	3 386	3 386
Balance at 31 March 2016	**154 763**	**130 975**	**152 627**	**438 365**

ACCOUNTING POLICIES

1. BASIS OF PREPARATION
These annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), as issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act, (Act No 1 of 1999).

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

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

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year's annual financial statements.

2. PRESENTATION CURRENCY
These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

3. GOING CONCERN ASSUMPTION
These annual financial statements were prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

While there is an intention from the Minister of Human Settlements to merge the operations of the Rural Housing Loan Fund SOC NPC and the National Urban Reconstruction and Housing Agency with those of the National Housing Finance Corporation SOC (Pty) Ltd, there is no certainty as to the timing of this event, hence the going concern assumption.

4 COMPARATIVE INFORMATION
Prior year comparatives

The presentation and classification of items in the current year is consistent with prior periods.

5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE
The following Standards of GRAP and / or amendments thereto, of relevance to RHLF, have been issued by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The entity has not early-adopted any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

GRAP 20 Related party disclosures

This standard requires disclosure of all transactions with related parties who are defined as those who control, are controlled by or are jointly controlled by the company. This essentially means that transactions and balances with all public entities and government departments need to be disclosed.

Amendments to the following standards of GRAP will become effective for financial periods commencing on or after 1 April 2016:
GRAP 16 - investment policy
GRAP 17 - Property, Plant and equipment
GRAP 12 - Selection of an appropriate reporting framework by the public entities becomes effective for the financial periods commencing on or after 1 April 2018.

6. SIGNIFICANT JUDGEMENTS AND ESTIMATES
The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements.

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the condition and use of the asset informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

7. FINANCIAL INSTRUMENTS

Initial Recognition

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.
Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests, in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial Measurement

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent Measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

a) Financial instruments at fair value.
   - Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.
   - An investment in a residual interest for which fair value can be measured reliably.

b) Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial instruments at cost

Investments in residual interests, which do not have quoted market prices and for which fair value cannot be determined reliably.

The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

Concessionary loans

The part of the concessionary loan that is a social benefit or non-exchange revenue is determined as the difference between the fair value of the loan and the loan proceeds, either paid or received.
After initial recognition, an entity measures concessionary loans in accordance with the subsequent measurement criteria set out for all financial instruments.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

Offsetting

The entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

Impairments

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For financial assets held at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Investments at cost

Investments at cost, which represent investments in residual interest for which there is no quoted market price and for which fair value cannot be measured reliably, are subsequently measured at cost.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash consists of cash with banks.

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Trade and other payables
Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

8. PROPERTY, PLANT AND EQUIPMENT

Initial recognition and measurement
Property, plant and equipment are tangible non-current assets that are held for use in the supply services or for administrative purposes and are expected to be used during more than one year.

Items of property, plant and equipment are recognised as assets when it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost or fair value of the item can be measured reliably.
Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost where acquired through exchange transactions. However, when items of property, plant and equipment are acquired through non-exchange transactions, those items are initially measured at their fair values as at the date of acquisition.

The cost of an item of property, plant and equipment is the purchase price and other costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the entity. Trade discounts and rebates are deducted in arriving at the cost at which the asset is recognised. The cost also includes the estimated costs of dismantling and removing the asset and restoring the site on which it is operated.

Subsequent measurement
Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Depreciation
Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an assets residual value, where applicable.
The assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end and adjusted prospectively, if appropriate. The annual depreciation rates are based on the following estimated asset useful lives:

- Vehicles and Plant
- Office Furniture and Fittings
- Computer Hardware

9. INTANGIBLE ASSETS

Initial recognition and measurement
An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its 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 or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Subsequent measurement
Intangible assets are subsequently carried at cost less accumulated amortisation and impairments.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset. During the period of development, the asset is tested for impairment annually.

Amortisation and impairment
Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method.

The annual amortisation rates are based on the following estimated average asset lives:

Useful Life Range in Years	
Intangible	
Computer Software	3

The amortisation period, the amortisation method and residual value for intangible assets with finite useful lives are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Impairments
The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition
Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

10. EMPLOYEE BENEFITS

Short term employee benefits
Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

Defined contribution plans
Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

11. LEASES

The entity as Lessee
Recognition
Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005, in accordance with the transitional requirements of IGRAP 3.

Measurement
Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

Derecognition
The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance

lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

12. REVENUE

Revenue is raised by way of interest charged on loans issued to intermediaries. It is recognised as it accrues.

13. SURPLUS OR DEFICIT

Gains and Losses

Gains and losses arising from fair value adjustments on investments and loans, and from the disposal of assets, are presented as other revenue in the Statement of Financial Performance.

Income, expenditure, gains and losses are recognised in surplus or deficit except for the exceptional cases where recognition directly in net assets is specifically allowed or required by a Standard of GRAP.

14. POST-REPORTING DATE EVENTS

Events after the 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 entity will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

15. RELATED PARTIES

The entity has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the entity and any one or more related parties, and those transactions were not within:

- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- terms and conditions within the normal operating parameters established by the reporting entity's legal mandate;

Further details about those transactions are disclosed in the notes to the financial statements.

Information about such transactions is disclosed in the financial statements.

16. INVESTMENT IN AN ASSOCIATE

The Entity's investments in its associates are accounted for using the equity method.
An associate is an entity in which the Entity has significant influence.

Under the equity method, the investment in the associate is carried on the Statement of Financial Position at cost plus post acquisition changes in the Entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Statement of Financial Performance reflects the Entity's share of the results of operations of the associate. When there has been a change recognised directly in the net assets of the associate, the Entity recognises its share of any changes and discloses this, when applicable, in the statement of changes in net assets. Unrealised gains and losses resulting from transactions between the Entity p and the associate are eliminated to the extent of the interest in the associate.

The Entity's share of the net surplus or deficit of an associate is shown on the face of the Statement of Financial Performance. This is the surplus attributable to holders the residual interest of the associate and, therefore, is surplus after tax and minority interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Entity. When necessary, adjustments are made to bring the accounting policies in line with those of the Entity.

17. CASH AND CASH EQUIVALENTS

	2016 R000	2015 R000
Cash and cash equivalents consist of the following:		
Cash at bank	6 082	5 516
Call deposits	206 956	174 660
Call investments	-	-
	213 038	**180 176**

An amount of R93,000 (2015: R93,000) is held on deposit with Standard Bank as security for RHLF's building rental commitments.

18. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

Balance at 31 March 2016	Gross Balances R000	Provision for Doubtful Debts R000	Net Balance R000
Other receivables	361 783	(32 329)	329 454
Total Trade Receivables at 31 March 2016	**361 783**	**(32 329)**	**329 454**

Balance at 31 March 2015	Gross Balances R000	Provision for Doubtful Debts R000	Net Balance R000
Other receivables	387 442	(40 869)	346 573
Total Trade Receivables at 31 March 2015	**387 442**	**(40 869)**	**346 573**

	2016 R000	2015 R000
Long term loans to retail intermediaries	329 454	346 573
Less : Current portion transferred to current receivables	96 258	133 823
Long term portion	**233 196**	**212 750**

18.1 Reconciliation of doubtful debt provision

	2016 R000	2015 R000
Balance at beginning of the year	(40 869)	(33 335)
Contributions to provision	(7 221)	(8 687)
Bad debts written off against provision	15 761	1 153
Balance at end of year	**(32 329)**	**(40 869)**

18.2 Credit quality of trade receivables from exchange transactions

The entity determines the credit quality of its trade receivables from exchange transactions.

Method of determining credit quality of trade receivables from exchange transactions: The credit quality of trade receivables from exchange transactions are determined and monitored with reference to monthly reporting data received from the debtors as well as reviews performed on the clients at regular intervals. A policy on the risk associated with each client based on the quality of RHLF's security as well as the client balance sheet and profitability is strictly applied.

18.3 Fair value of trade receivables

The carrying value of trade receivables is assessed based on a discounted cash flow of future payments compared with the value of the debt after any provisions. In this report no trade receivables were marked down based on their discounted cash flows.

18.4 Trade receivables pledged as security

No receivables are pledged as security.

	2016	2015
19. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	R000	R000
Dividends due	1 277	970
Total Other Debtors	**1 277**	**970**
20. PREPAYMENTS		
Deposits	128	119
Prepaid expenses relating to DBSA loan agreement	1 013	1 068
	1 141	**1 187**
21. INVESTMENTS		
Equity investments - Izwe Holdings (Pty) Ltd (carrying value)	3 887	4 263
Equity investments - Lendcor (Pty) Ltd (carrying value)	7 163	5 254
Preference Shares - Norufin Housing (Pty) Ltd (carrying value)	-	-
	11 050	**9 517**

22. PROPERTY, PLANT AND EQUIPMENT

22.1 Reconciliation of Carrying Value

	2016			2015		
	Cost		Carrying value	Cost	Accumulated Depreciation and Impairment	Carrying value
	R000	R000	R000	R000	R000	R000
Furniture and Fittings	572	(512)	60	572	(497)	75
Office Equipment	155	(115)	40	153	(100)	53
Computer Equipment	536	(329)	207	510	(218)	292
Leasehold premises	60	(60)	-	60	(60)	-
Total	**1 323**	**(1 016)**	**307**	**1 295**	**(875)**	**420**

No assets are pledged as security.

22.2 Reconciliation of Property Plant and Equipment - 2016

	Carrying Value Opening Balance	Additions	Disposals	Depreciation	Carrying Value Closing Balance
	R000	R000	R000	R000	R000
Furniture & Fittings	75	1	-	(16)	60
Office Equipment	53	9	(3)	(19)	40
Computer Equipment	292	77	(17)	(145)	207
Total	**420**	**87**	**(20)**	**(180)**	**307**

22.3 Reconciliation of Property Plant and Equipment - 2015

	Carrying Value Opening Balance	Additions	Disposals	Depreciation	Carrying Value Closing Balance
	R000	R000	R000	R000	R000
Furniture & Fittings	16	73	-	(14)	75
Office Equipment	73	-	-	(20)	53
Computer Equipment	122	295	-	(125)	292
Leasehold premises	-	-	-	-	-
Total	**211**	**368**	**-**	**(159)**	**420**

23. INTANGIBLE ASSETS

23.1 Reconciliation of Carrying Value

	2016			2015		
	Cost	Accumulated Amortisation and Impairment	Carrying value	Cost	Accumulated Amortisation and Impairment	Carrying value
	R000	R000	R000	R000	R000	R000
Computer Software	255	(221)	34	244	(206)	38
Total	**255**	**(221)**	**34**	**244**	**(206)**	**38**

23.2 Reconciliation of Intangible Assets - 2016

	Carrying Value Opening Balance	Additions	Amortisation	Carrying Value Closing Balance
	R000	R000	R000	R000
Computer Software	38	9	(13)	34
Total	**38**	**9**	**(13)**	**34**

23.3 Reconciliation of Intangible Assets - 2015

	Carrying Value Opening Balance	Additions	Amortisation	Carrying Value Closing Balance
	R000	R000	R000	R000
Computer Software	-	53	(15)	38
Total	**-**	**53**	**(15)**	**38**

24. PROVISIONS

24.1 Reconciliation of Movement in Provision - 2016

	Performance Bonus	Provision for Leave Pay	Total
	R000	R000	R000
Opening Balance	**1 222**	**320**	**1 542**
Provisions Raised	686	551	1 237
Amounts Used	(1 822)	(506)	(2 328)
Closing Balance	**86**	**365**	**451**

24.2 Reconciliation of Movement in Provision - 2015

	Performance Bonus	Provision for Leave Pay	Total
	R000	R000	R000
Opening Balance	**1 288**	**259**	**1 547**
Provisions Raised	1 380	551	1 931
Amounts Used	(1 446)	(490)	(1 936)
Closing Balance	**1 222**	**320**	**1 542**

25. BORROWINGS

	2016	2015
	R000	R000
Development Bank of South Africa	135 421	138 508
Less : Current portion transferred to current liabilities	(5 999)	(5 999)
Total Long-Term Non-Current Borrowings	**129 422**	**132 509**

Terms and conditions
This loan is from the Development Bank of South Africa as a result of a Euro denominated loan between them and KFW (the German Development Bank). The loan is a Rand denominated loan to RHLF bearing interest at a fixed rate of 7.56% per annum payable half yearly on15 June and 15 December. Repayment of the 41 half yearly instalments commenced on 14 December 2014.

26. EMPLOYEE RELATED COSTS

	2016 R000	2015 R000
Employee related costs - Salaries and Wages	8 232	8 044
Employee related costs - Contributions for UIF, pensions and medical aids	1 720	1 562
Travel, motor car, accommodation, subsistence and other allowances	274	274
Other employee related costs	494	447
Employee Related Costs	**10 720**	**10 327**

27. EMPLOYEE BENEFITS

27.1. DEFINED CONTRIBUTION PLANS:

	2016 R000	2015 R000
Provident fund	1 116	995
Total contributions expensed to the Income Statement	**1 116**	**995**

28. INVESTMENTS IN ASSOCIATES

28.1 Investments in Izwe Holdings (Pty) Ltd

The entity has a 4.92% interest in Izwe Holdings (Pty) Ltd and has the right to appoint a director.

The following table illustrates summarised financial information of the Entity's investment in Izwe Holdings (Pty) Ltd

	2016 R000	2015 R000
Share of the investment's statement of financial position:		
Assets	21 675	38 015
Liabilities	(17 788)	(33 752)
Non current liabilities	-	-
Equity	**3 887**	**4 263**

28.2 Investments in Lendcor (Pty) Ltd

The entity has a 20% interest in Lendcor (Pty) Ltd and has the right to appoint a director.

The following table illustrates summarised financial information of the Entity's investment in Lendcor (Pty) Ltd

	2016 R000	2015 R000
Share of associates' statement of financial position:		
Current Assets	9 560	13 370
Non current assets	15 078	7 057
Current liabilities	(6 757)	(6 296)
Non current liabilities	(10 718)	(8 877)
Equity	**7 163**	**5 254**
Share of associates' revenue and profit:	1 533	2 808

29. COMMITMENTS

	2016 R000	2015 R000
Commitments in respect of facilities granted	128 599	127 968

Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating lease arrangements

Lessee

Premises

At the reporting date the entity had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2016 R000	2015 R000
Up to 1 year	690	800
1 to 5 years	-	690
More than 5 years	-	-
	690	**1 490**

Operating Leases consists of the following:

Property rentals are negotiated for a period of three years. Rentals escalate at 8% per annum

Copiers

The major category of asset leased is photocopiers

At the reporting date the entity had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2016	2015
Up to 1 year	30	60
1 to 5 years	-	30
More than 5 years	-	-
	30	**90**

Total

At the reporting date the entity had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2016	2015
Up to 1 year	720	860
1 to 5 years	-	720
More than 5 years	-	-
	720	**1 580**

30. RELATED PARTIES

	2016	2015
Related party balances		
Development Bank of South Africa	(133 997)	(137 083)
South African Revenue Service	18 717	36 881
Related party transactions		
Interest earned / (paid)		
Development Bank of South Africa	(10 033)	(10 173)
South African Revenue Services	-	-
Other expenses		
South African Airways	(157)	(66)

31. TAXATION	2016 R000	2015 R000
Opening balance	36 881	1 866
Normal taxation for the year	(18 164)	35 015
	18 717	36 881
Due (by) SARS	(18 717)	(36 881)
Paid during the year	-	-

31.1 Normal taxation

During the 2014/15 financial year SARS granted the company an income tax exemption, backdated to 2004. During the 2015/16 year SARS notified RHLF that in spite of this they would not reopen income tax assessments that were assessed more than three years ago. While this matter is being disputed, RHLF has provided against the amounts that relate to that period.

31.2 Taxation Expense	2016	2015
Normal Taxation	(18 164)	35 015
Defferred Taxation	-	(5 431)
Net cash flows from operating activities	(18 164)	29 584

32. CASH FLOWS FROM OPERATING ACTIVITIES	2016 R000	2015 R000
Surplus for the year	**3 386**	**49 916**
Adjustment for:-	**4 812**	**14 203**
Depreciation	180	159
Amortisation	13	15
Accrued dividend received	-	2 855
(Gain) / loss on sale of assets	13	(80)
Reversal of provision - deferred tax	-	5 431
Contribution to (reversal of) provisions - current	(1 091)	(4)
Other non-cash movements	172	-
Interest accrued	-	(99)
Fair value adjustments	(1 533)	(2 808)
Dividend income	(217)	(7)
Impairment loss	7 221	8 687
Commitment fee	54	54
Operating surplus before working capital changes:	**8 198**	**64 119**
Working capital movements	**17 950**	**(35 340)**
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade and other receivables	(261)	17
Decrease/(Increase) in tax receivable	18 164	(35 015)
Increase/(decrease) in conditional grants and receipts	-	-
Increase/(decrease) in trade and other payables	47	(342)
Net cash flows from operating activities	**26 148**	**28 779**

33. MAXIMUM CREDIT RISK EXPOSURE

Credit risk consists mainly of cash deposits, cash equivalents and long term loans to intermediaries. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Funds not immediately required are placed with the South African Reserve Bank.

Long term loans are granted to intermediaries to facilitate lending to low income earners in rural areas to enable home improvements. These loans are granted after a due diligence exercise has been satisfactorily conducted by the RHLF Risk Team. The recommendations of this team and the relevant client executive are considered by the Credit and Development Committee of the Board and when appropriate are approved. RHLF receives monthly management accounts from these intermediaries and each month reviews the credit assessment. In addition at least once per annum a risk review is undertaken of each client to provide ongoing assurance of the risks faced by RHLF.

The financial assets carried at amortised cost expose the entity to credit risk. The value of the maximum exposure to credit risk is as follows for each of the classes of financial assets at amortised cost:

	2016	2015
	R000	R000
Cash and cash equivalents	213 038	180 176
Trade and other receivables from exchange transactions	98 675	135 981
Non-current receivables from exchange transactions	233 196	212 750
Non-Current Investments	11 050	9 517

Cash is held on a short term basis at the following institutions	Amount	Short term credit rating
Corporation for Public Deposits	206 863	
Standard Bank	6 175	F1+
Investec		
Total	**213 038**	

34. COLLATERAL HELD AND OTHER CREDIT ENHANCEMENTS

The credit risk exposure, as posed by the financial assets held at amortised cost detailed above, is further mitigated by the collateral held in relation to these instruments:

Intermediaries

All intermediaries provide a cession of both their book debts funded by RHLF and their bank accounts as security for their borrowing.

In certain cases for the larger intermediaries the book debt is not differentiated and RHLF has a joint cession with other funders.

35. CONCENTRATION OF CREDIT RISK

Almost all of RHLF's credit risk is contained within the long term receivables. As the South African Reserve Bank is considered the lender of last resort, the risk here is not considered material.

37. LIQUIDITY RISK

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and inward loan repayments and potential grant or loan funding.

Cash flow forecasts are prepared and commitments to intermediaries are monitored.
The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2016	Not later than one month	Later than one month and not later than three months
Trade and other payables	781	-

2016	Later than three months and not later than one year	Later than one year and not later than five years	Greater than 5 years
Borrowings	5 999	15 073	114 349

2015	Not later than one month	Later than one month and not later than three months
Trade and other payables	733	-

2015	Later than three months and not later than one year	Later than one year and not later than five years	Greater than 5 years
Borrowings	5 999	15 073	117 436

Concentration of credit risk

Credit risk is concentrated in the intermediary loans.

38. INTEREST RATE RISK

The entity has interest rate risk associated with its long term lending. In the past these loans were issued for a fixed rate for the loan term. Newer loans are however linked to the prime lending rate of the company's bankers. There is therefore a risk of these rates reducing or increasing in line with the prime lending rate.

The long term loan from the Development Bank of South Africa has a fixed rate of interest.

At year end, financial instruments exposed to interest rate risk were as follows:

Call deposits
Notice deposits
Non-current receivables from exchange transactions
Development Bank of South Africa loan
Bank overdraft

Interest rate risk sensitivity analysis

The susceptability of the entity's financial performance to changes in interest rates can be illustrated as follows:

	Gross impact	Taxation effect	Net impact
2016	R000	R000	R000
Interest income			
Interest rate increase of 75 basis points	2 713	-	2 713
Interest rate decrease of 50 basis points	(1 809)	-	(1 809)
2015			
Interest income			
Interest rate increase of 75 basis points	2 906	-	2 906
Interest rate decrease 50 basis points	(1 937)	-	(1 937)

The susceptability of the entity's financial performance to changes in interest rates can be illustrated as follows:

39. IMPAIRMENT AND RECONCILIATION DISCLOSURES RELATED TO FINANCIAL ASSETS

40.1 Impairment disclosures for non-current financial assets carried at amortised cost
Reconciliation between gross and net balances

	Gross Balances	Provision for Doubtful Debts	Net Balance
	R000	R000	R000
Long term loans	361 783	(32 329)	329 454
Total	**361 783**	**(32 329)**	**329 454**

Reconciliation of the doubtful debt provision

	2016	2015
	R000	R000
Balance at beginning of the year	(40 869)	(33 335)
Contributions to provision	(7 221)	(8 687)
Doubtful debts written off against provision	15 761	1 153
Balance at end of year	**(32 329)**	**(40 869)**

41. FAIR VALUE DISCLOSURES

The entity uses the following hierarchy to determine the fair value of those instruments carried at fair value:

Level 1 - Fair value determined based on unadjusted quoted prices in an active market

Level 2 - Fair value determined based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 - Fair value determined based on inputs for the asset or liability that are not based on observable market data (unobservable inputs), i.e. Valuation techniques

At the reporting date the entity held the following financial assets carried at fair value:

Assets measured at fair value

	Level 1 fair value	Level 2 fair value	Level 3 fair value	Total
	R000	R000	R000	R000
Cash at bank	-	213 038	-	213 038
Receivables	-	331 873	-	331 873
Investment in associates		-	11 050	11 050
Total	**-**	**544 911**	**11 050**	**555 961**

42. CONTRIBUTED CAPITAL

	2016 R000	2015 R000
The reserve consists of funds directly paid to the entity for the purpose of funding the business of the entity.		
Opening balance	285 738	285 738
Contributions	-	-
Closing balance	**285 738**	**285 738**

43. DIRECTORS

BOARD AND COMMITTEE MEETINGS ATTENDANCE RECORD AND REMUNERATION																			
	2015														2016				
	Apr	Apr	May	May	May	Jun	Jul	Jul	Aug	Aug	Sep	Oct	Oct	Nov	Dec	Jan	Feb	Mar	REMUNERATION
Board Meetings																			
Date	30		12	29			7		13	28				19					
T Chiliza	x		x	x			x		x	x				x					R 31 500
J J Fakazi	x		x	x			x		x	x				x					
A Egbers	x		x	x			x		x	x				x					R 31 500
M Mathibe	x		x	x			x		A	x				A					R 22 500
RT Haman			x	x			x		A	A				x					R 18 000
Credit and Development Committee																			
Date			18			25	9		27			5	29	30			29	31	
J J Fakazi			x			x	x		x			x	x	x			x	x	
A Egbers			x			x	x		x			x	x	x			x	x	R 40 500
T Chiliza*									x			x	x	x			x	x	R 27 000
Audit and Risk Committee																			
Date			26				9	27				27				26			
A Egbers			x				x	x				x				x			R 22 500
M Mathibe							x	x				x				x			R 18 000
RT Haman			x				x	x				x				x			R 22 500
Human Resources, Ethics and Remuneration Committee																			
Date	16	29							5					18					
T Chiliza	x	x							x					x					R 18 000
M Mathibe	x	x							x					x					R 18 000
SPECIAL MEETINGS																			
Date			7	12&13	22&23	26	8	30&31			4			9,19&26			18&19		
T Chiliza			x	xx	xx	x		xx			x			x x					R 49 500
A Egbers				xx		x	x	xx			x						xx		R 40 500
RT Haman											x						xx		R 13 500
M Mathibe				x		x		x			x			x x			x		R 31 500
																			R 405 000

A: Absent xx: Present

** T Chiliza was appointed as member of the Credit and Development Committee with effect from August 2015, to replace the late Mr Knowles Oliver who served in this committee.*

**M Mathibe was appointed as a member of the Audit and Risk Committee with effect from August 2015, replacing the late Mr Knowles Oliver who served on the committee.*

44. EXECUTIVE REMUNERATION

2015					
Title	**Incumbent**	**Basic salary R 000**	**Benefits R 000**	**Performance Bonus R 000**	**Total**
Chief Executive Officer	J J Fakazi	1 531	416	410	2 356
Chief Financial Officer	B C Gordon	1 220	224	179	1 623
Total		**2 750**	**640**	**589**	**3 979**
2016					
Title	**Incumbent**	**Basic salary R 000**	**Benefits R 000**	**Performance Bonus R 000**	**Total**
Chief Executive Officer	J J Fakazi	1 614	444	371	2 429
Chief Financial Officer	B C Gordon	1 280	235	272	1 787
Total		**2 893**	**679**	**643**	**4 216**

The bonuses for the executives are only finalised when the integrated report is published as certain aspects of these bonuses are dependent upon the contents of this report. The amounts reflected here relate to bonuses awarded for the previous year's performance.

Personnel costs

The personnel expenditure set out in the following tables relate to the cost to company packages provided to employees and do not take into account other costs of employees.

Notes:

Notes:

General information

Registered Name	Rural Housing Loan Fund SOC NPC
Registration Number	1996/010988/08
Registered Office Address	Liberty Gardens, 10 South Boulevard, Bruma 2198
Postal Address	PO Box 645, Bruma, 2026
Contact Telephone Number	(011) 621 2500
Facsimile	(011) 621 2520
Website address	www.rhlf.co.za
External Auditors	SizweNtsalubaGobodo Inc.
Bankers Information	Standard Bank SA
Company Secretary	Bruce Gordon, CA (SA)

Physical Address:
2nd Floor, Liberty Life Building,
10 South Boulevard, Bruma 2198
Gauteng

Postal Address:
PO Box 645, Bruma, 2026,
Tel: (011) 621 2500, Fax: (011) 621 2520
Website: www.rhlf.co.za
RURAL HOUSING LOAN FUND

RHLF RURAL HOUSING LOAN FUND

human settlements
Department:
Human Settlements
REPUBLIC OF SOUTH AFRICA