



RURAL HOUSING LOAN FUND
ANNUAL INTEGRATED REPORT

2014/2015

Rural Housing Loan Fund SOC NPC
1996/010988/08



Board of Directors



Jabulani Fakazi
Chief Executive Officer



Thembi Chiliza
Board Chairperson
Non-Executive Director



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



Knowles Oliver
Chair: Audit and Risk Committee
Non-Executive Director



Molefe Mathibe
Non-Executive Director
Chair: HRER Committee



Reginald Haman
Non-Executive Director

Contents



Foreword by the Chairperson.....	6
People who benefit: Creating value for our customers.....	9
Why an integrated report?.....	13
About this Report.....	14
Scope and boundary.....	14
Reporting to stakeholders.....	14
Integrated thinking.....	14
Five Year Highlights of the Rural Housing Loan Fund Performance.....	16
Development performance.....	16
Financial performance.....	16
Who are we?.....	20
Ownership and operating structure.....	20
People.....	20
What do we do?.....	29
Minister of Human Settlements commitment.....	30
Rural Housing Loan Fund's contribution.....	31
Performance measures for the year under review: Value added support of mandate.....	33
Value added to remain sustainable.....	34
The environment in which we operate.....	39
How we engage with our stakeholders.....	44
How we are governed.....	47
The Board of Directors	47
Responsibility of the board.....	48
The Board Structure.....	48
The Board and Committee record of attendance.....	49
Risk and opportunities.....	50
Management risks.....	50
Emerging risks.....	51
Performance information in 2014/15.....	52
Stakeholder Perspective.....	52
Financial Perspective.....	53
Business Process Perspective	
Learning and Growth Perspective	
Looking forward.....	55
Funding.....	55
Planned projects.....	56
Key performance indicators.....	57
Individual Rural Housing Subsidy Voucher Programme.....	57
Consolidation of the Human Settlements Development Finance Institutions.....	57
Basis of preparation and presentation.....	58
Stakeholders.....	58
Future view.....	58
Annual Financial Statements Financial Report.....	59
Report of the Audit and Risk Committee.....	60
Report of the Independent Auditor.....	62
Annual Financial Statements.....	65





Mandate:

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

Vision:

The Rural Housing Loan Fund 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.

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.

Values

We subscribe to the following values:

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





Foreword by the Chairperson

“ Our objective is to create value not only for our company, but also for our stakeholders and not to push them into hardship ”



Ms Thembi Chiliza, Chairperson

It gives me great pleasure to present the first Annual Integrated Report for the Rural Housing Loan Fund. This report has been written with all stakeholders in mind. The company would not have been a success in achieving its mandate of facilitating access to incremental housing loans, were it not for the role played by various stakeholders. The performance of Rural Housing Loan Fund in the 2014/15 financial year set out in this report shows some of the adverse impacts of the tough economic and, in particular, micro finance industry conditions that prevailed during the year under review.

Economic growth remained low throughout the year. In the first quarter of 2014/15, the economy grew by 0.5% and reached an annualised 4.1% between October and December 2014, before plummeting to 1.3% growth in the last quarter of the financial year 2014/15. Unemployment remains a huge challenge in South Africa. The official unemployment rate was at 25.5% in the first quarter of the 2014/15 financial year and reached 26.4% in the last quarter of the financial year, thus providing clear evidence that our economy is battling to create new jobs.

The micro finance industry, following the collapse of African Bank, was also put to the test and many lenders became extremely cautious in the manner in which they granted loans. Prudence became the name of the game as most lenders tightened their credit granting criteria to ensure that they improved the quality of their books. The fact that many people are already immersed in debt did not make things any easier for lenders or for the borrowers.

Lenders struggled to meet their lending targets and were able to finance loans without calling on extra funding from RHLF. We thus failed to meet targets in the main development areas:

- Number of loans delivered was 40 185 against an annual target of 49 668—an 81% achievement; and
- Total disbursements to lenders achieved was just over R261 million against an annual target of R298 million—an achievement of 88%.

The amount disbursed (R261 million) includes capital moratoria that were allowed to intermediaries who are considered a low credit risk and could disburse to borrowers.



It also includes cash disbursed of R59 million, which was well below a target of R198 million budgeted in our Annual Performance Plan for 2014/15. Of the R261 million we disbursed to lenders, R256.5 million was on-lent to borrowers to deliver 40 185 in the year under review.

While we are all disappointed with the lower than expected performance, it reflects the reality of the current economic cycle. It serves no purpose to grant unsecured loans to people who cannot afford to repay them. Our objective is to create value not only for our company, but also for our stakeholders and not to push them into hardship. We do not encourage reckless lending. This would then lead to more lenders collapsing, when in fact we need them to ensure the sustainable delivery of loans.

On the governance front, the Board faced some challenges following the resignation of two directors. After engaging with the Minister of Human Settlements about filling the Board vacancies, we concluded the nomination process and submitted to the Minister the recommended candidates for appointment to serve on the Board. At the time of this report, we have not received formal feedback on this matter. As a consequence of vacancies coupled with apologies from some directors (mainly through the illness of one of the directors), we experienced quorum problems leading to the postponement of two Audit and Risk Committee meetings during the year. The positions on the committees have since been reallocated as new directors have not

been appointed.

We expect another tough financial year given the challenges that remain in the business environment. Despite this, our focus will continue to be on building channels for future growth by intensifying efforts to sign up intermediaries both commercial and community based organisations. It is, however, important to note that the consolidation of the Human Settlements Development Finance Institutions should be concluded during the year 2015/16. Even with the consolidation, we anticipate that the focus on enabling access to incremental housing loans for households in rural areas will remain a key part of the mandate of the consolidated institution.

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 other stakeholders in our business. Ms Nancy Sihlayi resigned in July 2014 following her appointment as Member of Executive Council in the Eastern Cape Provincial Government. I thank her for the contribution she made to the board during her tenure.

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.



Foreword by the Chairperson, continued

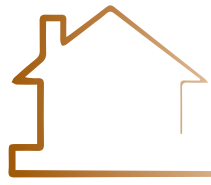
We were deeply saddened when, Mr Knowles Oliver, a director since February 2000, passed away in June 2015. Knowles played an important role in the development of the company and his presence and input will be sorely missed.

A handwritten signature in black ink, appearing to read 'Thembi Chiliza', enclosed within a light grey rectangular box.

Ms Thembi Chiliza, Chairperson RHLF Board



The primary reason for our existence is to enable people in rural areas and small towns to access housing loans to improve their housing conditions. These people cannot access mortgage bonds mainly because they have no title to land. In addition, at the level of income the Rural Housing Loan Fund target, it is unlikely that they will receive bonds even if they had title. Most borrowers need to access housing loans so that they can build incrementally due to low affordability levels and thus cannot build a complete house with a single loan. Through this incremental home building, many people end up with adequate housing for their families as shown in the following case studies below.



Mr Mfungelwa Mthembu

Bucanana Reserve in uMhlathuze Municipality, KwaZulu-Natal Province



Mr Mthembu is 66 years old and is a father of eight children. He used to work for the uMhlathuze Local Municipality before he retired. He now receives pension of under R6 000 per month from his retirement fund. He first borrowed R2 000 in 2013 and a second loan of R5 000 in 2014 from a Rural Housing Loan Fund intermediary, Lendcor. This was disbursed through the building merchant where he bought the materials to build his rondavel. The new rondavel replaced the old rondavel pictured above.

Miss Hilda Ndlovu

Motetema Village in Elias Motsoaledi Local Municipality, Limpopo Province



Miss Ndlovu is employed as a professional nurse earning a monthly income between R9 800 and R15 000 per month. She first borrowed R15 000 from our intermediary Thuthukani Housing Finance, in 2013. This money was used to buy building materials to start the project of extending her parents' house in Motetema village as shown in the first photograph. In 2014, she took a second loan of R17 000 to finish up the house as depicted in the second picture. Miss Ndlovu is very happy that she has accomplished her dream of improving the quality of her parents' house by extending it and changing the roof from corrugated iron to tiles. For her, this is the best gift she can give to her parents for all the support they have given her up to when she completed her studies and started working.



Mr Fatama Malaka

Ramogwerena Village in Elias Motsoaledi Local Municipality, Limpopo Province



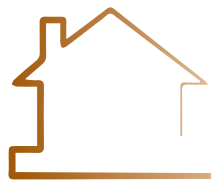
Mr Malaka, a 49 year old father, used his own savings to commence building a 9 roomed house for his family of five. He then took a loan of R30 000 in 2012 from Thuthukani Housing Finance and used this to put a roof on his new 9 roomed house. His second loan was for R21 000 in 2014 to finish his home. Mr Malaka is employed in the private sector as a machine operator earning a salary between R9 800 to R15 000 per month.

Mrs Mmaserame Moreki

Mantsubise in Qwa- Qwa, Free State



Mrs Moreki and her husband previously lived in a shack before building a new permanent house on their site. She works in the public sector where she earns under R6 000 per month. She took a loan of R2 000 from Moliko, a RHLF intermediary, to buy materials to roof her two room house, which she had built using her own savings. Mrs Moreki stated that she was happy with the loan as it made it possible for her to finish building her new home.



Ms Mary Mbewo

Botshabelo, Free State



Ms Mary Mbewo is the founder and a member of Bomme le Batjha Co-operative based in Free State. The co-operative has 10 members and its objective is to provide services such as catering, food gardening and manufacturing of clothes to the community. RHLF granted a housing loan facility to the co-operative for on-lending as housing loans to its members. Apart from being a member of the co-operative, Ms Mbewo is also a principal of the local Care Centre, earning a monthly salary of under R6 000. She lives with her mother and two children. She took a loan of R7 500 from the co-operative and used it, with her savings, to add two extra rooms onto her house. She used the services of a local builder to do the extensions. Ms Mbewo stated that she intends to take another loan once she has paid back the current loan so she can further improve her home.

Mrs Albertina Sulane

Mantsubise in Qwa- Qwa, Free State



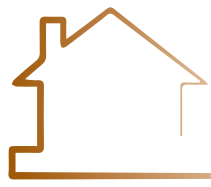
Mrs Albertina Sulane and her husband have three children. She earns an income under R 6 000 a month. She borrowed R7 500 in 2014 from Bomme le Batjha Co-operative, of which she is a member. By combining the loan with her savings she was able to plaster, paint, put in a sliding door and install burglar proofing for security purposes.



This is the first time the Rural Housing Loan Fund is publishing an integrated report which enables us to highlight the connections between our developmental, financial and other performance. We believe that this shift holds both practical and symbolic importance, in that we are acknowledging the changes to our operating environment. This means changes in the information required to

evaluate the performance of the company and the presentation thereof. The information provided in the Annual Reports in previous years did not adequately capture our ability to respond to today's challenges or how we create value. The company's future success hinges on how well the social, environmental, and economic contexts in which we operate are managed.





About this Report

Scope and boundary

The 2015 Integrated Report covers the period 1 April 2014 to 31 March 2015. Any material events after 31 March 2015 up to the Board's approval on 31 July 2015 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

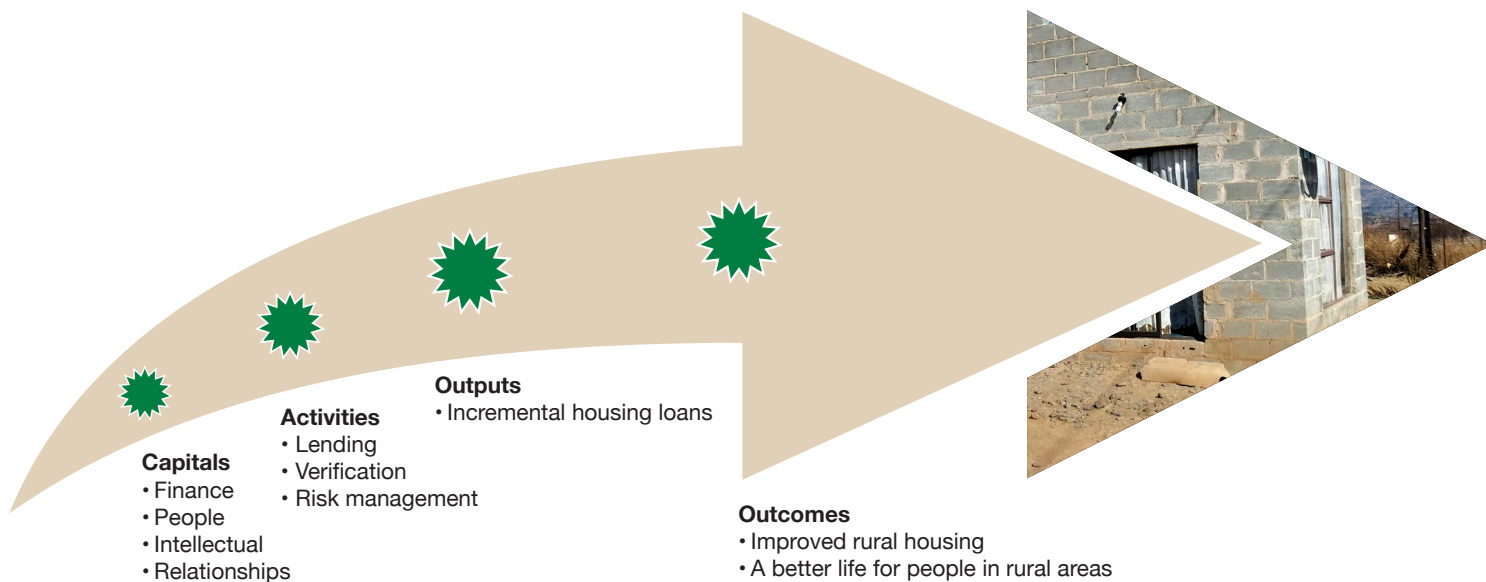
In preparing our first Annual Integrated Report, we have been guided by The International Integrated Reporting Framework issued by the International Integrated Reporting Committee in December of 2013. Using the principles in this Framework we will embrace integrated thinking in our operations to improve 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, capabilities and acquire experience that enable 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 following a successful completion of their twelve month internships.
- **Intellectual capital:** As an organisation we have built a knowledge-based expertise in housing microfinance delivery that enables low income people in rural areas to fulfil 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.

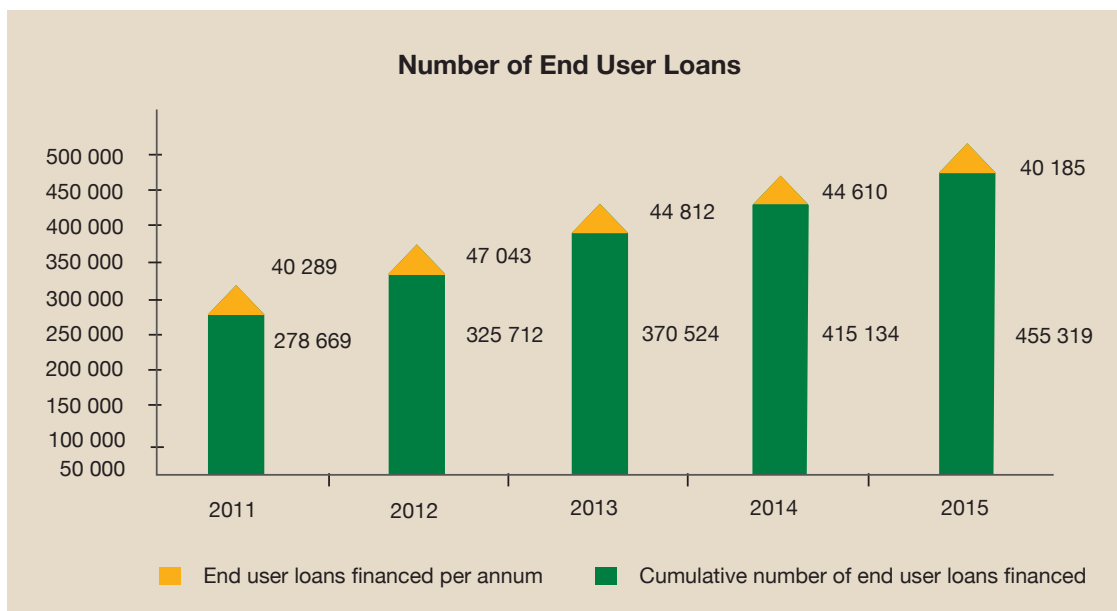




Five Year Highlights of the Rural Housing Loan Fund Performance

Development performance

Number of loans granted: annually and cumulatively



Loans outcomes

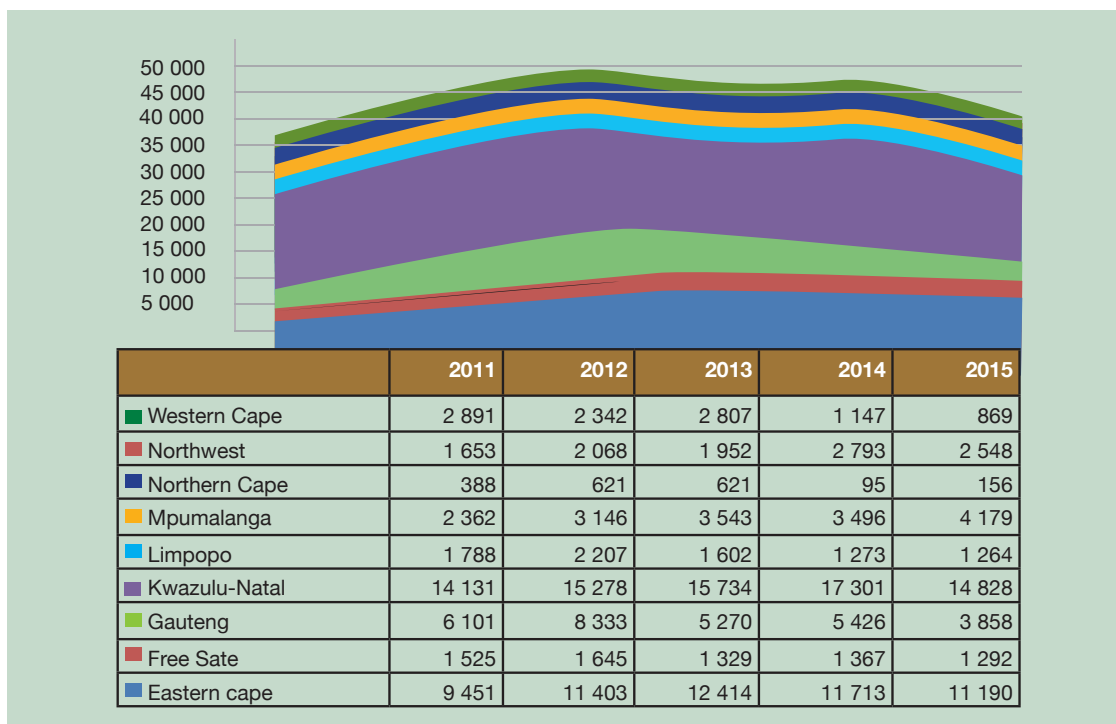
MANDATE COMPLIANCE INFORMATION					
Statistics Compiled from Monthly Housing Impact Reports	2011	2012	2013	2014	2015
Number of new loans	40 289	47 043	44 812	44 610	40 185
Loan usage					
New House	4%	4%	3%	3%	1%
Extention	10%	12%	11%	8%	8%
Home Improvement	68%	71%	76%	82%	74%
Services	3%	3%	2%	3%	14%
Total housing usage	85%	90%	92%	96%	97%
Other (maily education)	15%	10%	8%	4%	3%
	100%	100%	100%	100%	100%
Repeat loan borrowers	30%	29%	30%	31%	32%
Borrowers who have received government subsidy	29%	5%	9%	4%	2%
Gender of borrower					
Male	42%	43%	48%	38%	39%
Female	58%	57%	52%	62%	61%



Loans outcomes, continued

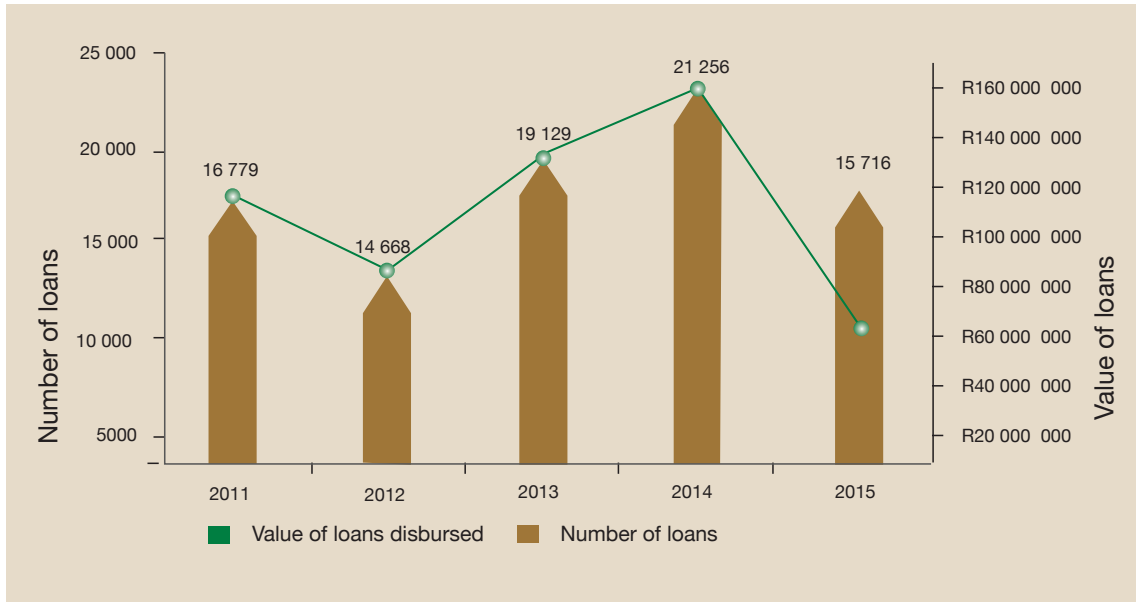
MANDATE COMPLIANCE INFORMATION					
Statistics Compiled from Monthly Housing Impact Reports	2011	2012	2013	2014	2015
Source of income					
Private sector employment	27%	28%	23%	23%	26%
Public sector (including social grants)	70%	71%	72%	76%	72%
Self / informal employment	3%	1%	5%	2%	2%
Borrower's income					
less than R1 500 p.m.	40%	43%	56%	63%	64%
R1 500 p.m. - R2 500 p.m.	6%	4%	5%	5%	6%
R2 500 p.m. - R3 500 p.m.	7%	4%	5%	4%	5%
Sub-total below R 3 500	53%	51%	66%	72%	75%
R3 500 p.m. - R6 000 p.m.	17%	14%	11%	7%	6%
R6 000 p.m. - R 9 800 p.m.	18%	18%	11%	9%	6%
more than R9 800 p.m.	12%	17%	12%	12%	11%
more than R15 000 p.m. (w.e.f 1/4/2014)					2%
	100%	100%	100%	100%	100%

Provincial Loan Numbers



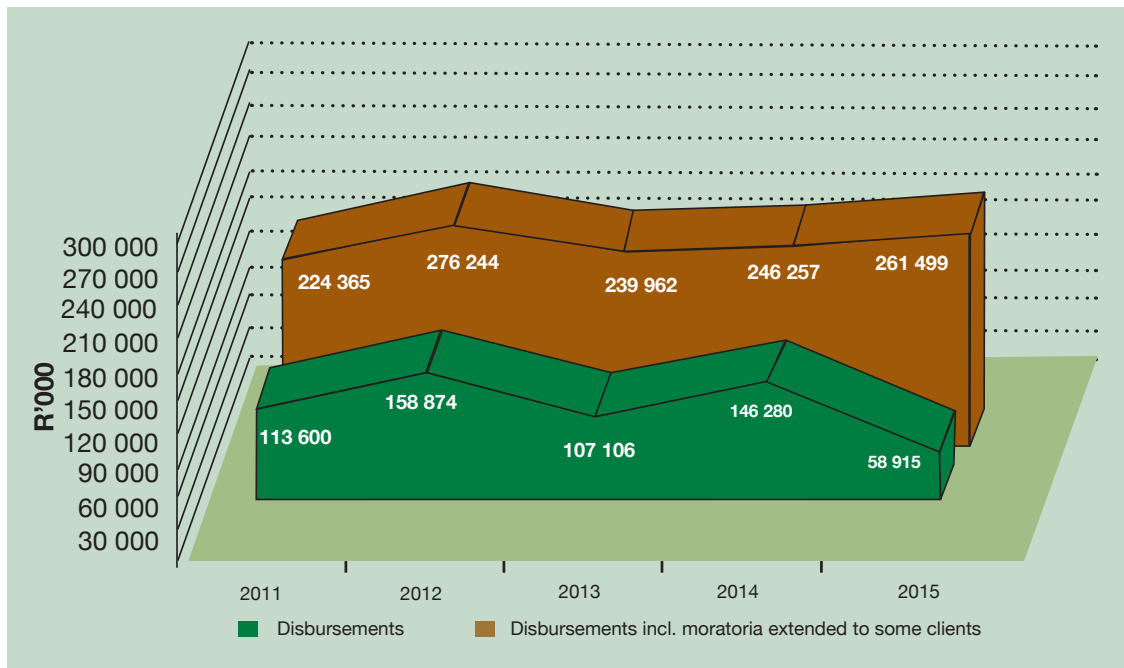


Housing Loans Delivered in Prioritised Rural District Municipalities



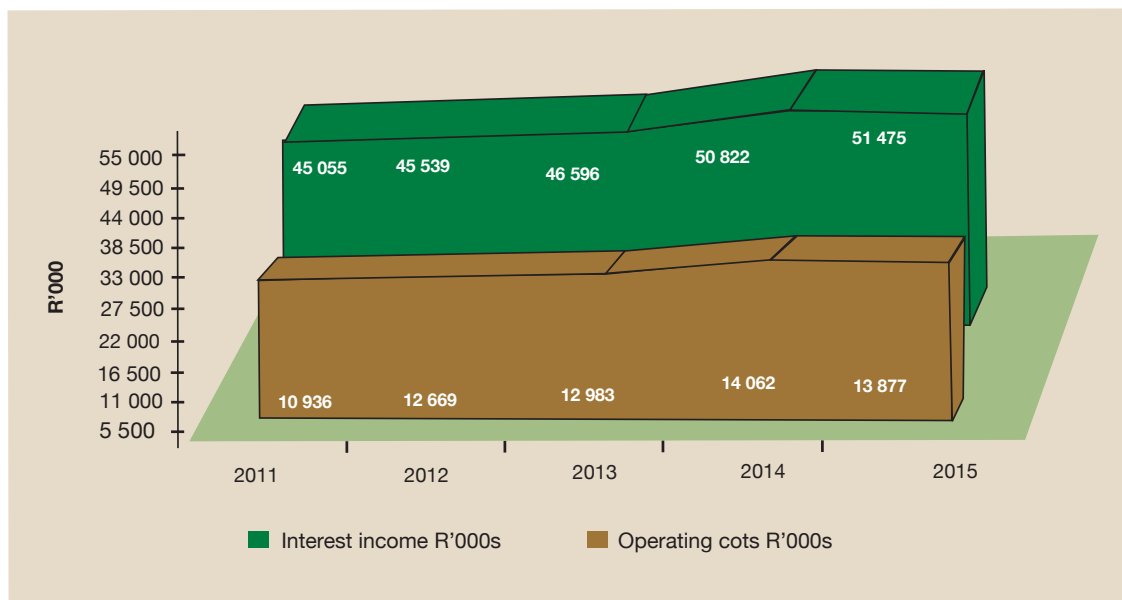
See Table on p.35 for list of Rural Nodes

Annual Disbursements

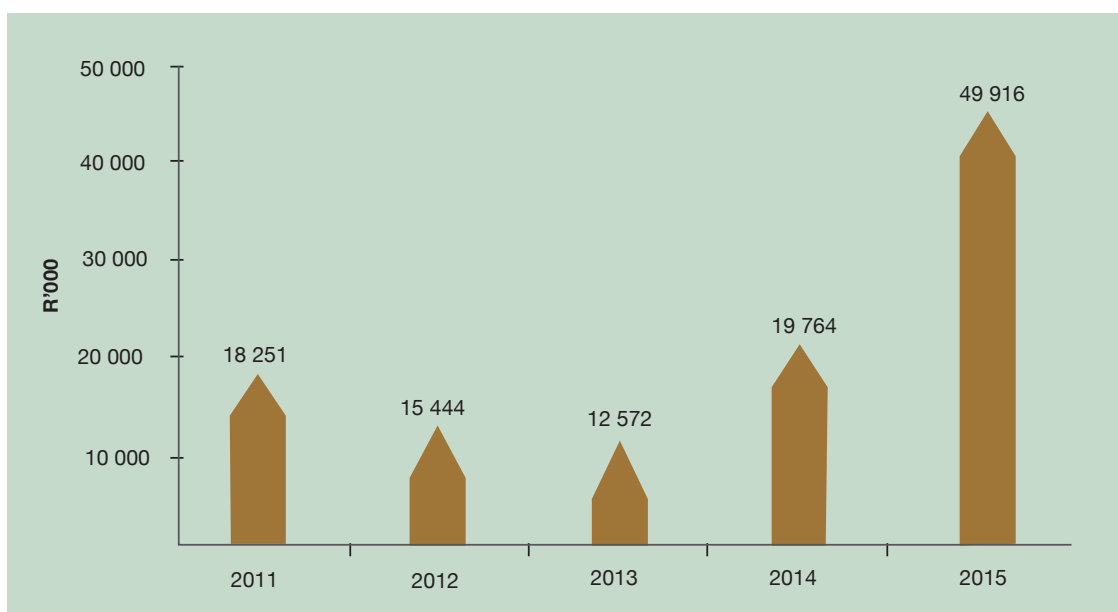




Interest income and Operating Costs



Annual surplus from operations 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, except for interns who are appointed on a twelve month contract.

Executives



Jabulani Fakazi
• Chief Executive Officer
• Appointed CEO in September 2010
• Joined the Rural Housing Loan Fund February 2002
• Black male



Bruce Gordon
• Chief Financial Officer
• Appointed in February 2012
• White male

Client Focus



Tsaliko Ntoampe
• Client Executive
• Appointed in 2003
• Black female



William Malatji
• Client Executive
• Appointed in 2003
• Black male



Relebile Moeketsi
• Junior Client Executive
• Appointed in 2012
• Joined the Rural Housing Loan Fund 2011 as intern
• Black female



Lindokuhle Ndlovu
• Junior Client Executive
• Appointed in July 2013
• Joined the Rural Housing Loan Fund July 2012 as intern
• Black male



Motlalepule Mothobi
• Junior Marketing Consultant
• Appointed in 2010
• Joined the Rural Housing Loan Fund 2009 as intern
• Black female



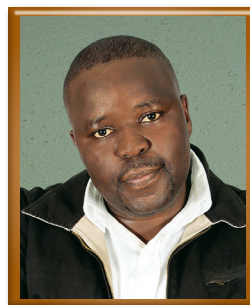
Risk management



Makgalaborwa Maila
• Risk Manager
• Appointed in 2002
• Black male



Caroline Ndlovu
• Risk Analyst
• Appointed in February 2014
• Black female



Klaas Motshabi
• Junior Development Monitor
• Appointed in July 2013
• Joined the Rural Housing Loan Fund July 2012 as intern
• Black male



Mlungisi Hlabangani
• Intern: Risk Analyst
• Joined the Rural Housing Loan Fund June 2014
• Black male

Administration



Myriam Kheza
• Office Manager
• Appointed in 1996
• Black female



Porche Knauf
• Accountant
• Appointed in 2002
• White female



Dipolelo Chuene
• Assistant Office Administrator
• Appointed in 2012
• Black female



Rhona Mokhele
• Office Assistant
• Appointed in 2005
• Black female

Performance incentive

The following table shows how the company determines whether incentive bonus is payable. Incentive bonus is only payable if the total percentage of achievements (financial performance and development impact) exceeds 75%.

Categories of performance	Weight	Target	Actual	Achievements	Result	Minimum achievements
1) Financial (50%): Surplus after Taxation	50%	13 273	49 916	376%	50%	100%
2) Impact (50%):						
Annual Disbursements R'000	30%	298 000	261 499	88%	26.3%	88%
Number of loans	10%	49 668	40 185	81%	8.1%	80%
Percentage of reported housing loans	10%	80%	96%	120%	10%	75%
					94.4%	75%

The following table shows targets set for the 2015/16 financial year and minimum achievement required in order to pay incentive bonus:

Categories of performance	Weight	Target	Minimum achievements
1) Financial (50%): Surplus after Taxation (R'000)	50%	13 010	100%
2) Impact (50%):			
Annual Disbursements (R'000)	30%	259 329	80%
Number of loans	10%	43 457	80%
Percentage of reported housing loans	10%	88%	75%
			75%

Training

While the Rural Housing Loan Fund has a small team, the majority of employees have grown into their roles, reflecting on the success of the Rural Housing Loan Fund's policy to improve the skills base of its people.

Categories of performance	2015				
		Executives	Client focus	Risk	Administration
University fees (R)	129 076		76 152	22 184	30 740
Short courses (R)	117 232	36 475	34 424	30 370	15 963
Total (R)	246 308	36 475	110 576	52 554	46 703
Total Number of people	15	2	5	4	4
Average spend per person (R)	16 421	18 238	22 115	13 138	11 676



Executive remuneration

Title	Incumbent	2015 Basic Salary R 000	Benefits R 000	Performance Bonus R 000	Total R 000
Chief Executive Officer	JJ 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

Title	Incumbent	2014 Basic Salary R 000	Benefits R 000	Performance Bonus R 000	Total R 000
Chief Executive Officer	JJ Fakazi	1 467	402	406	2 274
Chief Financial Officer	B C Gordon	1 207	214	206	1 627
Total		2 673	616	612	3 901

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.

Compared to total expenses

Year	Total expenditure for R 000	Personnel expenditure R 000	Personnel expenditure as a % of total exp.	No of employees	Average cost per employee R 000
2015	34 432	10 327	30%	15	688
2014	24 009	9 459	38%	14	654

Average salary per employee category

Year	Level	Personnel expenditure	% of expenditure to total cost.	No of employees	Average cost per employee
2015	Executive	3 601	41.3%	2	1.800
2015	Managers	3 768	43.3%	5	754
2015	Skilled	1 134	13.0%	5	227
2015	Trainees	208	2.4%	3	69
2014	Executive	3 143	42.8%	2	1 572
2014	Managers	3 295	44.9%	5	659
2014	Skilled	717	9.8%	3	239
2014	Trainees	186	2.5%	4	47



Who are we? continued

Performance awards as percentage of total personnel cost

Year	Level	Performance awards R 000	% of personnel expenditure to total personnel cost	No of employees	Average cost per employee R 000
2015	Executive	589	7%	2	294
2015	Managers	451	6%	5	90
2015	Skilled	178	2%	5	36
2015	Trainees	22	0%	3	7
2014	Executive	612	8%	2	306
2014	Managers	495	7%	5	99
2014	Skilled	23	0%	5	5
2014	Trainees	36	0%	2	18

Training expenses compared to personnel cost

Year	Personnel expenditure R 000	Training expenditure R 000	Training expenditure as % of personnel cost	No of employees	Average cost per employee R 000
2015	10 327	235	2%	15	16
2014	9 459	279	3%	14	20

Vacancies

Year	No of employees	Approved posts	Number of vacancies	% of vacancies
2015	15	16	1	6%
2014	14	15	1	7%

Employment equity

Level	Female					Male					Total
	African female	Coloured female	Indian female	White female	Total female	African male	Coloured male	Indian male	White male	Total male	
Executive						1			1	2	2
Managers	2			1	3	2				2	5
Skilled	3				3	2				2	5
Trainees	2				2	1				1	3
Total	7			1	8	6			1	7	15

Chief Executive Officer's Overview





Chief Executive Officer's Overview



“ We were greatly honoured in August 2014 when we were awarded the Best Human Settlements Institution at the 2014 Govan Mbeki Housing Awards. ”

Jabulani Fakazi, Chief Executive Officer

I would like to convey our deepest appreciation to the Minister of Human Settlements and the officials of the Department of Human Settlements for the role they play in supporting the Rural Housing Loan Fund. We were greatly honoured in August 2014 when we were awarded the Best Human Settlements Institution at the 2014 Govan Mbeki Housing Awards.

This is a great honour that we believe not only goes to us as the Rural Housing Loan Fund team, but to our intermediary partners as well. Importantly, we dedicate this Award to all people who access the incremental housing finance product that we offer and are able to take control of improving their own homes and repay loans. This is an important ingredient of ensuring that we can offer this product on a sustainable basis, and indeed this is the best exhibition of how market based solutions help address the needs of low income earners in rural areas.

The Rural Housing Loan Fund's business is to deliver incremental housing loans to

people who want to improve their housing conditions in rural areas and small towns of South Africa. This mandate is fulfilled through a network of commercial and community based intermediary partners who access funds from the Rural Housing Loan Fund and on-lend to the target market.

Through these partners, year after year, we are able to reach the people that we exist to serve in all provinces of the country. However, more still needs to be done to broaden and deepen the reach of our incremental housing product to help rural people progressively realise their housing rights.

Despite the high unemployment rate of 26.4% by year end and the weak economy the Rural Housing Loan Fund once again managed to assist over 40,000 people to improve their housing situation. Total disbursements to our intermediaries in the year under review was R261.5 million (2014: R246.3 million).



The credit industry experienced challenges from both the economy and the saturation of the market, resulting in lenders tightening credit granting criteria. These more stringent conditions as well as high rates of unaffordability have led to high rates of loans being rejected. Our retail lenders reported rejection rates as high as 90%--meaning that for every 100 loan applications received, only 10 were finally approved and paid out.

Income from core business achieved for the year was R42 million (2014: R41 million). This was higher than the income of R39 million budgeted for 2015. While this contributes well to the company's sustainability, a better result for our borrowers would have been to issue new facilities at the budgeted interest rates as these are offered when our clients offer discounts to our end users. Unfortunately during the year not as much advantage was taken of these rebates as we had budgeted.

Operating expenditure for the year, before loan impairments, was below the budgeted R17.5 million at R15.1 million (2014: R14.1 million). This can largely be attributed to being able to negotiate a lower rental than in previous years, software development being delayed to the new year and lower than expected travelling costs.

The Rural Housing Loan Fund is proud to have signed up new small, but developing, intermediaries. These will help us to develop businesses in rural areas while building our lending capacity and implementing new loan distribution channels. At this stage these new partners are still small and have their operations in single small towns. While this means that we will deliver well in the future, it does mean they cannot borrow large

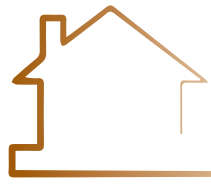
amounts yet. The focus during the year was to help these new intermediaries to build their operations and understand the Rural Housing Loan Fund mandate and reporting requirements. It will take some time before these companies are in a position to absorb more funding and deliver at a bigger scale.

Our efforts to sign up community based organisations continued but without success during the year. Of concern to us was that even a larger community based organisation already in our stable did not show appetite for housing lending.

No activities were discontinued during the year nor do we plan to discontinue any activity. Progress towards implementing the Individual Rural Housing Subsidy Voucher Programme continued with the Minister of Human Settlements taking a decision in March 2015 that we must build a standard house to ensure that the subsidy amount for the programme has a sound basis. At the time of this report, that pilot process is underway in selected provinces.

In terms of our supply chain management, all services procured in 2015 were completed and paid for within the year. We did not receive or conclude any unsolicited bid proposals during the year under review. Furthermore, there are no events that occurred after the reporting date for 2015 that we would be required to disclose in this annual integrated report.

The outlook for the year ahead remains challenging with economic and credit industry conditions not showing any signs of recovery. We are encouraged that our retail partners continue to ensure they grant good quality loans and avoid pushing people



Chief Executive Officer's Overview, continued

into 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.

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. It is with great sadness that we lost a long standing member our Board,

Mr Knowles Oliver, as we were preparing this integrated report. His contribution on the Board, Credit and Development Committee as well as the Audit and Risk Committee, which he chaired, will be solely missed. May his soul rest in peace.

In conclusion, I would like to thank all our staff members for their dedication in ensuring that we continue to focus on ensuring that, as an organisation, we continue to deliver on our mandate. As a team we focus on what matters in most people's lives—a shelter and improved housing conditions.

A handwritten signature in black ink, appearing to read 'Jabulani Fakazi', positioned above a horizontal line.

Jabulani Fakazi, Chief Executive Officer

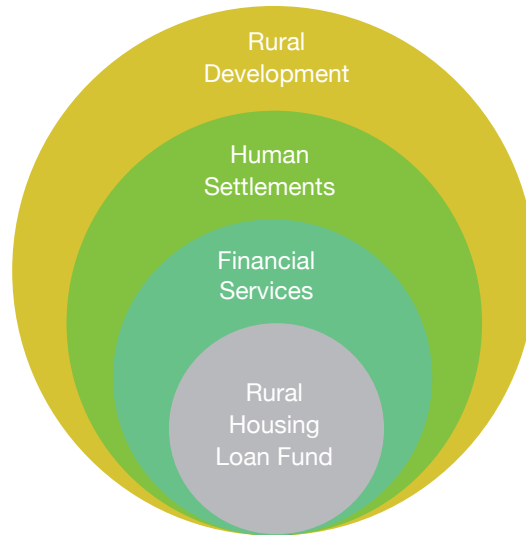
What do we do?





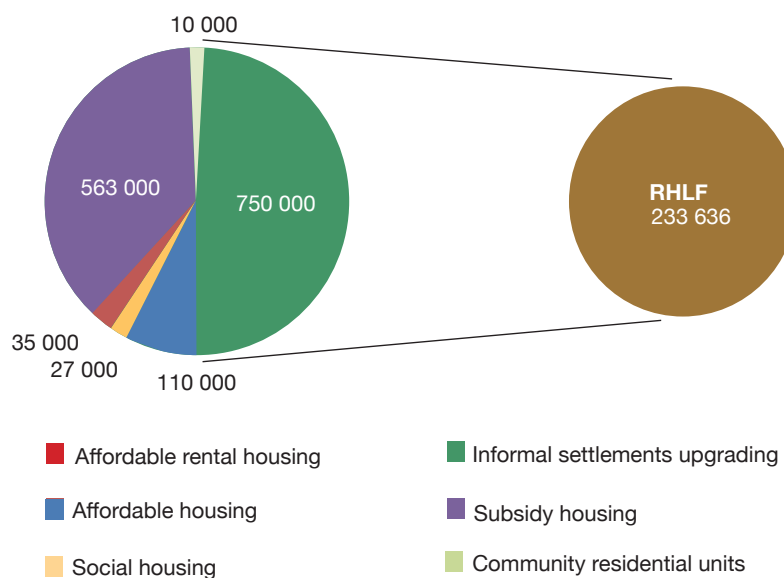
What do we do

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.



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 graph shows the breakdown of these opportunities by type, and indicates the number of housing opportunities the Rural Housing Loan Fund will deliver during the Medium Term Strategic Framework.



What do we do, continued



The Rural Housing Loan Fund is committed to the following goals for the present term of Government. We will 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	% achieved to date	
Incremental Rural Housing Loans (number)	181 811	209 866	233 636	40 185	17.2%	Higher is better
Percentage used for housing	80%	94%	88%	96%	96%	Higher is better
Percentage to people earning over R15 000, R9 800 in previous term	20%	12.7%	12%	2%	2%	Lower is better
Percentage to people earning below R3 500 p.m	60%	72%	60%	75%	75%	Higher is better

What do we do, continued

The Rural Housing Loan Fund offers unsecured loans through intermediaries to retail borrowers in rural areas who currently earn under R15 000 per month. Since inception, the Rural Housing Loan Fund has contributed the following number of loans for incremental housing:

Mandate achievements: Housing Impact Monitoring Reports		Annual Figures														Cumulative Total		
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		2014	2015
A. Number of Loans Per Annum		7 992	11 122	5 553	10 536	8 006	15 202	26 648	32 028	37 644	40 537	33 112	40 289	47 043	44 812	44 610	40 185	455 319
Loan Usage																		
New House		10%	12%	12%	11%	11.6%	8%	2%	2%	6%	8%	3%	4%	4%	3%	3%	0.9%	5%
House Extension		29%	18%	19%	19%	18.4%	14%	7%	10%	8%	17%	8%	10%	12%	11%	8%	7.7%	12%
Home Improvement		48%	54%	54%	52%	53%	49%	49%	48%	56%	50%	71%	68%	71%	76%	81%	73.5%	63%
Services (water, electricity, sanitation)		7%	8%	7%	7%	8%	12%	16%	10%	4%	3%	2%	3%	3%	2%	2%	14.1%	6%
Total number of loans		94%	92%	94%	89%	91%	83%	74%	70%	74%	78%	84%	85%	90%	92%	94%	96.2%	86%
Other		6%	8%	8%	11%	9%	17%	26%	30%	26%	22%	16%	15%	10%	8%	6%	3.8%	14%
		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Mandate achievements: Housing Impact Monitoring Reports		Annual Figures														Cumulative Total		
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		2014	2015
B. Number of loans used for:																		
Building a New House		1 799	1 335	666	1 159	929	1 216	533	641	2 259	3 243	993	1 612	1 882	1 344	1 338	350	21 299
Extending Existing Houses		5 218	2 002	1 055	2 002	1 473	2 128	1 865	3 203	3 012	6 891	2 649	4 029	5 645	4 929	3 569	3 108	52 778
Improvements/renovations		8 636	6 006	2 999	5 479	4 243	7 449	13 058	15 373	21 081	20 269	23 510	27 397	33 401	34 057	36 134	29 546	288 635
Connecting to Services		1 259	890	389	738	640	1 824	4 264	3 203	1 506	1 216	662	1 209	1 411	896	892	5 664	26 663
Total number of loans used for a mandated purpose		16 912	10 232	5 109	9 377	7 285	12 618	19 720	22 420	27 857	31 619	27 814	34 246	42 339	41 227	41 933	38 668	389 375



How we create value in support of our mandate

Key performance indicators 2015

	Actual	Budget	Variance	Commentary
End user loans disbursed (Units)	40 185	49 668	(9 483)	With the economy underperforming RHLF intermediaries struggled to approve loans
Average end user loan size (R)	6 365	6 000	365	Average loan size was higher than target
Qualifying housing user target (% of loan instances) - higher is better	96%	80%	16%	Budget exceeded
Loans to households earning R15 000 or less (%) - lower is better	2%	20%	18%	Budget exceeded
Loans to households earning R3 500 or less (%) - higher is better	75%	60%	15%	This reflects a strong focus on the lowest income earners

While the number of loans delivered was below the set target mainly due to challenging state of market conditions, the 40 185 loans were in line with our mandate in that:

- 96% of the loans delivered were used for a housing related purpose.
- 75% 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.
- Only 2% 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. This 2% is accessed by professionals such as teachers and nurses, who live in rural areas because they cannot access mortgage finance due to lack of title to land in rural areas.

Analysis of loans granted in 2014/2015

Loan Outcomes and Mandate Compliance

2015				
Development mandate statistics complied from monthly housing mandate monitoring reports	Number	%	Value	%
Number of new loans Budget	49 668			
Actual	40 185		256 488 210	
Loan usage				
New House	350	1%	5 507 625	2%
Extension	3 108	8%	43 118 585	17%
Improvement	29 546	74%	165 498 376	65%
Basic Services	5 665	14%	16 816 468	7%
	38 668	96%	230 941 055	90%
Others (mainly education)	1 516	4%	25 547 156	10%
	40 185	100%	256 488 210	100%
Repeat loan borrowers	12 677	32%	45 138 676	18%
Borrowers using loan together with government subsidy	683	2%	5 299 082	2%
Gender	52	39%	18	%
Male	15 752	39%	128 206 298	50%
Female	24 433	61%	128 281 912	50%
Borrower's employment				
Private sector	10 443	26%	137 750 621	54%
Public sector	28 841	72%	112 799 979	44%
Self employed, informal	901	2%	5 937 611	2%
Borrower's income				
Less than R 1 500	28 830	64%	56 488 683	22%
R1 501 - R 2 500	2 161	5%	13 506 530	5%
R2 501 - R 3 500	2 044	5%	15 559 451	6%
Sub Total below R3 500	30 035	75%	85 554 664	33%
R3 501 - R 6 000	2 561	6%	25 465 458	10%
R6 001 - R 9 800	2 396	6%	33 324 738	13%
R9 801 - R 15 000	4 320	11%	93 523 870	36%
>R15 000	873	2%	18 619 480	7%
Total	40 185	100%	256 488 210	100%

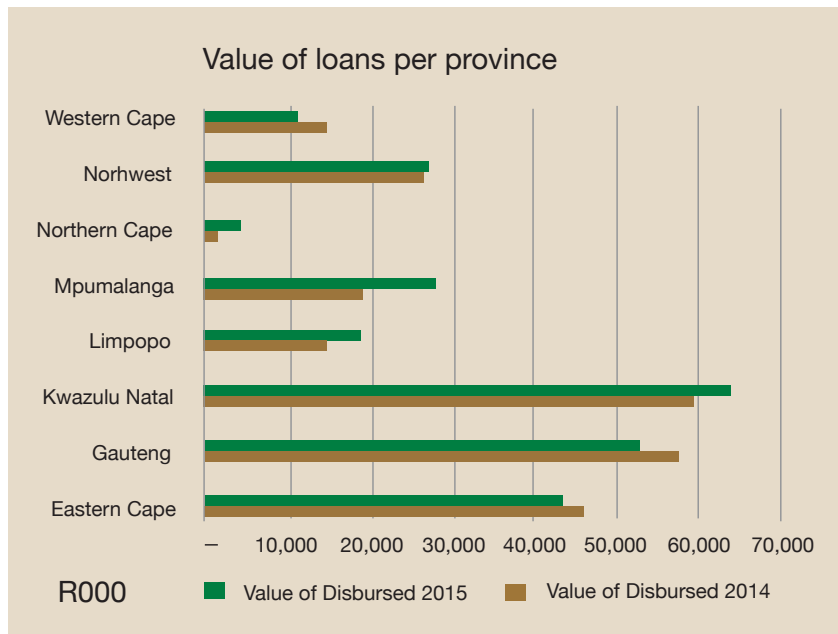
The value disbursed reflected in this table is the amount that intermediaries lend to their retail borrowers, rather than the amounts disbursed by the Rural Housing Loan Fund during the year. The value of loans include amounts we disbursed in the previous financial year and during the year under review as well as funds that we roll over for our intermediaries who are able to disburse the money to borrowers and are good credit risk.



Contributions of intermediaries to loans delivered 2014/2015

Name		2015	% Contribution
Bayport	Value (R)	44 322 060	17.3%
	Number	2 621	6.5%
	Average (R)	16 908	
Izwe	Value (R)	17 080 155	6.7%
	Number	1 221	3.0%
	Average (R)	13 990	
Kuyasa Fund	Value (R)	3 373 139	1.3%
	Number	502	1.3%
	Average (R)	6 715	
Lendcor	Value (R)	93 778 666	36.6%
	Number	30 308	75.4%
	Average (R)	3 094	
Moliko	Value (R)	559 200	0.2%
	Number	138	0.3%
	Average (R)	4052	
Norufin	Value (R)	24 059 7970	9.4%
	Number	1 891	4.7%
	Average (R)	12 723	
Real People Holdings	Value (R)	49 919 262	19.5%
	Number	2 214	5.5%
	Average (R)	22 547	
Thuthukani	Value (R)	17 507 803	6.8%
	Number	1 214	3.0%
	Average (R)	14 422	
Makoko	Value (R)	276 555	0.1%
	Number	23	0.1%
	Average (R)	12 024	
Lehae	Value (R)	353 678	0.1%
	Number	25	0.1%
	Average (R)	14 107	
Amajuba	Value (R)	22 000	0.0%
	Number	8	0.0%
	Average (R)	2 750	
Bomme le Batjha	Value (R)	40 000	0.0%
	Number	7	0.0%
	Average (R)	5 714	
Shiyendlele	Value (R)	160 913	0.1%
	Number	12	0.0%
	Average (R)	13 409	
Total	Value (R)	256 488 210	100%
	Number	40 185	100%

Provincial distribution of loans 2014/2015



Loans granted in prioritised Rural District Municipalities in 2014/15

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	Province	Value of loans granted (R)	Number of loans granted
Alfred Nzo District Municipality	Eastern Cape	2 000 068	587
Amajuba District Municipality	KwaZulu/Natal	997 793	178
Capricorn District Municipality	Limpopo	3 798 692	228
Chris Hani District Municipality	Eastern Cape	7 192 451	296
Ehlanzeni	Mpumalanga	6 450 748	831
iLembe District Municipality	KwaZulu/Natal	378 054	93
Maluti a Phofung	Free State	949 831	137
Mopani District Municipality	Limpopo	304 566	22
O.R Tambo District Municipality	(Eastern Cape)	9 242 640	3424
Sekhukhune District Municipality	Limpopo	135 168	9
Bushbuckridge Municipality	Mpumalanga	1 123 821	202
Sisonke District Municipality	KwaZulu/Natal	1 810 168	402
Ugu District Municipality	KwaZulu/Natal	4 409 080	1 240
Umkhanyakude District Municipality	KwaZulu/Natal	2 606 776	908
Umzinyathi District Municipality	KwaZulu/Natal	3 366 933	1 217
Uthukela District Municipality	KwaZulu/Natal	1 181 134	214
Uthungulu District Municipality	KwaZulu/Natal	7 687 358	1 918
Vhembe District Municipality	Limpopo	1 354 337	94
Zululand District Municipality	KwaZulu/Natal	3 887 010	1 316
Total		58 876 629	15 716



The adverse impact of tough market conditions on the incremental housing finance delivery on the rural nodes is reflected in the significant decline in both number and value of loans achieved in 2015 compared to 2014 when 21 256 loans valued at R130 million were achieved.

Cumulative number and value of loans disbursed in Prioritised Rural District Municipalities

In 2005/06, the Rural Housing Loan Fund started on 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.

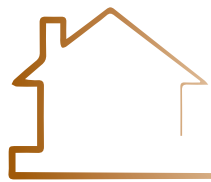
											Total
Financial Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Number of loans	2 881	5 029	9 340	16 376	12 264	16 779	14 668	19 129	21 256	15 716	133 438
Value of loans disbursed (R)	7 881 000	19 313 524	44 660 375	86 990 118	48 939 462	81 522 730	93 876 312	138 676 730	129 466 820	58 876 629	700 203 700

Loans granted in prioritised mining towns and labour sending areas in 2014/15

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:

Municipality/Town	Province	Mining or labour sending	Value of loans granted (R)	Number of loans granted
Alfred Nzo District Municipality	Eastern Cape	Labour sending	2000 068	587
Elias Motsoaledi	Limpopo	Mining towns	768 431	152
Emalahleni	Mpumalanga	Mining towns	3 406 004	537
Fetakgomo	Limpopo	Mining towns	242 237	17
Greater Tubatse	Limpopo	Mining towns	195 165	20
Kgatelopele	Northern Cape	Mining towns	40 000	1
Ketlengrivier	North West	Mining towns	58 040	3
Moqhaka	Free State	Mining towns	224 084	14
Moses Kotane	Eastern Cape	Mining towns	158 852	11
O.R. Tambo	Eastern Cape	Labour sending	9 242 640	3 424
Randfontein	Gauteng	Mining towns	62 592	6
Rustenburg	North West	Mining towns	1 866 038	121
Thabazimbi	Limpopo	Mining towns	185 079	14
Westonaria	Gauteng	Mining towns	3 308 152	194
Zululand District Municipality	Kwazulu/Natal	Labour sending	3 887 010	1316
Total			25 644 394	6 417

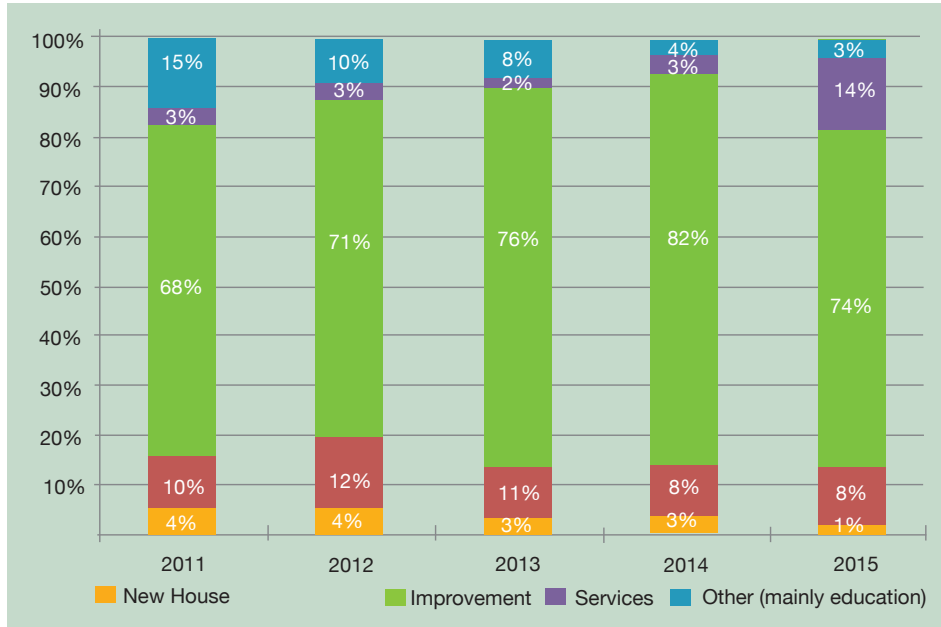
Although there are more mining and labour sending areas, the table only shows the areas that were selected for Special Presidential Package.



What do we do, continued

Loan usage

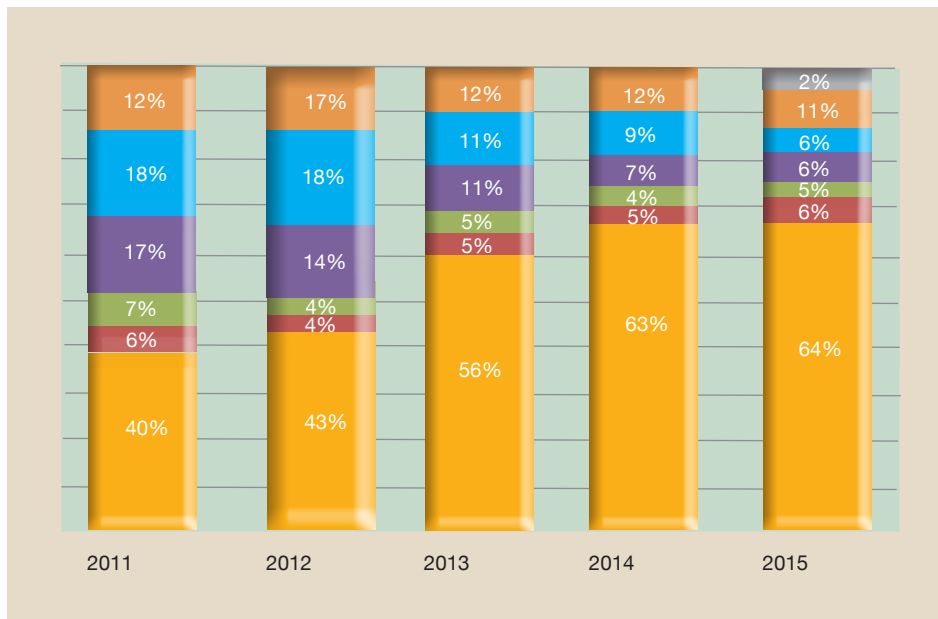
The following graph shows how people use the loans that they receive from the Rural Housing Loan Funds intermediaries.



Income category of borrowers

The following indicates the monthly income of people accessing the Rural Housing Loan Fund loans.

Borrowers income



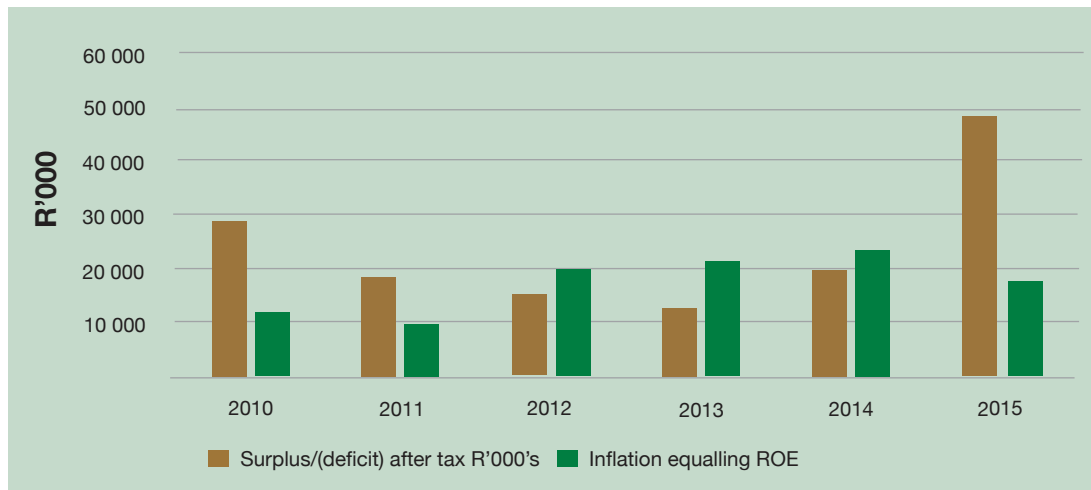
■ less than R1 500 p.m.
 ■ R1 500 p.m. - R 2500 p.m.
 ■ R2 500 p.m. - R 3 500 p.m.
 ■ R3 500 p.m. - R 6 000 p.m.
 ■ R6 000 p.m. - R9 800 p.m.
 ■ more than R9 800 p.m. (Pre 2011 more than R6 000 p.m.)
 ■ more than R15 000 p.m. (w.e.f. 1/4/2014)



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.

Actual surplus and sustainable surplus



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 R35.0 million, and without this once off amount the Rural Housing Loan Fund would have only just achieved the amount needed for sustainability.

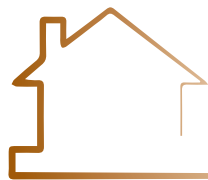
The environment in which we operate

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 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 on 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.



What do we do, continued

- Supporting the development of Small, Medium and Micro Enterprises (SMMEs):** Government has prioritised the development of SMMEs 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 the 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

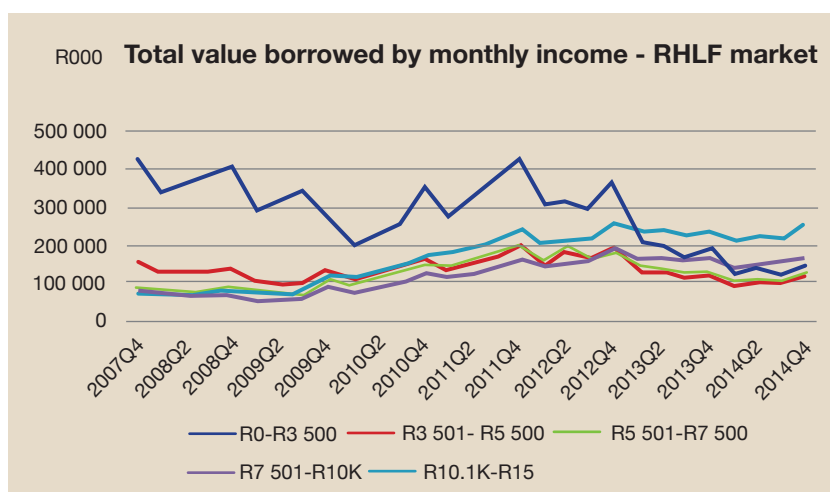
The economic environment in which the Rural Housing Loan Fund operates remained challenging for the whole of 2014/15 financial year. Economic growth was revised downwards throughout the year. The outlook for 2015 and beyond remains bleak, with the Minister of Finance, in his budget speech, projecting economic growth for 2015 to be just 2% and rising to 3% by 2017. The concern is that the domestic economy is not growing fast enough to create jobs that are so desperately needed to make a dent on the dire unemployment situation.

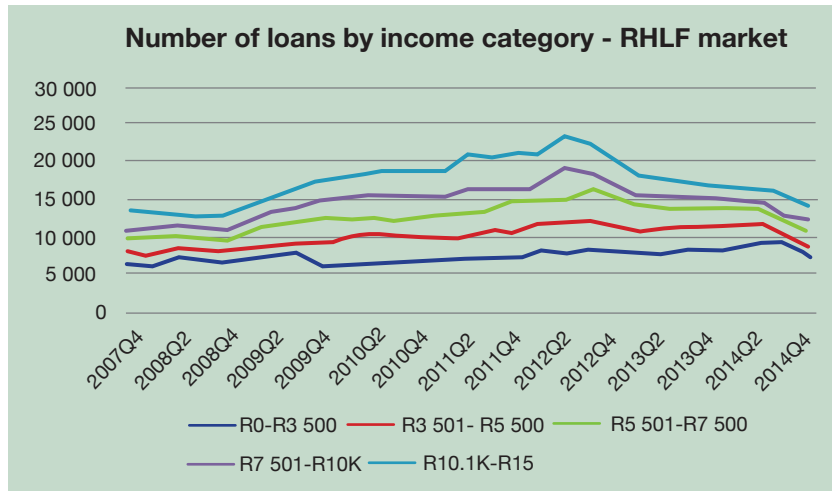
Credit industry

Towards the end of 2014 the micro-lending environment was put under enormous pressure with the collapse of African Bank and the placing of Bridge Finance into business rescue. This has since seen a number of funders of these institutions reduce their exposure to the industry, making it more difficult to find investors interested in lending to micro-lenders. There was a noticeable tightening of the credit criteria by lenders, including the Rural Housing Loan Fund's intermediaries.

Subsequent to year end there was a significant development in the microfinance industry's ability to collect debt. The Western Cape High Court delivered a judgement requiring that all emolument attachment orders need to be assessed for affordability by a magistrate, and not simply issued by a clerk of the court. In the short term this will have a significant effect on collections of old debt by microlenders. In the medium to long term it is the company's view that better assessments will be made of people's ability to repay when issuing loans.

Lending market⁴



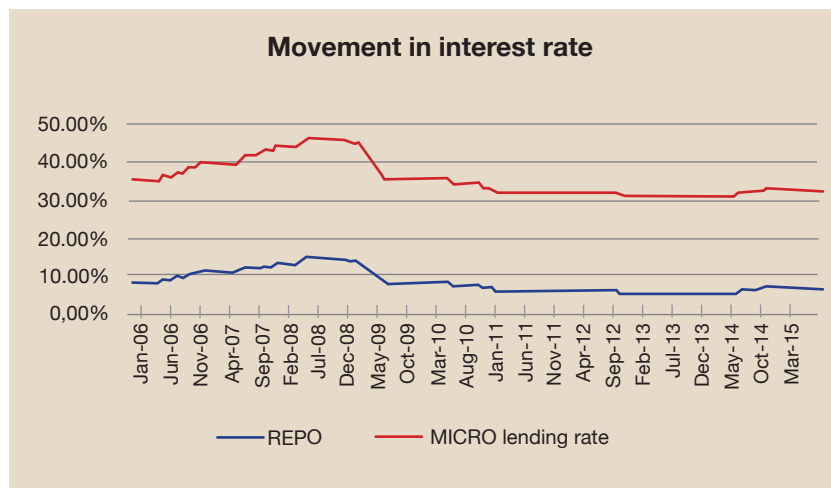


These graphs show that the number and value of loans being taken by people in the Rural Housing Loan Fund market is declining.

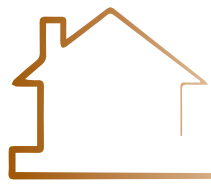
Rural Housing Loan Fund’s intermediaries are rejecting between 45% and 90% of all applications received due to over-indebtedness of applicants. Provisions for bad debts can amount to as much as 70% of the value of loans outstanding.

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 by end of July 2015.



The maximum legal lending rate permitted in terms of the National Credit Act for micro-lending is $(\text{REPO Rate} \times 2.2) + 20\%$. In practice this results in the maximum rate allowed increasing by 2.2% for every single percent that the REPO rate moves.

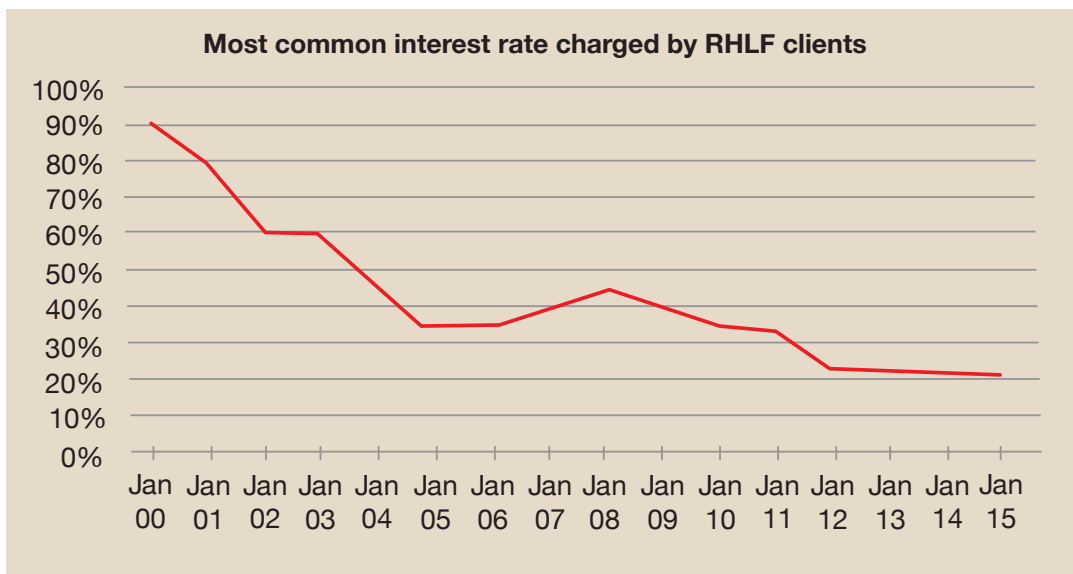


What do we do, continued

The Rural Housing Loan Fund has, as part of its mandate, been instructed to find ways of reducing this interest burden on our borrowers who are the lowest income earners in the country. The Rural Housing Loan Fund's Pricing Policy sets the following rates on new lending, where no special conditions are attached (such as subordinations).

Rate charged to retail borrowers	Rate charged by the Rural Housing Loan Fund
REPO x 2.2 +>18 %	Prime + 4%
REPO x 2.2 +>16-18 %	Prime + 3%
REPO x 2.2 +>14-16 %	Prime + 2%
REPO x 2.2 +>12-14 %	Prime + 1%
REPO x 2.2 +>10-12 %	Prime %
REPO x 2.2 +10 or less %	Prime - 1%

With this policy in place, the majority of our retail homeowners are currently able to borrow at 21% which is effectively 11.65% below the maximum allowed by the National Credit Act. The lowest rate at which retail borrowers are able to access funding at is 15%, less than half the current maximum. Until 2007 interest on loans below R10,000 were unregulated in terms of the Usury Act of 1968. Interest rates were not capped and as a result micro-lenders could charge interest as high as they wanted. Since 2007 all loan interest and fees have been regulated by the National Credit Act, resulting in significant reduction in the cost of credit. The following graph reflects the historical trends in interest rates charged on housing micro loans facilitated by the Rural Housing Loan Fund.





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 credit 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 rate to our housing micro finance intermediaries and they in turn lower the cost of credit to their borrowers, thereby reducing even further the total cost of credit as shown in the table below.

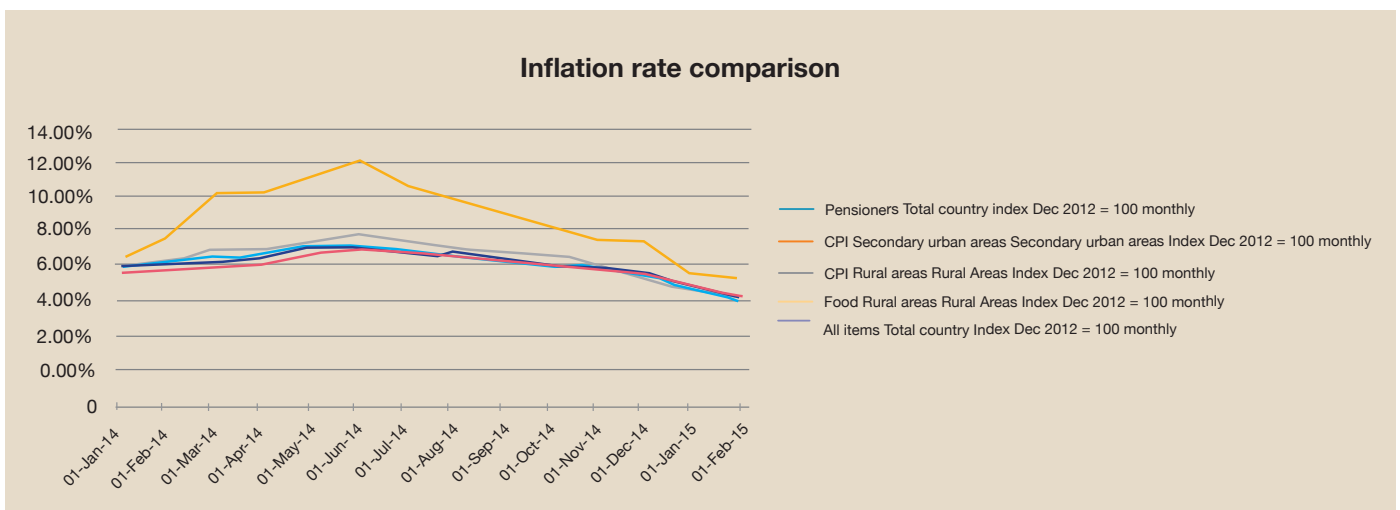
Comparison of mortgage and incremental housing costs

The following table indicates the difference in the cost of building a house with various methods of financing. Mortgage finance enables a borrower to have a complete house much sooner, but loan repayment is spread over a much longer period which could be 20 to 30 years. This results in a much higher total interest paid. On the other hand, a borrower who takes small repeat loans takes longer (for example 5 years) to complete a house due to affordability, but the benefit is that the total cost of a house is much lower.

Type of loan	Interest rate	Number of loans	Total interest	Total cost (R) of house
Mortgage bond	9.75%	1	306 346	546 346
Standard NCA micro-loan	32.65%	10	89 967	329 967
RHLF typical micro-loan	21.00%	10	55 981	295 981

Inflation

The Rural Housing Loan Fund's target market resides in the rural areas of South Africa. The Rural Housing Loan Fund's retail borrowers in general experience higher inflation than this range as is clear from the graph below.⁵





What do we do, continued

Rural Housing Loan Fund's clients are the lowest income earners in the country and a large portion of their income is spent on food. It should be noted that Stats SA, in this document, considers the average income of "poor" consumers to be R32,911 per annum.

Expenditure	Average % of total expenditure 2011
Food	33.5%
Housing	21.4%
Transport	10.2%
Other / miscellaneous	35.0%

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 Fund 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	Meetings with the Minister for briefing on the Rural Housing Loan Fund business, funding requirements and policy/mandate related issues. Presentations at MINTOP (Minster and Top Management) and MINMEC (Minister and Members of Executive Councils) on the Individual Rural Subsidy Voucher Programme Presentation on the Rural Housing Loan Fund Strategic plan, Annual Performance Plan, quarterly reports. Participation in various committees and task teams of the department.
The Presidency: Department of Performance Monitoring and Evaluation	Meetings and presentation	Presentation on the Rural Housing Loan Fund's role in supporting interventions to improve housing conditions in mining towns and mining labour sending areas. Contributions to the development of the housing funding model for mining towns.



Stakeholders	Method of engagement	Purpose of engagement
Parliament (Portfolio Committee on Human Settlements)	Presentations	To brief the Committee on the Rural Housing Loan Fund mandate, five year strategic plan, annual performance plan, annual report, and other issues such as Human Settlements Development Financial Institution consolidation
Other government departments: • National Treasury (NT) • Rural Development and Land Reform (RDLR)	Meetings and presentation	NT: Discuss the Rural Housing Loan Fund application for funding from KFW and government; Public Finance Management Act compliance related matters RDLR: Discuss areas of collaboration between the Rural Housing Loan Fund and RDLR and extend invitation and extend presentation on rural development at the annual workshop
Local Government Municipalities	Briefings and presentations	Build capacity of councilors and municipal officials on incremental housing finance and the role of the Rural Housing Loan Fund in supporting Incremental housing
Intermediaries (existing and potential, commercial and community based)	One-on-one meetings and the Rural Housing Loan Fund-Client annual workshop	Discuss funding requirements of our clients, mandate compliance issues, and various industry and development mandate issues at the annual workshop
Funders (KFW and the Development Bank of Southern Africa)	One on one meetings and written submissions.	Discuss the Rural Housing Loan Fund's new loan application to scale up delivery, the Rural Housing Loan Fund performance and ex-post evaluation of the Rural Housing Loan Fund with KFW
Other Development Finance Institutions: National Urban Reconstruction and Housing Agency (NURCHA) and National Housing Finance Corporation (NHFC), Small Enterprise Finance Agency (SEFA)	NURCHA and NHFC: one on one and meetings among the three institutions SEFA: one on one meetings	Discussions on the Human Settlements Development Financial Institution consolidation and funding issues Share information in supporting business growth of common and/or potential common intermediaries to scale up delivery of respective mandates



What do we do, continued

National Credit Regulator (NCR)	One-on-one meetings, written communication.	Clarity on regulation issues such as credit life insurance and requests for NCR to present on legislative changes at the Rural Housing Loan Fund's annual workshop. 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	Staff engagement at various levels, staff meetings, training and development needs, internal workshops and performance reviews	Enhance operational performance of the Rural Housing Loan Fund and enhance team performance
Suppliers/service providers	One-on-one meetings	Service level agreements and performance / delivery of good and services



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.

Below is the profile of our board of directors:



Thembi Chiliza

Bachelor of Administration
Diploma in Business Management

Chairperson of the Board
Human Resources, Ethics and
Remuneration Committee member

Independent non-executive director,
8 years Rural Housing Loan
Fund experience



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
experience



Knowles Oliver

Chartered Accountant (South Africa)

Audit and Risk Committee Chairperson

Independent non-executive director
15 years Rural Housing Loan Fund experience

Died in June 2015



Molefe Mathibe

Bachelor of Commerce
Graduate Diploma in Company
Direction

Human Resources,
Ethics and Remuneration
Committee Chairperson

Independent non-executive director
4 years Rural Housing Loan
Fund experience



Reginald Haman

Master of Business Administration
Graduate Diploma in Company
Direction

Audit and Risk Committee
member

Independent non-executive director
2 years Rural Housing Loan
Fund experience

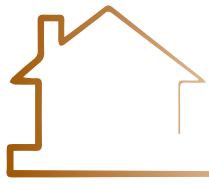


Jabulani Fakazi

Master of Arts (Development Policy)
Bachelor of Science (Economics),
Postgraduate Diploma in Business Management

Credit and Development
Committee Member

Executive director
12 years Rural Housing Loan Fund experience,
6 as executive director



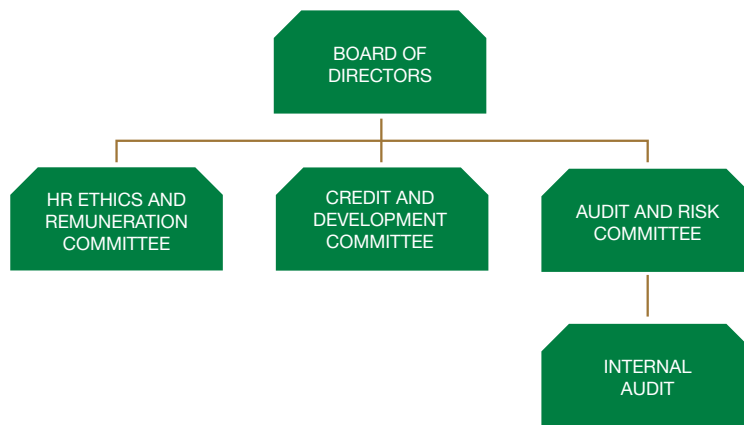
How we are governed

During the year under review the entire Board was reappointed by the Minister to serve until 31 March 2016 or the conclusion of the consolidation of the Human Settlements development finance institutions, whichever happens first. There are currently two vacancies on the Board of Directors. Submissions to fill these were made to the Department of Human Settlements in September 2014. No formal response has been received on this submission. The existence of these vacancies has led to the postponement of two meetings of the Audit and Risk Committee as a quorum could not be achieved.

Responsibility of the board

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



Committees established by the Board:

Audit and Risk Committee

- Meets at least four times a year, with management and the external and internal auditors;
- 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 applications for new facilities to clients;
- Approves changes to existing facilities;
- Monitors credit and related risks in terms of the Risk Management Policy and

Human Resources, Ethics and Remuneration Committee

- Meets at least three times per annum.
- Is responsible for:

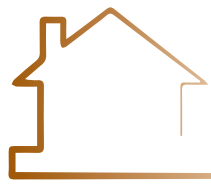


- all human resources policies
- the management of human resources;
- the provision of guidance and monitoring with regard to ethical issues;
- the review of employee remuneration and
- recommending to the Minister of Human Settlements candidates for appointment as directors in its capacity of Nomination 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.

The Board and Committee record of attendance at meetings in 2014/15

Name	Date of appointment	Years of service	Non-executive	Title	Meetings attended				Remuneration R'000
					Board	Audit and risk	Credit and Development	Human Resources Ethics and Remuneration	
Total meetings					5	5	8	3	
T Chiliza	25 July 2006	8	Yes	Chairperson	5	NA	NA	3	36
A Egbers	22 October 2010	4	Yes	Deputy Chairperson and Credit and Development Chairperson	4	5	8	NA	76
K Oliver	23 February 2000	15	Yes	Audit and Risk Chairperson	4	5	6	NA	67
M Mathibe	22 October 2010	4	Yes	Human Resources, Ethics and Remuneration Chairperson	4	NA	NA	3	31
J Fakazi	05 January 2009	6	No	Chief Executive Officer	5	5	8	3	-
N Sihlwayi*	27 July 2006	8	Yes	Director	1	NA	NA	1	9
R Haman	28 March 2013	2	Yes	Director	5	4	NA	NA	41
					15				68
Total			6						328



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 takes 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	Going forward
Inadequate 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 is protected throughout the process	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	Further relaxation of 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 2014/15

Stakeholder Perspective

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

	Actual	Budget	Variance	Commentary
End user loans disbursed (Units)	40 185	49 668	(9.483)	With the economy underperforming, RHLF intermediaries are struggled to approve
Average end user loan size (R)	6 365	6 000	365	Average loan size was higher than target
Qualifying housing user target (% of loans instances) - higher is better	96%	80%	16.0%	Budget exceeded
Loans to households earning R15 000 or more (%) - lower is better	2%	20%	18%	Budget exceeded
Loans to households earning R3 500 or less (%) - higher is better	2%	60%	15%	This reflects a strong focus on the lowest income earners

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

	Actual	Budget	Variance	Commentary
Value of loans in place	387 443.2	430 990.6	(43 547.4)	Lower disbursements led to this. An anticipated large drawdown did not occur by March 2015
Impairment provision (%)	-10.5%	-15.5%	5.0%	Better position than budgeted as clients pay
Disbursements to retail intermediaries (R000)	58 915	198 000	(139 085)	Many clients were rolled over instead of drawing new funds and large drawdown was not taken
Disbursements to retail intermediaries including mezzanine (R000)	261 499	298 000	(36 501)	An anticipated large draw down by March 2015 was not made

Strategic objective: Build lending capacity and the competitiveness of the retail intermediary network

	Actual	Budget	Variance	Commentary
Number of retail intermediaries (units)	11	10	3	Budget exceeded
Number of community based	5	7	2	Community based organisations could not afford loans



Financial Perspective

Strategic objective: Real capital preservation

	Actual	Budget	Variance	Commentary
Income from core business (R000)	42 110	39 063	3 048	Not as many concessionary loans were being drawn
Income from financial investments (R000)	12 200	5 405	6 795	Budget exceeded as disbursements were not as high planned
Impairments on loans and investments (R000)	(8 687)	1 764	(10 451)	Due to the difficult market prudent provisions have been considered necessary
Expenditure excluding debtors provision (R000)	(15 123)	(17 519)	2 396	There are savings being reflected
Operating expense ratio (%)	-28%	-39%	12%	Higher than budgeted income and lower than budgeted expenses
Operating surplus after taxation (R000)	49 916	13 273	36 642	The reversal of taxation backdated to 2004 is reflected here
Total capital (R000)	427 646	384 691	42 954	Increased profitability as well as better start to the year than budgeted
Return on equity (%)	8.8%	2.5%	6%	Reflects the positive effects of the income tax reversals

Business process Perspective

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

	Actual	Budget	Variance	Commentary
Full client due diligence reviews	13	10	3	Budget exceeded
Loan verification visits	12	10	2	Budget exceeded
Single issue site visits	4	6	-2	Reassignment of tasks as clients were compliant



Performance in 2014/15, continued

Strategic objective: Accelerate client acquisition process

	Actual	Budget	Variance	Commentary
Credit committee proposals - new clients	6	6	0	Budget achieved
Credit committee proposals - existing clients	9	12	-3	Poor market conditions led to less demand for new facilities by existing clients

Strategic objective: Targeted positioning and branding

	Actual	Budget	Variance	Commentary
Targeted media briefings	0	4	-4	Budget not achieved as focused more on editorials
Paid editorials and advertisements	10	6	4	Budget exceeded
Information briefings	47	30	17	Budget exceeded

Learning and growth Perspective

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

	Actual	Budget	Variance	Commentary
Training expense	235	138	97	Budget achieved
Inhouse workshop	1	3	-2	Used budget for individual training and annual workshop covering many topics

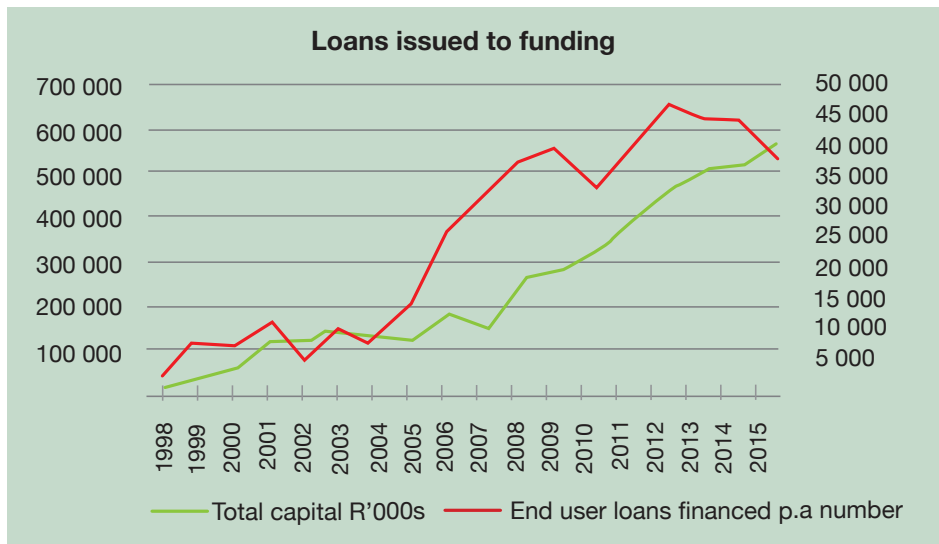
Strategic objective: Capacity building

	Actual	Budget	Variance	Commentary
Fulltime posts	15	16	1	A Development Monitoring post was not filled, decision to appoint intern
Interns	1	2	1	Appointment of client management intern postponed

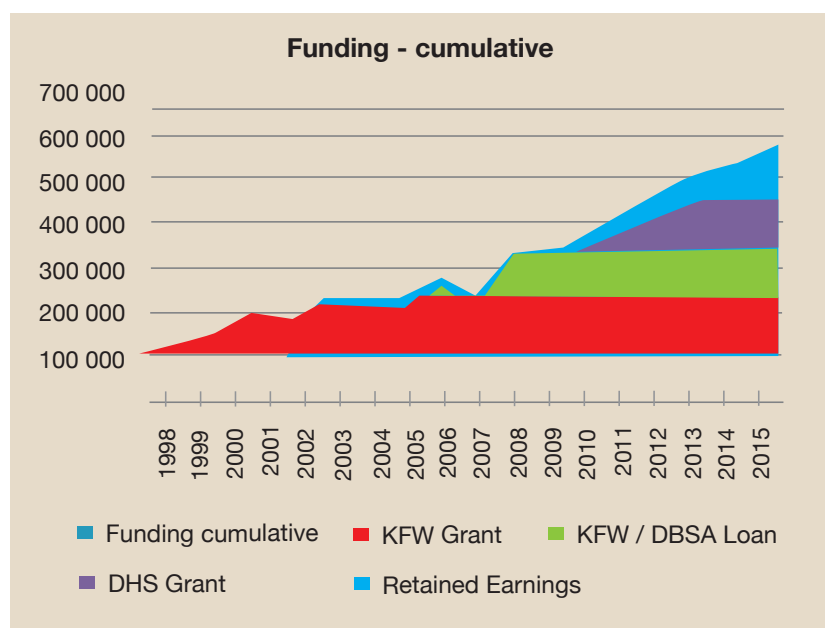


Funding

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



The only time that housing loans do not grow with funding is during times of economic downturn and credit industry challenges. While the country is currently facing economic challenges, 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.

Discription	Purpose	Contribution to mandate
Capacity development for community based organisations and start up intermediaries	Development capacity to enhance o absorb funding and scale up delivery	Enable 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 disadvantage 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 Funds lending model is improving the livelihoods of rural low income earners	Assess the actual improvement of 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 addition to incremental lending, whereby the Rural Housing Loan Fund can improve the lives of rural low income earners	Widening teh scope of the Rural Housing Loan Fund's mandate in order to further improve the lives of rural people in South Africa
Quality assessment	Assess trh quality of improvement of housing conditions 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; and
- is redesigning its Credit Policy to enable it to provide equity funding to developing businesses from previously disadvantaged communities.



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:

	2014/15 Actual	2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget
Housing loans disbursed (units)	40 185	43 457	43 187	51 135	54 315
Qualifying housing use target (% of loan instances)	96.0%	88.0%	88.0%	88.0%	88.0%
Percentage of loans households earning R15 000 or more per month	2.0%	20.0%	20%	20%	20%
Percentage of loans to borrowers earnings R 3 500 or less per month	75.0%	60.0%	60.0%	60.0%	60.0%

These indicators are based on the following two key assumptions:

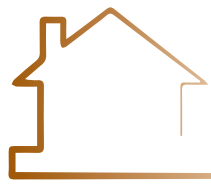
- the Rural Housing Loan Fund will only receive new funding by way of a R50 million grant from the Department of Human Settlements in the year ended 31 March 2018.
- the Rural Housing Loan Fund's income tax exemption will remain in place.

Individual Rural Housing Subsidy Voucher Programme

A factor that is expected to affect this strategy is the anticipated approval for Rural Housing Loan Fund to pilot the above programme. This is a programme that will enable qualifying individuals to obtain a voucher to buy the necessary materials to build a house, instead of being allocated a 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.

Consolidation of the Human Settlements Development Finance Institutions

The process to consolidate the three Development Finance Institutions is currently underway and the target date to achieve this is December 2015. 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. At present 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 fulfil this mandate.



Basis of preparation and 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, amongst others, the following:

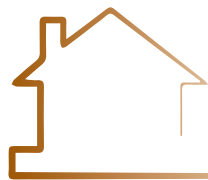
- Retail borrowers;
- The people of South Africa;
- Its employees;
- Its intermediaries and their employees;
- Its suppliers;
- The Minister of Human Settlements;
- The Department of Human Settlements;
- The Parliamentary Portfolio Committee on Human Settlements and
- The Parliament of the Republic of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

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
K R Oliver (Chairperson))	5
A Egbers	5
R Haman	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 matters 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 company's annual financial statements to be included in the annual report with the external auditors and the Board;
- Reviewed the external 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 the internal audit function is effective and that it has addressed the risks and internal controls pertinent to the Rural Housing Loan Fund.

External Audit

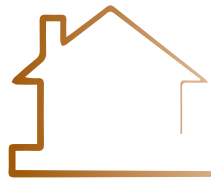
The Audit and Risk Committee has met with the external auditor to ensure that there are no unresolved issues.

Recommendation

At its meeting on 26 May 2015 the Audit and Risk Committee recommended the adoption of the annual financial statements to the Board.

A blue ink handwritten signature, appearing to be 'R Haman', written over a horizontal green line.

Reginald Haman
Chairperson of the Audit and Risk Committee
31 July 2015



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

Report on the financial statements

We have audited the financial statements of the Rural Housing Loan Fund SOC NPC as set out on pages 65 to 95, which comprise the statement of financial position as at 31 March 2015, the statement of financial performance for the year ended, statement of changes in net assets, the 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 controls 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.

Independent 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 2015 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.



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 for selected objectives presented in the annual report, non-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 performance report of the Fund for the year ended 31 March 2015:

- Objective 1 – Achieve visibility for the Rural Housing Loan Fund and enhance its ability to attract commercial lenders and developmental partners for rural housing delivery on page 52; and
- Objective 2 – Real capital preservation on page 53.

We evaluated the reported performance information against the overall criteria of usefulness and reliability.

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.

Achievement of planned targets

Refer to the annual performance report on page 52 to 54 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.



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

Internal control

We considered internal control relevant to my audit of the financial statements, Performance Review and compliance with legislation. We did not identify any significant deficiencies in internal control that we considered sufficiently significant for inclusion in this report.

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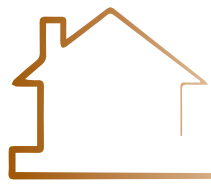
SizweNtsalubaGobodo Inc.
Director: Darshen Govender
Registered Auditor
Chartered Accountant (SA)

31 July 2015
Woodmead

Statement of Financial Position 2015



	Note	31 Mar 15 R000	31 Mar 14 R000
Current assets		353 037	260 104
Cash and cash equivalents	17	180 176	119 914
Short term portion of intermediary loans	18	133 823	136 150
Receivables	19	970	1 032
Prepayments	20	1 187	1 142
Taxation	34	36 881	1 866
Non-current assets		222 725	268 866
Receivables from intermediaries	18	212 750	252 019
Investments	21	9 517	9 564
Property, plant and equipment	22	420	210
Intangible assets	23	38	-
Deferred taxation	44	-	7 073
Total assets		575 762	528 970
Liabilities			-
Current liabilities		8 274	9 022
Trade creditors		733	818
Current portion of long term borrowings	25	5 999	6 402
Provisions	24	1 542	1 546
Employee benefits		-	256
Non-current liabilities		132 509	134 885
Borrowings	25	132 509	133 243
Deferred taxation	44	-	1 642
Total liabilities		140 783	143 907
Net assets		434 979	385 063
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		149 242	99 325
Total equity		434 979	385 063



Comprehensive Income

	Note	31 Mar 15 R000	31 Mar 14 R000
Interest from lending operations		42 110	41 068
Other income		9 847	10 420
Disposal of investments			
Disposal of fixed assets		80	(22)
Bad debts recovered		395	464
Dividends		-	560
Sundry Income		7	-
Investment Interest		9 365	9 291
Interest earned - SARS		-	127
Interest paid to the Development Bank		(10 228)	(10 280)
Operating expenses		(24 205)	(13 728)
Accommodation		(942)	(920)
Amortisation	23	(15)	(20)
Audit		(534)	(576)
Communication and IT		(533)	(418)
Depreciation	22	(159)	(76)
Employee costs	26	(10 327)	(9 459)
Impairment provisions	18	(8 687)	334
Internal audit		(486)	(467)
Marketing, promotions and workshops		(564)	(482)
Printing and stationery		(336)	(308)
Travel and entertainment		(1 163)	(912)
Other		(459)	(425)
Profit before taxation		17 524	27 479
Taxation	34	29 584	(9 305)
Fair value adjustment of associates		2 808	1 773
Profit after taxation		49 916	19 947

Cashflow Statement

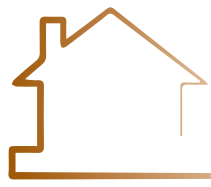


	Notes	31 Mar 15 R000	31 Mar 14 R000
Cash flows from operating activities			
Receipts		54 731	50 950
Revenue		42 110	41 068
Interest, Dividends and Rent on land		12 621	9 882
Payments		(25 951)	(32 124)
Compensation of Employees		(10 587)	(9 493)
Goods and Services		(4 074)	(3 925)
Interest and Rent on land		(11 116)	(11 270)
Taxation Paid		-	(7 390)
Other payments		(174)	(46)
Net cash flows from operating activities	35	28 780	18 826
Cash flows from investing activities			
Purchase of assets		(368)	(143)
Proceeds from sale of assets		80	-
Loans granted		(58 915)	(146 280)
Loan repayments received		91 824	89 507
Additional movements		-	341
Net cash flows from investing activities.		32 621	(56 575)
Cash flows from financing activities			
Repayment of borrowings		(1 139)	-
Net cash flows from financing activities		(1 139)	-
Net increase/(decrease) in cash and cash equivalents		60 262	(37 749)
Cash and cash equivalents at the beginning of the period		119 914	157 663
Cash and cash equivalents at the end of the period		180 176	119 914

Statement of Changes in Net Assets



	Contributed Capital KFW	Contributed Capital Department of Human Settlements	Accumulated Surplus	Net Assets
	R000	R000	R000	R000
Balance at 31 March 2013	154 763	130 975	79 378	365 116
Balance at 1 April 2013	154 763	130 975	79 378	365 116
Surplus for the period	-	-	19 947	19 947
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



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 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 with those of the National Housing Finance Corporation (Pty) Ltd, there is no certainty as to the timing of this event, hence the going concern assumption.

4. COMPARATIVE INFORMATION

4.1 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 18 Segment Reporting:

The standard requires the identification and aggregation of the operating segments of the entity into reportable segments. For each of the reportable segments identified details of the financial performance and financial position will be disclosed. The precise impact of this on the financial statements of the entity is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard is effective for years commencing after 1 January 2015.

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 transaction and balances with all public entities and government departments need to be disclosed.

6. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The use of judgment, 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

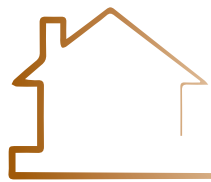
In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements.

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.
- 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.



Accounting policies, continued

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.entity

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 & Plant	5
Office Furniture & Fittings	10
Computer Hardware	3



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.

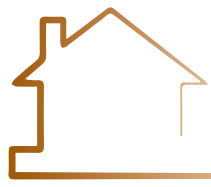
Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in 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:

Intangible

Computer Software **3**



Accounting policies, continued

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.

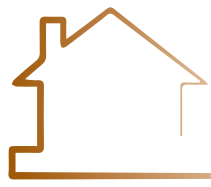
Measurement

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 is 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 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 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
- (b) 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.



17. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	2015 R000	2014 R000
Cash at bank	5 516	2 347
Call deposits	174 660	69 106
Call investments	-	48 461
	180 176	119 914

An amount of R93 000 (2014: R93 000) is held on deposit with Standard Bank as security for a guarantee for RHLF's building rental commitments.

18. Trade Receivables from Exchange Transactions

	Gross Balances R000	Provision for Doubtful Debts R000	Net Balance R000
Other receivables	387 443	(40 869)	346 574
Total Trade Receivables at 31 March 2015	387 443	(40 869)	346 574

	Gross Balances R 000	Provision for Doubtful Debts R 000	Net Balance R 000
Other receivables	421 504	(33 335)	388 169
Total Trade Receivables at 31 March 2014	421 504	(33 335)	388 169

	2015 R000	2014 R000
Long terms loans to retail intermediaries	346 574	388 169
Less : Current portion transferred to current receivables	133 823)	(136 150)
Long term portion	212 750	252 019



18.1 Reconciliation of doubtful debt provision

	2015 R000	2014 R000
Balance at beginning of the year	(33 335)	(33 669)
Contributions to provision	(8 687)	334
Bad debts written off against provision	1 153	-
Balance at end of year	(40 869)	(33 335)

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.

19. Other Receivables from Non-Exchange Transactions

	2015 R000	2014 R000
Dividends due	970	1 032
Total Other Debtors	970	1 032

20. Prepayments

Deposits	119	20
Prepaid expenses relating to DBSA loan agreement	1 068	1 122
	1 187	1 142



21. Investments

	2015 R000	2014 R000
Equity investments - Izwe Holdings (Pty) Ltd (carrying value)	4 263	6 060
Equity investments - Lendcor (Pty) Ltd (carrying value)	5 254	3 504
Preference Shares - Norufin Housing (Pty) Ltd (carrying value)	-	-
	9 517	9 564

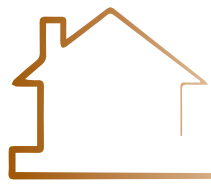
22. Property, Plant and Equipment

22.1 Reconciliation of Carrying Value

	2015		
	Cost	Accumulated Depreciation and Impairment	Carrying Value
	R000	R000	R000
Vehicles	-	-	-
Furniture and Fittings	572	(497)	75
Office Equipment	153	(100)	53
Computer Equipment	510	(218)	292
Leasehold premises	60	(60)	0
Total	1 295	(875)	420

	2014		
	Cost	Accumulated Depreciation and Impairment	Carrying Value
	R000	R000	R000
Vehicles	167	(167)	1
Furniture and Fittings	533	(517)	16
Office Equipment	228	(156)	72
Computer Equipment	449	(326)	122
Leasehold premises	60	(60)	-
Total	1 436	(1 225)	210

No assets are pledged as security.



22.2 Reconciliation of Property Plant and Equipment - 2015

	Carrying Value Opening Balance	Additions	Disposals	Depreciation	Carrying Value Closing Balance
Vehicles	-	-	-	-	1
Furniture and Fittings	16	73	-	(14)	75
Office Equipment	73	-	-	(20)	53
Computer Equipment	122	295	-	(125)	292
Leasehold premises	-	-	-	-	-
Total	211	368	-	(159)	420

22.3 Reconciliation of Property Plant and Equipment - 2014

	Carrying Value Opening Balance	Additions	Depreciation	Carrying Value Closing Balance
Vehicles	-	-	-	-
Furniture and Fittings	16	5	(5)	16
Office Equipment	63	26	(17)	72
Computer Equipment	65	112	(55)	122
Leasehold premises	-	-	-	-
Total	144	143	(76)	210



23. Intangible Assets

23.1 Reconciliation of Carrying Value

	2015		
	Cost	Accumulated Depreciation and Impairment	Carrying Value
Computer Software	244	(206)	38
Total	244	(206)	38

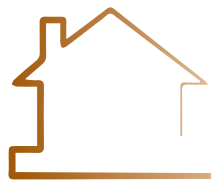
	2014		
	Cost	Accumulated Depreciation and Impairment	Carrying Value
Property, plant and equipment			
Computer Software	204	(204)	-
Total	204	(204)	-

23.2 Reconciliation of Intangible Assets - 2015

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

23.3 Reconciliation of Intangible Assets - 2014

	Carrying Value Opening Balance R000	Disposals R000	Amortisation R000	Carrying Value Closing Balance R000
Computer Software	42	(22)	(20)	-
Total	42	(22)	(20)	-



24 Provisions

24.1 Reconciliation of Movement in Provision

	2015		
	Performance Bonus	Provision for Leave Pay	Total
	R000	R000	R000
Opening Balance	1 288	259	1 546
Provisions Raised	1 380	551	1 931
Amounts Used	(1 446)	(490)	(1 935)
Closing Balance	1 222	320	1 542

24.2 Reconciliation of Movement in Provision

	2014		
	Performance Bonus	Provision for Leave Pay	Total
	R000	R000	R000
Opening Balance	1 278	253	1 531
Provisions Raised	1 437	551	1 988
Amounts Used	(1 427)	(545)	(1 974)
Closing Balance	(1 288)	(259)	(1 546)



25. Borrowings

Development Bank of South Africa
Less : Current portion transferred to current liabilities
Total Long-Term Non-Current Borrowings

2015 R000	2014 R000
138 508	139 645
(5 999)	(6 402)
132 509	133 243

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 on 15 June and 15 December. Repayment of the 41 half yearly instalments commenced on 14 December 2014.

26. Employee Related Costs

Employee related costs - Salaries and Wages
Employee related costs - Contributions for UIF, pensions and medical aids
Travel, motor car, accommodation, subsistence and other allowances
Other employee related costs
Employee Related Costs

2015 R000	2014 R000
8 044	7 432
1 562	1 397
274	274
447	356
10 327	9 459

27. Debt Impairment

Contributions / (reversals) to debt impairment provision
--

8 687	(334)
-------	-------

28. Amortisation

Intangible assets

15	20
----	----

29. Depreciation and Amortisation Expense

Property, plant and equipment

159	76
-----	----

30. Employee Benefits

30.1 Defined contribution plans:

Provident fund
Total contributions expensed to the Income Statement

995	915
995	915



31. Investments in Associates

31.1 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

Share of the investment's statement of financial position:

	2015 R000	2014 R000
Current Assets	38 015	88 076
Non current assets	-	2 446
Current liabilities	(33 752)	(14 402)
Non current liabilities	-	(72 774)
Equity	4 263	3 346

31.2 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

Share of the investment's statement of financial position:

Current Assets	13 371	6 594
Non current assets	7 057	9 665
Current liabilities	(6 296)	(3 604)
Non current liabilities	(8 877)	(9 156)
Equity	5 254	3 499

32. Commitments

Commitments in respect of facilities granted

127 968	65 349
---------	--------

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:

Up to 1 year	755	704
1 to 5 years	737	1 492
More than 5 years	-	-
	1 492	2 196



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:

Up to 1 year
1 to 5 years
More than 5 years

Total

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

Up to 1 year
1 to 5 years
More than 5 years

	2015 R000	2014 R000
	60	60
	30	89
	-	-
	89	149
	814	764
	767	1 581
	-	-
	1 582	2 345



33. Related Parties

	2015 R000	2014 R000
Related party balances		
Development Bank of South Africa	(137 083)	(138 182)
South African Reserve Bank	174 566	69 013
Related party transactions		
Interest earned / (paid)		
Development Bank of South Africa	(10 173)	(10 223)
South African Reserve Bank	9 365	5 252
South African Revenue Services	-	127
Other expenses		
South African Airways	(66)	(231)
Telkom	(59)	(53)

34 Taxation

34.1 Taxation paid

Opening balance	1 866	1 580
Interest accrued during the year		127
Normal taxation for the year	35 015	(7 231)
	36 881	(5 524)
Due to (by) SARS	(36 881)	(1 866)
Paid during the year	-	(7 390)

34.2 Normal taxation

Profit before taxation	20 333	29 253
Timing differences		(2 651)
Permanent differences	(20 333)	(124)
Taxable income	-	26 477

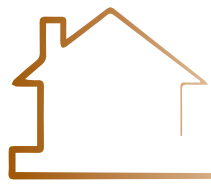
34.3 Taxation expense

Normal taxation	(35 015)	7 231
Deferred taxation	5 431	2 074
Total taxation	(29 584)	9 305



35. Cash flows from operating activities

	2015 R000	2014 R000
Surplus for the year	49 916	19 947
Continuing operations	49 916	19 947
Discontinued operations		
Adjustment for:-	14 203	(527)
Depreciation	159	76
Amortisation	15	20
Accrued dividend received	2 855	-
(Gain) / loss on sale of assets	(80)	(257)
Other non-cash movements		
Reversal of provision - deferred tax	5 431	2 074
Contribution to (reversal of) provisions - current	(4)	15
Other non-cash movements		281
Interest accrued	(99)	(127)
Fair value adjustments	(2 808)	(1 773)
Dividend Income	(7)	(281)
Impairment loss / (reversal of impairment loss)	8 687	(334)
Commitment fee	54	57
Operating surplus before working capital changes:	64 119	19 420
Working capital movements	(35 339)	(594)
(Increase)/decrease in trade and other receivables	17	50
(Increase) in tax receivable	(35 015)	(287)
Increase/(decrease) in trade and other payables	(342)	(357)
Net cash flows from operating activities	28 780	18 826



36. 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 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 at each client to 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 are as follows for each of classes of financial assets at amortised cost:

	31 Mar 2015	31 Mar 2014
	R000	R000
Cash and cash equivalents	180 176	119 914
Trade and other receivables from exchange transactions	133 823	136 150
Non-current receivables from exchange transactions	212 750	252 019
Non-current Investments	9 517	9 564

Cash is held on a short term basis at the following institutions

	Amount	Short term credit rating
Corporation for Public Deposits	174 566	
Standard Bank	5 610	F1+
Total	180 176	



37. 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.

38. 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.

39. 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.

	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	117 435
	2014	Not later than one month	Later than one month and not later than three	
Trade and other payables		818	-	
	2014	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		6 402	13 667	119 576

Concentration of credit

Credit risk is concentrated in the intermediary loans.



Risk Management, continued

40. 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 susceptibility of the entity's financial performance to changes in interest rates can be illustrated as follows:

	Gross impact	Taxation effect	Net impact
2015			
Interest income			
Interest rate increase of 75 basis points	2 906	-	2 906
Interest rate decrease 50 basis points	(1 937)	-	(1 937)
Interest expense			
Interest rate increase of 75 basis points	-	-	-
Interest rate decrease 50 basis points	-	-	-
Borrowing interest rates are fixed			
2014			
Interest income			
Interest rate increase of 75 basis points	3 786	(1 060)	2 726
Interest rate decrease 50 basis points	(2 524)	707	(1 817)
Interest expense			
Interest rate increase of 75 basis points	-	-	-
Interest rate decrease 50 basis points	-	-	-
Borrowing interest rates are fixed			



41. Impairment and reconciliation disclosures related to financial assets

41.1 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
	R	R	R
Long term loans	387 443	(40 869)	346 574
Total	387 443	(40 869)	346 574
Reconciliation of the doubtful debt provision			
		31 Mar 2015	31 Mar 2014
Balance at beginning of the year		(33 335)	(33 668)
Contributions to provision		(8 687)	-
Doubtful debts written off against provision		1 153	
Reversal of provision		-	334
Balance at end of year			
	(40 869)	(33 335)	

42. 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
Investment in associates	-	-	9 517	9 517
Total			9 517	9 517



Risk Management, continued

43. Contributed capital

The reserve consists of funds directly paid to the entity for the purpose of funding the business of the entity.

	31 Mar 2015 R000	31 Mar 2014 R000
Opening balance	285 738	285 738
Contributions	-	-
Closing balance	285 738	285 738

44. Deferred taxation

Deferred taxation liabilities/(assets)

- Opening balance	5 431	7 505
- Recognised in taxation	(5 431)	(2 074)
- Raised in other comprehensive income	-	-
	-	5 431
Analysis of temporary differences	-	5 431
Deferred taxation assets	-	5 431
- Employee benefit obligations	-	72
- Revenue received in advance and deferred income	-	(1 642)
- Doubtful debts	-	7 000
Net deferred taxation liability/(asset)	-	(5 431)



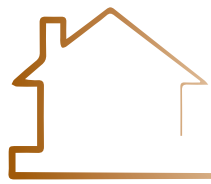
45. Directors

Name	Date of appointment	Years of service	Non-executive	Title	Board		Credit and Development	Ethics and Remuneration	Human Resources	Remuneration R'000
					Meetings attended	Audit and risk				
Total meetings					5	5	8	3		
T Chiliza	25 July 2006	8	Yes	Chairperson	5	NA	NA	3		36
A Egbers	22 October 2010	4	Yes	Deputy Chairperson and Credit and Development Chairperson	4	5	8	NA		76
K Oliver	23 February 2000	15	Yes	Audit and Risk Chairperson	4	5	6	NA		67
M Mathibe	22 October 2010	4	Yes	Human Resources, Ethics and Remuneration Chairperson	4	NA	NA	3		31
J Fakazi	05 January 2009	6	No	Chief Executive Officer	5	5	8	3		-
N Sihlwayi	27 July 2006	8	Yes	Director	1	NA	NA	1		9
R Haman	28 March 2013	2	Yes	Director	5	4	NA	NA		41
					15					68
Total			6							328

46. Executive remuneration

Title	Incumbent	2015 Basic Salary R 000	Benefits R 000	Performance Bonus R 000	Total R 000
Chief Executive Officer	JJ 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

Title	Incumbent	2014 Basic Salary R 000	Benefits R 000	Performance Bonus R 000	Total R 000
Chief Executive Officer	JJ Fakazi	1 467	402	406	2 274
Chief Financial Officer	B C Gordon	1 207	214	206	1 627
Total		2 673	616	612	3 901



General information

General Information

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





human settlements

Department:
Human Settlements
REPUBLIC OF SOUTH AFRICA

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10 South Boulevard, Bruma 2198
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