# 2004 ANNUAL REPORT

NATIONAL HOUSING FINANCE CORPORATION LIMITED

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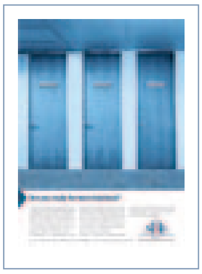


# PROFILE

The National Department of Housing established the National Housing Finance Corporation Limited (NHFC) in 1996 as a Development Finance Institution specifically to ensure that every low- to moderate-income household gains access to housing finance.

## Mandate

As a wholesale funder and risk manager, the NHFC is mandated to:

- introduce facilitative programmes supporting increased and sustained engagement by the banking sector in the target market;
- undertake funding as a wholesale intermediary to promote broader access to housing;
- underwrite the flow of wholesale funds to retail intermediaries (provide cover, security or guarantee);
- undertake proactive programmes aimed at building institutional and financial capacity at the retail level; and
- specialise in identifying, assessing, pricing, monitoring and managing risks associated with the placement of wholesale funds with retail intermediaries.

The NHFC defines the low- to moderate-income market as any South African household with regular monthly income between R1 500 and R7 500. This market sector is able to contribute towards its housing costs, but finds it difficult to access housing finance from banks.

The NHFC is a registered public company and has been granted the necessary exemption in terms of the Banks Act. As a national public entity, it adheres to the regulatory framework of the Public Finance Management Act (PFMA).

## Vision

The NHFC's vision is to be a world-class housing finance institution, instrumental in changing the housing finance system in South Africa, by facilitating the broad availability of affordable and suitable housing credit for low- to moderate-income families in South Africa.

## Core functions

As one of the eight Development Finance Institutions (DFIs) in South Africa, the NHFC was established to:

- initiate and manage programmes to promote the banking sector's increased engagement in the target market;
- fund or underwrite specialised alternative lenders who are able and equipped to operate where banks find it difficult to do so;
- fund or underwrite institutions that provide housing under tenure rights other than individual freehold;
- manage proactive programmes aimed at building institutional and financial capacity at retail level, to broaden access to housing finance and mobilise funds for housing; and
- search for new and better ways to mobilise, raise and deploy finance for housing from sources outside the public sector, and in partnership with a broad range of organisations.

# HOUSING IMPACT

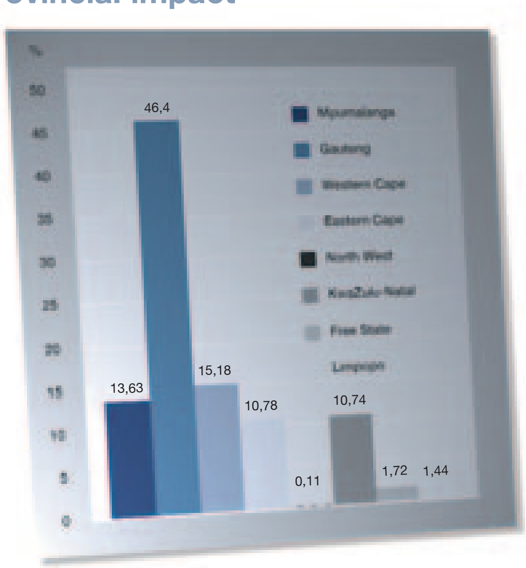
The NHFC group's total assets increased by R41 million. The group's capital and reserves increased to R1,8 billion (4,01% increase).

| | % | % |
|---|---|---|
| **Key financial features** | **2004** | **2003** |
| Return on Assets | **4,10** | 4,07 |
| Return on Equity | **5,62** | 5,71 |
| Interest return on cash investments and deposits | **7,67** | 7,77 |
| Interest return on net advances | **11,67** | 14,53 |
| Operating costs to operating income | **30,59** | 29,72 |

Impairments down from R121 million to R119 million.
Credit rating maintained at SB/zaA –
R1,7 billion in cash reserves.

## Return on equity and assets


## Provincial impact



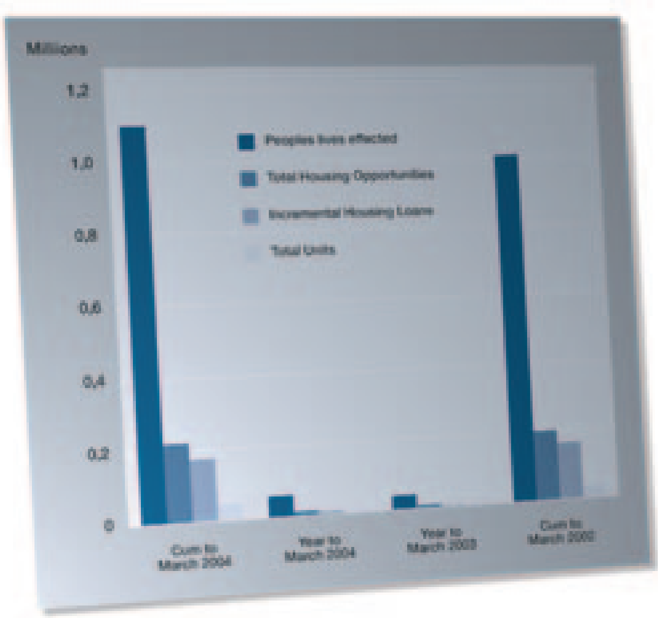

## HOUSING OPPORTUNITIES

| | Cumulative to March 2002 | Year to March 2003 | Year to March 2004 | Cumulative March 2004 |
|---|---|---|---|---|
| Housing units | 37 488 | 5 033 | **5 003** | **46 794** |
| Incremental housing loans | 164 482 | 2 636 | **6 763** | **173 881** |
| **Total housing opportunities** | **201 970** | **7 669** | **11 766** | **220 675** |
| **Peoples lives affected** | **1 006 200** | **38 345** | **58 830** | **1 103 375** |

## Housing impact – since inception

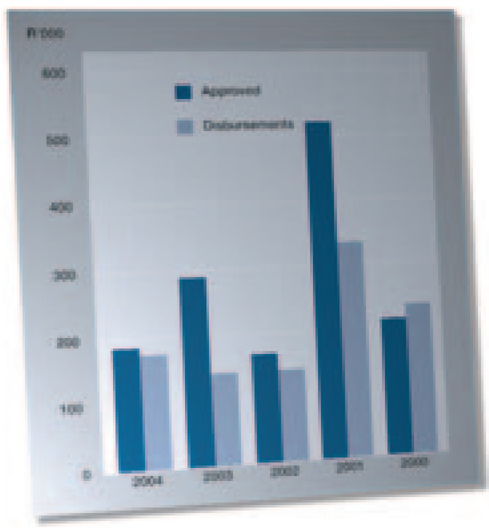
The NHFC approved R1,9 billion in facilities and disbursed R1,7 billion by 31 March 2004. Through lending activities, 46 794 new housing units have been built, and over 173 881 loans originated, and therefore 220 675 housing opportunities have been created by the corporation since inception.

The lives of more than 1 103 375 people have been improved by intermediaries financed by the NHFC.




## Facilities approved and disbursed

An analysis of the total facilities approved and disbursed to intermediary clients are as follows:




# OTHER IMPACT

## Research

- Township Property Market Survey
- Borrower survey
- Default Study in the Social Housing Sector

## Publications

- Primary Market Monitor
- Micro Finance Review
- Housing Market Bulletin
- First corporate impact report

## Data and information

- Development of Policy Research Information System
- Complete Data and Information Portal investigation and feasibility for Gauteng Partnership Fund

## Policy and legislation

- Assistance for the establishment of the Office of Disclosure in terms of the Home Loan and Mortgage Disclosure Act
- Assistance in Drafting of the Community Reinvestment Bill (CRA) and subsequent interface on the Financial Sector Charter structures
- Participation in the Credit Law Review process and input to the Consumer Credit Bill
- Drafting of amendments for the Prevention of Illegal Eviction Act

# BOARD OF DIRECTORS

*Back from left to right*

Mr Andrew Canter
Futuregrowth

Prof Michael Katz
Edward Nathan & Friedland

Mr Tim Middleton
Kagiso Urban Management

Ms Nocawe Makiwane
SCMB

Mr Mziwonke Dlabantu
National Department of Housing

Mr Sango Ntsaluba
Nkonki Sizwe Ntsaluba Inc

*Front from left to right*

Mr Samson Moraba
Chief Executive Officer

Ms Nonhlanhla Mjoli-Mncube
Housing Consultant

Mr Eric Molobi
Chairman
Kagiso Investment Trust

Mr Sizwe Tati *(Insert)*
ABSA Limited

Not present

Ms Mpumi Nxumalo
Director General Department of Housing

# EXECUTIVE MANAGEMENT

*Back from left to right*

Mr John Kekana
Executive Manager Corporate Shared Services
Mr Phetolo Ramosebudi
Executive Manager Risk Management
Mr Lawrence Lehabe
Executive Manager Incremental Housing (acting)
Mr Luthando Vutula
Executive Manager Job Summit
Dr Morgan Pillay
Executive Manager Alternative Tenure

*Front from left to right*

Ms Adrienne Egbers
Chief Financial Officer
Mr Samson Moraba
Chief Executive Officer
Ms Salome Sengani
Executive Manager Home Ownership

# A WORD FROM THE CHAIRMAN

A word from the Chairman

As we celebrate ten years of democracy, we also toast the progress the NHFC has made in the eight years since its inception, in contributing to an improvement in the quality of life of the many South Africans who had been unable to acquire housing finance from the mainstream banks.

As the year ended, a boom in the upper end of the housing market was indicative of the improvement in affordability levels across the housing market.

The NHFC has stood tall over the years by:

- pioneering development of the social housing sector by being its major funder;
- facilitating the growth, and supporting the regulation, of incremental housing niche lenders;
- being innovative, in the absence of a vibrant primary market in the low-income housing (LIH) sector, by promoting programmes to stimulate the market and ensure sustainability and viability of smaller, retail non-banking housing lenders;
- sharing our experience and beneficial data accumulated in the sector over the last eight years;
- striving for best practice and an ethical approach to business; and
- facilitating informed debate in the sector by exploring options to answer the housing finance challenges facing the market.

The NHFC has brought benefits to the sector by:

- affecting or influencing the pricing of low-income housing finance;
- mitigating the perceived risks in the sector; and
- promoting standardisation in the market.

## Market trends

Interest rates were reduced substantially in the latter part of the year, which benefited low- to moderate-income households by making housing more affordable. As the year ended, a boom in the upper end of the housing market was indicative of the improvement in affordability levels across the housing market. With the limited availability of housing stock in the LIH sector, a spillover is expected in this segment of the market as well.

## Overview of results

The NHFC's cumulative approvals reached R1,9 billion, while disbursements were at R1,7 billion at year-end. This translates into more than 1 103 375 people whose quality of life has been improved through NHFC funding.

Undoubtedly, many challenges remain for the sector, since scale delivery remains elusive. Until the major banks partner us to capitalise on their robust infrastructure and delivery capacity, the current housing backlog among the low- to moderate-income households will remain.

Many challenges remain … until the major banks partner us to capitalise on their robust infrastructure and delivery capacity, the current housing backlog among the low- to moderate-income households will remain.

## Strategic direction

I am pleased to report that the foundation has been laid during this financial year for sustainable and viable retail intermediaries and housing institutions. The implementation of strategic resolutions taken by the Board is on track. Establishment of the Development Fund and Work-Out Unit, and the progress made on the Guarantee Programme implementation, are examples of our movement forward.

## Some significant challenges

While the 10 years of democracy have been remarkable for the number of houses delivered, focus during the next 10 years will be on improving the quality of such houses, and on recognising that housing is an economic asset at the low end of the market and can alleviate poverty over time.

The launch in October last year of the Financial Sector Charter, pledging R20 billion to the low- to moderate-income housing market, was a positive expression of intent by the financial services sector. The NHFC is already supporting this intent by creating facilitative mechanisms to partner the financial services sector players.

The challenge is that all eight Development Finance Institutions (DFIs) need to collaborate in providing risk curtailment mechanisms to financial institutions, to maximise the institutions' ability to contribute to government's accelerated delivery agenda to eradicate poverty and create jobs.

The foundation has been laid for sustainable and viable retail intermediaries and housing institutions.

The launch in October last year of the Financial Sector Charter, pledging R20 billion to the low- to moderate-income housing market, was a positive expression of intent by the financial services sector.

The next five years will be critical for all State-owned enterprises, as accelerated infrastructure delivery, including housing, becomes the priority for all Government programmes and institutions.

## Strengthening of the board

In line with the specific needs of the NHFC and the current focus on Board contribution, I am pleased to welcome three new Board members: Mr Andrew Canter, Mr Sango Ntsaluba and Mr Tim Middleton. Mr Ntsaluba is a Chartered Accountant by profession and brings considerable financial skills and experience. Mr Middleton is a property expert with knowledge of town planning, township development and general land matters. As a director of Futuregrowth, Mr Canter is experienced in fund and credit risk management. I look forward to their making a meaningful contribution to the board and the future of the NHFC.

## Prospects

The implementation of the Job Summit Pilot Project and the Financial Sector Charter will be our priority in the year ahead. As the implementation plans of the Charter become clearer, they will influence the way the corporate sector intervenes in the market to ensure quicker scale delivery of housing, through the provision of housing finance.

The next five years will be critical for all State-owned enterprises, as accelerated infrastructure delivery, including housing, becomes the priority for all Government programmes and institutions.

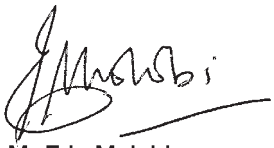
## Appreciation

Firstly, I thank the outgoing Minister of Housing, Ms Brigitte Mabandla for her support and wish her well in her new Cabinet appointment as Minister of Justice. On behalf of the NHFC Board, I warmly welcome Dr Lindiwe Sisulu, our new Minister of Housing. Minister Sisulu comes with an illustrious track record in her previous roles. Housing our people remains a growing challenge and she is well equipped to address this problem. We look forward to working with her in making the next five years historic for the improvement in the quality of life of all South Africans in the low end of the housing market.

Secondly, I would like to thank my colleagues for their insight, advice and support, which have contributed handsomely to our progress.

Lastly, I offer a word of thanks to the executive management and staff for their contribution to our performance.

My deep appreciation also goes to all our stakeholders, especially our intermediaries. I assure them that the NHFC is very mindful of the fact that it is their collaboration and support that provide the wherewithal for us to deliver and improve the quality of life of many low- to moderate-income households in our country.



**Mr Eric Molobi**

Chairman

# CHIEF EXECUTIVE's REPORT

A word from the CEO

## In spite of facing some significant challenges, the NHFC continued to improve the quality of life of many South Africans in its target market by making housing finance accessible to them.

The NHFC has responded to the President's call, in the People's Contract, to prioritise poverty eradication and job creation through funding to the low- to moderate-income housing finance market, by aggressively promoting both home ownership in various forms and scale rental housing development projects, like the Job Summit.

The NHFC is a purpose-driven company. Primarily, all that we are, all that we do and all that we seek to become, revolves around an elementary proposition: financing housing opportunities for low- to moderate-income households. We strive for a growing home ownership base in our target market, and increased rental stock development, especially through inner city regeneration schemes and households incrementally building or improving their houses.

Some highlights of the NHFC's core business during the year were:

- financing and facilitating 11 766 housing opportunities;
- active participation, including the secondment of resources, in the development of Community Reinvestment Act (CRA) legislation;
- participation in structures relating to the Financial Sector Charter;
- project management of the Job Summit process, resulting in the delivery of the first 1 131 houses in Witbank; and
- involvement in a number of relevant research projects that enhanced understanding of the needs and aspirations of the target market.

# CHIEF EXECUTIVE's REPORT

The NHFC has responded to the President's call, in the People's Contract, to prioritise poverty eradication and job creation through funding to the low- to moderate-income housing finance market, by aggressively promoting both home ownership in various forms and scale rental housing development projects.

During the year, the gross total loans and advances increased by 9%, from R615 million to R673 million. Total approvals since inception increased to R1,9 billion with R1,7 billion being disbursed by 31 March 2004.

We thus set the foundation to ensure, based on the Vision 2007, increased and sustained delivery in the medium term.

Facilitative frameworks put in place, included:

- incorporation of a development fund as a mechanism for mobilising and providing institutional and financial capacity-building, to retail intermediaries and housing institutions active in this segment of the market;
- planning for a Work-Out Unit to deal with the rehabilitation of non-performing clients to reduce the impairment of loans on our balance sheet;
- increasing our risk appetite by gearing to take on the "non-commercial risk" of the banking institutions as they increase their lending into the sector in terms of the Financial Sector Charter; and
- standardisation of the lending criteria in the low- to moderate-income housing sector, to facilitate a more efficient flow of funds into the market.

We strive for a growing home ownership base in our target market, and increased rental stock development, especially through inner city regeneration schemes and households incrementally building or improving their houses.

The resolve to create housing opportunities for the low- to moderate-income households is the driving force behind all our efforts to facilitate partnerships with other institutions, e.g. banks, to deliver innovative housing finance products in this market.

Departure of a number of executive managers from the NHFC during the year, created an opportunity to review current resourcing to optimise contributions.

Other strategic initiatives included the development of a broader and deeper role for Policy and Research and Corporate Marketing Communications units.

We also facilitated informed debate on potential solutions to the challenges that are specific to the low- to moderate-income housing market sector.

We facilitate informed debate on potential solutions to the challenges that are specific to the low- to moderate-income housing market.

At the end of another challenging but ultimately rewarding year, special thanks must go to the Chairman, Mr Eric Molobi, for his untiring guidance and support.

The Board of Directors, recently strengthened in numbers and skills, has been consistent in its understanding of, and attention to the NHFC, and this is much appreciated.

The staff, all aware of their roles in financing homes for low- to moderate-income households, are committed to achieving our goals and I thank them for their hard work.

While offering Ms Brigitte Mabandla best wishes for her move to the Justice Ministry, we welcome the new Housing Minister, Dr Lindiwe Sisulu, and pledge her the support of our management and staff in achieving her accelerated housing delivery strategy.

**Mr Samson Moraba**

Chief Executive Officer

# OPERATIONS REVIEW

## Lending operations

The total lending and advance portfolio increased by 9% from R615 milion to R673 million in the year. Cumulative approvals amounted to R1,9 billion and disbursements to R1,7 billion at 31 March 2004.

### Alternative tenure (AT)

During the year, Incremental Housing consolidated the business of three key clients, creating a more viable and sustainable intermediary that is well positioned to provide scale delivery and profitability.

The AT division provides project finance to emerging and sustainable social housing institutions in order to develop tenure options other than immediate ownership.

It partners provinces, local authorities and donor agencies etc., who provide grants and subsidies to promote delivery of affordable social rental housing to low- to moderate-income households.

It also funds the development of social and private rental housing stock, predominantly in the inner cities, thus contributing to urban renewal and promoting inner city regeneration.

A total of R134 million was approved for new development during the year, and 4 397 units facilitated.

### Incremental housing (IH)

The IH division funds niche lenders who target lower-income earners, using incremental housing loans to buy land, renew an existing home or top-up the capital subsidy with credit.

During the year, the division consolidated the business of three key clients, creating a more viable and sustainable intermediary that is well positioned to provide scale delivery and profitability.

A total of R140 million was approved during the year and the pipeline is promising for the new year. The division supported nine lending intermediaries, four of which are from previously disadvantaged communities.

## Home ownership division (HOD)

The HOD facilitates ownership of affordable homes by funding retail finance intermediaries whose business is to expand home ownership among low- to moderate-income households. NHFC believes that home ownership is good for families, communities, the economy and thus the nation, and should be supported and encouraged. Houses need to be seen not only as shelters that are a social good, but as economic assets that can foster wealth and eradicate poverty.

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**Challenges**

- After a trial period, it was decided that the programme for the purchase of loans imposed unacceptably onerous administrative burdens and risks on the NHFC, and it was suspended during the year.
- The creation of new stock for home ownership, beyond RDP stock and limited PHP efforts, remains inadequate.
- Lack of recognition of the value of properties financed other than by mortgage bonds, poses a socio-economic challenge. Purchase of such stock in the secondary market continues to be an activity not recognised by the mainstream financiers, as values are not recorded and the title is often not recognised.
- Predatory lending practices and therefore, the debt burden, limit the capacity of end-users to access long-term finance for housing. We thus support initiatives aimed at normalising lending practices and protecting consumers.
- Access to housing finance by the low- to moderate-income market under the Financial Sector Charter has to compete for the budget allocation. Given the areas of market failure in home ownership finance, risk-mitigating programmes to attract private sector finance are imperative. NHFC is close to implementing a pilot guarantee product to provide some cover for these risks.

# OPERATIONS REVIEW

The aim of the Job Summit project is to provide not only homes but substantial job opportunities.

## Strategic projects

### The Job Summit Housing Pilot Project

The Job Summit Housing Pilot Project was implemented after the Presidential Job Summit held in October 1998, at which government, business, labour and civil society agreed that there was a need for a National Presidential Lead Project on Rental Housing (NPLPRH), at sufficient scale to pilot affordable mass housing delivery and alternative forms of tenure. The aim of the project was to provide not only homes but substantial job opportunities.

At this summit, it was agreed that a minimum of 50 000 and maximum of 150 000 units be developed, of which 75% would be rental and 25% ownership. Each project was expected to deliver a minimum of 5 000 units. The first three projects are in KwaZulu-Natal, Mpumalanga and Gauteng.

The NHFC is responsible for implementing the Job Summit Housing Pilot Project. To date:

- at Mpumalanga, the first phase (1 131 units) is complete;
- in Gauteng, the Brickfields (Johannesburg Housing Company) project launched on 14th August 2003 has 1 400 units under construction;
- Kliptown (another Gauteng sub-project) will begin building operations before the end of 2004; and
- KwaZulu-Natal has included Pietermaritzburg and Durban in the Job Summit projects, and building of the first project in Pietermaritzburg has begun.

The NHFC completed a procurement options analysis that identified the Public Private Partnership (PPP) option as the most feasible to ensure an appropriate transfer of risk to the private sector. A mid-term review of the programme commissioned by the NHFC recommended restructuring the programme as currently specified.
The recommendation is being implemented with the support of all role players.

The pilot has provided lessons in designing the planning processes for the building of the houses, and for the financial and technical arrangements.

## Trust for Urban Housing Finance (TUHF)

To broaden its delivery of housing, the NHFC partnered other private and public housing agencies to establish TUHF, and, as the principal sponsor, provided a R10 million interest-free loan as capital.

TUHF, a strategic partner of the NHFC in funding projects up to R5 million, is a unique retail finance institution committed to inner city regeneration by promoting efficient and professional finance services to private, social and emerging housing entrepreneurs engaged in the sustainable residential rental business.

TUHF, a strategic partner of the NHFC, is a unique retail finance institution committed to inner city regeneration.

TUHF serves as an agent of the NHFC to implement the Support Programme for Social Housing (SPSH), which provides capacity funding emanating from the European Union to small social housing institutions.

To date, TUHF has approved R28,5 million in loans and disbursed R19,3 million.

## Risk review

The Government Gazette notice exempting the NHFC from the requirements of the Banks Act states that the NHFC must “specialise in identifying, assessing, pricing, monitoring and managing the risks associated with the placement of wholesale funds with retail intermediaries active in the target market”.

The NHFC therefore takes risks for which other financiers may have no appetite, and has developed policies and processes to manage such risk.

To enhance the capabilities of its Risk Department

- it has appointed suitably qualified and experienced people able properly to identify and manage the risks inherent in the business;
- Credit Risk Management has moved to the Risk Department from Financial Services, to separate the accounting process from the risk management thereof; and
- the Risk Rating Tool, developed with the assistance of Gesellschaft für Technische Zusammenarbeit (GTZ), was implemented during the year to rate the default risk of clients who lack a rating from the major rating agencies.

The NHFC takes risks for which other financiers may have no appetite, and has developed policies and processes to manage such risk.

# OPERATIONS REVIEW

## Governance

Several structures for governance of credit risk are in place and have operated throughout the year:

**The Management Credit Committee,** comprising executives and appropriate senior managers, reviews and approves lending applications.

Each application is supported by a proposal from the Operating Division and an independent due diligence report prepared by the Risk Department. This committee has authority to approve facilities to a maximum of R20 million. Any facility for more than R20 million has to be recommended for approval by the Board Credit Committee.

**The Board Credit Committee,** comprising non-executive directors and the CEO, who is also a director (members of the Executive and Management are also invited to attend) meets regularly to review the recommendations of the Management Credit Committee and to approve those that meet the necessary requirements.

**An Audit and Risk Committee** is responsible for ensuring that all risks affecting the NHFC are identified, managed and, where necessary, mitigated through risk transfer and partnership mechanisms.

The internal auditors attend the meetings of the Audit and Risk Committee and have full access to the members of that committee and the Board of Directors.

The internal audit process was outsourced until 31 March 2004 to KPMG, but contracted to Sizwe Ntsaluba from 1 April 2004.

The Treasury Risk is managed through the Financial Risk Management Committee. Investments made are in money market instruments, government and municipal bonds.

## Key focus areas for 2004/2005

### Current interventions

- NHFC plans to take non-commercial risks in the sector through a guarantee programme.
- Leveraging of large private sector funding and expertise to deliver housing at scale.
- Accelerating the delivery of rental housing through the Job Summit programme, inner city regeneration and urban renewal projects.
- Standardisation of lending criteria in the sector.
- The availing of industry statistics, research and policy information.
- Supporting consumer education among low- to moderate-income households.
- Supporting the removal of barriers to increased lending in the sector, e.g. swift legal processes.

### Challenges

- Role of NHFC in taking non-commercial risks and remaining sustainable.
- Entry of private sector funders – banks, insurers, etc.
- Discreet availability of historical data (mortgage, credit in low-income housing (LIH)).
- Availability of suitable stock.
- Development of the secondary ownership and rental markets (some clouds are gathering).
- Commitment and ownership of low-income lending as an integral part of commercial business.
- Affordability of end users.

### Outlook

- Development of secondary markets by the entry of large estate agency groups. The movement of people selling existing properties is likely to increase.
- Increased use of market instruments and recognition of asset value and wealth creation.
- A new business growth opportunity for the financial sector (banks and private insurance companies).
- Support for community-based housing programmes will increase – e.g. housing for social needs and community services will receive increased attention.
- Establishment of a robust social housing sector infrastructure.

**Viewed against the Financial Sector Charter**

- Increased scale delivery of housing units for ownership.
- Improved access to housing finance from large institutions.
- Credit conditions normalised, leading to an increase in:
  - BEE financing;
  - Poverty alleviation; and
  - Job creation.

# CORPORATE GOVERNANCE

## This statement on corporate governance focuses on the NHFC's structures and culture of governance which ensure that the Corporation reports appropriately to the shareholder and all interested parties.

### Principles of Corporate Governance and Structures

The NHFC Board and management re-affirm their commitment to the principles of integrity and accountability, openness and the provision of timeous, relevant and meaningful reporting to all stakeholders. The Board ensures that the business of the NHFC is conducted in accordance with high standards of corporate governance and with internationally and locally accepted corporate practices. These standards are captured in the Code of Ethics adopted by the Corporation and the Board as well as in the Corporation's established systems of internal control and procedures.

With effect from April 2002 the second King Report on Corporate Governance for South Africa (King 2) has been applicable. The Board and management have reviewed the NHFC's corporate governance and taken steps to ensure compliance. The Board is of the view that the Corporation adheres as much as practicable to the Code of Corporate Practices and Conduct contained in King 2. The principles contained in King 2 are reflected in the Corporation's governance structures which are reviewed from time to time to take into account the latest changes in international developments in the field of corporate governance. It is the policy of the Board and management to actively review and enhance the Corporation's systems of control and governance on a continuous basis to ensure that the business is managed ethically and within prudent risk parameters in conformity with internationally accepted standards of best practice.

The NHFC Board comprises ten members, nine of whom are non-executive directors under the chairmanship of Mr Eric Molobi. The Board members bring to the Board a wide range of significant financial and legal expertise and independent perspectives and judgement. The Board is responsible to the shareholder for setting the direction of the Corporation through the establishment of strategic objectives and key policies.

The Board monitors the implementation of strategies and policies through a structured approach to reporting on the basis of agreed performance criteria and defined, written delegation to management for the detailed planning and implementation of such objectives and policies. The Board meets quarterly, or more frequently if circumstances so require, to review the following:

- Matters specifically reserved for its decision;
- Issues of strategic direction;
- Approval of major capital expenditure; and
- Approval of financial and operational results.

The Board fulfils its role, duties, and functions with due regard to its fiduciary responsibilities to the NHFC.

The Directors accept as a duty the necessity to become fully acquainted with all issues pertaining to the operations of the NHFC. As required by the King 2 Report, all Directors have access to the advice and services of the Company Secretary and are entitled to seek independent professional advice concerning the affairs of the NHFC.

The Board has established a number of standing committees, which are ultimately answerable to the Board, namely:

- The Executive Committee;
- The Audit and Risk Committee;
- The Board Credit Committee; and
- The Human Resources, Ethics and Remuneration Committee.

## The Executive Committee

This Committee is constituted to assist the Chief Executive Officer (CEO) in managing the business of the NHFC, subject to statutory limits and the Board's limitations on delegation of authority to the CEO. The Executive Managers of the Corporation are members of the Committee. The Executive Committee assists the CEO in guiding and controlling the overall direction of the business of the NHFC and acts as a medium of communication and co-ordination between the business units.

## The Audit and Risk Committee

The Audit and Risk Committee comprises three non-executives and one executive member. A non-executive director chairs the Committee.

Four Audit and Risk Committee meetings were held during the course of the financial year. These meetings are attended by external- and internal auditors, Chief Financial Officer, Treasurer and other relevant executive managers. In line with the recommendations of the King 2 Report, this Committee looks at ensuring that an effective and integrated risk management process is implemented.

The Committee monitors the quality and integrity of financial and risk reporting. It also reviews the efficacy of the internal audit function and is responsible for the evaluation of the independence, objectivity, and effectiveness of the external auditors as well as the review of accounting and auditing concerns identified by the internal and external audits. The Committee reviews the annual financial statements before approval by the Board.

## The Human Resources, Ethics and Remuneration Committee

The Committee comprises three non-executive directors and the CEO and is chaired by a non-executive director. Its functions are to:

- Influence and approve human resources policies and strategies and monitor compliance with the Employment Equity Act 55 of 1998;
- Make recommendations to the shareholder on the remuneration policy for executive and non-executive directors; and
- Monitor the ethical conduct of the Company, its management and employees.

# CORPORATE GOVERNANCE

## The Board Credit Committee

The Committee has two non-executive directors, one co-opted development finance specialist and the CEO as its complement. An independent non-executive director chairs it. In the last financial year the Committee met six times.

The Committee has decision-making authority in respect of the granting of loan facilities in excess of R20 million per client, subject to the recommendations of the Management Credit Committee. The role of the Committee is to oversee credit risk management and the approval and implementation of the credit policy.

## Management Credit Committee

This Committee is chaired by the CEO and meets at least twice a month for consideration and approval of loan facilities, approval of credit policies and to make recommendations to the Board Credit Committee on applications in excess of the limit.

The Committee is responsible for ensuring adherence to credit and default procedures and the collection of outstanding debt.

## Procurement Committee

This is a management sub-committee, which was formed to ensure compliance with the procurement policies of the Corporation. The Committee ensures that there is meaningful Black Economic Empowerment when service providers are approved and ensures fairness and transparency in the selection of business suppliers.

## The Public Finance Management Act (PFMA)

The NHFC is governed by the Public Finance Management Act (PFMA), which focuses on financial management with related outputs and responsibilities.

The directors comply with their fiduciary duties as required by the Act. Responsibilities of the Board as the accounting authority in terms of the provisions of the Act and its regulations include taking appropriate action to ensure:

- That effective, efficient and economic transparent systems of financial and risk management, and internal control are in place;
- The implementation of appropriate and effective measures to prevent unauthorised, irregular, fruitless and wasteful expenditure, losses from criminal conduct and expenditure not complying with legislation; and
- The allocation of resources in economic, efficient, effective and transparent measures.

The NHFC is therefore in compliance with the various duties and responsibilities as prescribed by the PFMA.

## The NHFC Code of Ethics

The following are important aspects of the NHFC's Code of Ethics, a copy of which will be made available on request. Any contravention of the Code of Ethics is viewed as a serious matter. These sections are critical for proper governance:

**Conflict of interest**

The NHFC expects its management and employees to perform their duties in the best interests of the Company and not to use their positions, or knowledge gained during the course and scope of their employment with the Company for private or personal advantage.

**Outside activities and business interests**

The NHFC encourages its employees to be active members in their communities and to participate in a variety of religious, sporting, cultural, and other activities. However, such activities must not adversely affect the employee's work activities. The same consideration applies to an employee acquiring an external business interest. In such a case, the employee concerned must scrupulously avoid any conflict with the NHFC's interests. Employees are required to declare any outside business interest e.g. shareholding, partnership, sole proprietorship, directorship, etc. to the Company Secretary. Employees invited to hold outside directorships must also obtain advance approval from the Chief Executive Officer.

**Gifts, hospitality and favours**

An employee should not accept or solicit any extravagant gifts, hospitality or other favours from suppliers of goods and services. However, the offering of the following is not contrary to the Code of Ethics:

- Occasional entertainment of an employee and their spouse or partner, including hospitality such as tickets to local sporting events or theatre;
- Accommodation associated with a visit by the client, representative and their spouse or partner to the Corporation's operations; and
- Advertising material of limited commercial value.

## Integrated risk management

The NHFC Board delegated the risk management function to the Audit and Risk Committee. That Committee is responsible for the identification of risk areas and for reporting to the Board and/or management's attention.

## Internal control

The NHFC Board acknowledges that it bears ultimate responsibility for the Corporation's systems of internal and financial control. Adequate systems have been designed to provide reasonable assurance against inaccurate internal financial information and other irregularities as well as to ensure the accuracy and integrity of the Corporation's financial records.

## General

The NHFC recognises that corporate governance is a dynamic area and, as such, its systems of corporate governance are reassessed on an ongoing basis to ensure that they are on a world-class level and continue to be relevant to the business of the NHFC as it evolves.

# CORPORATE GOVERNANCE

Record of attendance at meetings

| Directors | Board | Audit Committee | Board Credit Committee | Human Resources, Ethics & Remuneration Committee |
|---|---|---|---|---|
| **Number of meetings** | **4** | **4** | **6** | **3** |
| Mr Eric Molobi | 4 | – | – | 3 |
| Mr Dev Botha[1] | – | – | 2 | – |
| Mr Mandla Gantsho[2] | – | 2 | – | – |
| Prof Michael Katz | 3 | – | – | 1 |
| Ms Mpumi Nxumalo* | – | – | – | – |
| Mr Mziwonke Dlabantu[3] | 2 | – | – | – |
| Ms Nocawe Makiwane | 2 | – | 5 | 3 |
| Ms Nonhlanhla Mjoli-Mncube | 3 | – | – | – |
| Mr Samson Moraba | 4 | 4 | 6 | 3 |
| Mr Sango Ntsaluba[4] | 1 | 1 | – | – |
| Mr Sizwe Tati | 4 | 2 | 6 | – |
| Mr Tim Middleton[5] | 1 | – | – | – |

[1] Non-executive industry specialist
[2] Resigned as Board member on 1 April 2003, now only Audit Committee member
[3] Alternate to Ms Mpumi Nxumalo

[4] New w.e.f. 9 December 2003
[5] New w.e.f. 9 December 2003
* Represented by alternate

National Housing Finance Corporation Limited
Registration number 1996/005577/06

CONTENTS

# Consolidated Annual Financial Statements

for the year ended 31 March 2004

# Statement of responsibilities and approvals

The Public Finance Management Act of 1999 (PFMA) requires the directors to ensure that the National Housing Finance Corporation keeps full and proper records of its financial affairs. The annual financial statements should fairly present the state of affairs of NHFC, its financial results, and its financial position at the end of the year in terms of Generally Accepted Accounting Practice.

The annual financial statements are the responsibility of the Directors. The external auditors are responsible for independently auditing and reporting on the financial statements.

The annual financial statements of NHFC have been prepared in terms of the Statements of South African Generally Accepted Accounting Practice and the Companies Act. These annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates and are prepared on the going concern basis. The directors have every reason to believe that the group will be a going concern in the year ahead.

To enable the Directors to meet the above responsibilities of the NHFC, the Board of directors sets standards and ensures that sound systems of internal control are implemented by management.

The controls are designed to provide cost effective assurance that assets are safeguarded, and that liabilities and working capital are efficiently managed. Policies, procedures, structures and approval frameworks provide direction, accountability and division of responsibilities and contain self-monitoring mechanisms.

The controls throughout NHFC focus on those critical risk areas identified by operational risk management and confirmed by executive management. Both management and Internal Audit closely monitor the controls, and ensure actions are taken to correct deficiencies as they are identified.

The Directors are of the opinion, based on the information and explanations given by management and Internal Audit, and discussions with the independent External Auditors on the result of their audits, that the material internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the annual financial statements, and accountability for assets and liabilities is maintained.

Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

In the opinion of the directors, based on the information available to date, the annual financial statements fairly present the financial position of NHFC at 31 March 2004, and the results of its operations and cash flow information for the year.

The annual financial statements of NHFC for the year ended 31 March 2004, set out on pages 27 to 52, have been approved by the Board of Directors and signed on their behalf on 28 June 2004 by:

**Mr E Molobi**
Chairman

**Mr SS Moraba**
Chief Executive Officer

# Report of the independent auditors

## To the Minister of Housing

We have audited the annual financial statements of NHFC set out in pages 27 to 52 for the year ended 31 March 2004. The annual financial statements are the responsibility of NHFC's accounting authority. Our responsibility is to express an opinion on these financial statements based on our audit. The performance information is the responsibility of the accounting authority. Our responsibility is to express an opinion on whether the performance information furnished in terms of sub-section 55(2)(a) read in conjunction with sub-section 61(1)(b) of the Public Finance Management Act, 1 of 1999, as amended, is fair in all material respects and, on a basis consistent with that of the preceding year.

## Scope

We conducted our audit in accordance with the Statements of South African Auditing Standards issued by the South African Institute of Chartered Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. The audit was also planned and performed to obtain reasonable assurance that our duties in terms of sections 60 and 61 of the Public Finance Management Act, 1 of 1999, as amended, have been complied with. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit proves a reasonable basis for our opinion.

## Audit opinion

In our opinion:

- the financial statements fairly present, in all material respects, the financial position of NHFC at 31 March 2004, and the results of their operations and cash flows for the year then ended, in accordance with the South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act, 61 of 1973 in South Africa, and the Public Finance Management Act, 1 of 1999, as amended;
- the financial aspects of the performance information of NHFC in terms of section 55(2)(a) of the Public Finance Management Act, 1 of 1999, as amended, fairly presents in all material respects NHFC's performance for the year ended 31 March 2004 against predetermined objectives; and
- the transactions of NHFC that came to the auditor's attention during auditing were in all material respects in accordance with mandatory functions of NHFC, as determined by law or otherwise.

In our opinion the statements have been properly prepared on the basis set out in the notes thereto.

Ernst + Young

**Ernst & Young**
Registered Accountants and Auditors
Chartered Accountants (SA)

Johannesburg
28 June 2004

# REPORT OF THE AUDIT AND RISK COMMITTEE

Report of the Audit and Risk Committee in terms of regulations 27(1)(10)(b) and (c) of the Public Finance Management Act, 1 of 1999, as amended.

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

In the conduct of its duties, the Audit and Risk Committee has, inter alia, reviewed the following:

- The effectiveness of the internal control systems;
- The effectiveness of internal audit;
- The risk areas of the entity's operations to be covered in the scope of internal and external audits;
- The adequacy, reliability and accuracy of financial information provided to management and other users of such information;
- Any accounting and auditing concerns identified as a result of internal and external audits;
- The entity's compliance with legal and regulatory provisions;
- The activities of the internal audit function, including its annual work programme, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations; and
- Where relevant, the independence of and objectivity of the external auditors.

Nothing has come to the attention of the Audit and Risk Committee to indicate that a material breakdown in the functioning of the internal controls, procedures and systems has occurred during the year under review.

In the opinion of the Audit and Risk Committee, the internal controls and laid down procedures of the NHFC are considered to be appropriate in all material respects to:

- meet the business objectives of the NHFC;
- ensure the Group's assets are adequately safeguarded; and
- ensure that transactions undertaken are recorded in the Group's records.

The Audit and Risk Committee has evaluated the annual financial statements of the NHFC for the year ended 31 March 2004 and, based on the information provided to the Audit Committee, considers that they comply, in all material respects, with the requirements of the Companies Act, 61 of 1973, as amended, and the Public Finance Management Act, 1 of 1999, as amended and the South African Statements of Generally Accepted Accounting Practice. The Audit and Risk Committee concurs that the adoption of the going concern premise in framing the annual financial statements is appropriate. The Audit and Risk Committee therefore recommended the adoption of the annual financial statements by the Board of Directors at their meeting on 28 June 2004.

**Mr M Gantsho, CA (SA)**
Chairman
18 June 2004

# REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited financial statements of the Group for the year ended 31 March 2004.

## General review

The National Housing Finance Corporation Limited is incorporated in terms of the Companies Act, 1973 as amended. The main business of the Corporation is wholesale funding for housing finance purposes. The business and activities of the Corporation for the year are reviewed in the Chief Executive's report as set out on pages 9 to 11 of this report.

## Financial results

The financial results of the Corporation for the year under review are set out on pages 29 to 52 of these financial statements.

## Share capital

There were no changes in the authorised and issued share capital of the Corporation during the year under review. The shareholder of the NHFC is the Government of South Africa, represented by the Department of Housing.

## Job Summit funding

The surplus arising from investment income, net of operational expenses, from the Job Summit funds has been added to those funds and has been shown as a liability.

## Dividends

All profits are retained by the Corporation to allow for maximum availability of funds in pursuit of its mission. Such funds are deemed to be part of Government's ongoing commitment to the mission of the Corporation. The dividend policy is adopted in terms of an agreement with the shareholder, and is subject to annual review by the Board and the shareholder.

It is deemed essential to continue to enhance the Corporation's capital base in order to increase the impact of its activities, and consequently no dividend has been declared for the year under review.

## Reserves

The "Other" reserves shown on the Group balance sheet is the IBNR Reserve in the Cell Captive Insurance Company.

## Directors

The following served as directors of the Company throughout the year and at the financial year-end:

Mr E Molobi (Chairman)
Mr SS Moraba (Chief Executive)
Mr M Dlabantu
Prof MM Katz
Ms NE Makiwane
Ms N Mjoli-Mncube
Mr SA Tati

In addition, Messrs S Ntsaluba and TA Middleton were appointed in December 2003 and Mr A Canter was appointed on 1 April 2004.

## Company Secretary

**V Langa** (Mr Langa passed away on 28 March 2004).

# REPORT OF THE DIRECTORS

## Business address

1st Floor
Old Trafford Block 3
Isle of Houghton
11 Boundary Road
Houghton
Johannesburg
2193

## Postal address

PO Box 31376
Braamfontein
2017

## Board committees

| | |
|---|---|
| **Audit and Risk Committee** | SA Tati (Chair)<br>SS Moraba<br>SS Ntsaluba<br>M Gantsho |
| **Board Credit Committee** | NE Makiwane (Chair)<br>A Canter<br>SS Moraba<br>SA Tati<br>JHD Botha |
| **Human Resources, Ethics and Remuneration Committee** | MM Katz (Chair)<br>E Molobi<br>NE Makiwane<br>SS Moraba |

## Post balance sheet events

No significant events occurred between the year-end and the date of this report.

# Balance sheets as at 31 March 2004

| | Note | Group 2004 R'000 | Group 2003 R'000 | Company 2004 R'000 | Company 2003 R'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | **700 549** | 707 393 | **857 469** | 855 555 |
| Advances | 3 | **553 655** | 547 338 | **553 655** | 547 338 |
| Investment in subsidiary | 4 | **–** | – | **149 920** | 148 162 |
| Investment in Cape Town Community Housing | 5 | **–** | 8 000 | **–** | 8 000 |
| Investment in preference shares | 6 | **2 450** | 2 450 | **2 450** | 2 450 |
| Investment in Cell Captive | 7 | **–** | – | **7 000** | – |
| Investment securities | 8 | **141 155** | 138 857 | **141 155** | 138 857 |
| Derivative instruments | | **–** | 456 | **–** | 456 |
| Fixed assets | 9 | **2 967** | 3 804 | **2 967** | 3 804 |
| Deferred taxation | 24.3 | **322** | 6 488 | **322** | 6 488 |
| **Current assets** | | **1 746 819** | 1 698 834 | **1 572 625** | 1 556 649 |
| Accounts receivable | 10 | **13 127** | 21 846 | **12 505** | 4 868 |
| Investments | 11 | **1 487 497** | 1 366 376 | **1 326 201** | 1 265 782 |
| Bank balances and cash | | **194 190** | 286 207 | **179 869** | 259 815 |
| Taxation | | **52 005** | 24 406 | **54 050** | 26 183 |
| **TOTAL ASSETS** | | **2 447 368** | 2 406 228 | **2 430 094** | 2 412 204 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | **1 785 085** | 1 716 285 | **1 767 924** | 1 722 281 |
| Share capital | 12 | **842** | 842 | **842** | 842 |
| Share premium | 13 | **879 158** | 879 158 | **879 158** | 879 158 |
| Grant capital | 14 | **200 000** | 200 000 | **200 000** | 200 000 |
| Other reserves | 15 | **4 185** | – | **–** | – |
| Distributable reserves | | **700 900** | 636 285 | **687 924** | 642 281 |
| **Non-current liabilities** | | **464 243** | 596 270 | **464 243** | 596 270 |
| Funds under administration – Job Summit | 16 | **280 702** | 256 406 | **280 702** | 256 406 |
| Deferred income | 17 | **38 501** | 43 686 | **38 501** | 43 686 |
| Long-term liabilities | 18 | **145 040** | 296 178 | **145 040** | 296 178 |
| **Current liabilities** | | **198 040** | 93 672 | **197 927** | 93 653 |
| Debentures | 18 | **101 378** | – | **101 378** | – |
| Accounts payable | 19 | **96 663** | 93 672 | **96 549** | 93 653 |
| **TOTAL EQUITY AND LIABILITIES** | | **2 447 368** | 2 406 228 | **2 430 094** | 2 412 204 |

# Income statements for the year ended 31 March 2004

| | Note | Group 2004 R'000 | Group 2003 R'000 | Company 2004 R'000 | Company 2003 R'000 |
|---|---|---|---|---|---|
| **REVENUE** | 20 | **228 958** | 230 046 | **202 687** | 209 239 |
| Finance costs | 21 | **(16 727)** | (16 639) | **(16 634)** | (16 639) |
| **NET INTEREST INCOME** | | **212 231** | 213 407 | **186 053** | 192 600 |
| Advances/Investment impairment | | **(15 962)** | (45 359) | **(15 962)** | (45 359) |
| **NET INCOME** | | **196 269** | 168 048 | **170 091** | 147 241 |
| Net investment trading income | | **–** | 20 650 | **–** | 20 650 |
| **OPERATING INCOME** | | **196 269** | 188 698 | **170 091** | 167 891 |
| Operating costs | | **(60 034)** | (56 083) | **(59 743)** | (52 409) |
| **NET INCOME BEFORE TAXATION** | | **136 235** | 132 615 | **110 348** | 115 482 |
| Taxation | 24.1 | **(35 841)** | (34 687) | **(33 110)** | (34 645) |
| **INCOME AFTER TAXATION ATTRIBUTABLE TO ORDINARY SHAREHOLDERS** | | **100 394** | 97 928 | **77 238** | 80 837 |

# Statements of changes in equity for the year ended 31 March 2004

| | Note | Ordinary share capital R'000 | Share premium R'000 | Grant capital R'000 | Secondary reserves R'000 | Distri-butable reserves R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|
| **GROUP** | | | | | | | |
| Balance 31 March 2002 as previously stated | | 842 | 879 158 | 200 000 | 50 000 | 489 805 | 1 619 805 |
| Change in accounting policy | 2 | | | | | (1 448) | (1 448) |
| Balance 31 March 2002 – restated | | 842 | 879 158 | 200 000 | 50 000 | 488 357 | 1 618 357 |
| Net profit for the year | | – | – | – | | 97 928 | 97 928 |
| Transfer to distributable reserves | | – | – | – | (50 000) | 50 000 | – |
| Balance 31 March 2003 | | 842 | 879 158 | 200 000 | – | 636 285 | 1 716 285 |
| Effect of adopting AC133 – impairment of advances | | – | – | – | – | (76 450) | (76 450) |
| Effect of adopting AC133 – reversal of provision against advances | | – | – | – | – | 44 855 | 44 855 |
| Net profit for the year | | – | – | – | – | 100 394 | 100 394 |
| Transfer to reserves | | – | – | – | 4 185 | (4 185) | – |
| **Balance 31 March 2004** | | 842 | 879 158 | 200 000 | 4 185 | 700 900 | 1 785 085 |
| **COMPANY** | | | | | | | |
| Balance 31 March 2002 as previously stated | | 842 | 879 158 | 200 000 | 50 000 | 512 891 | 1 642 891 |
| Change in accounting policy | 2 | | | | | (1 448) | (1 448) |
| Balance 31 March 2002 – restated | | 842 | 879 158 | 200 000 | 50 000 | 511 444 | 1 641 444 |
| Net profit for the year | | – | – | – | | 80 837 | 80 837 |
| Transfer to distributable reserves | | – | – | – | (50 000) | 50 000 | – |
| Balance 31 March 2003 | | 842 | 879 158 | 200 000 | – | 642 281 | 1 722 281 |
| Effect of adopting AC133 – impairment of advances | | – | – | – | – | (76 450) | (76 450) |
| Effect of adopting AC133 – reversal of provision against advances | | – | – | – | – | 44 855 | 44 855 |
| Net profit for the year | | – | – | – | – | 77 238 | 77 238 |
| **Balance 31 March 2004** | | 842 | 879 158 | 200 000 | – | 687 924 | 1 767 924 |

# Cash flow statements for the year ended 31 March 2004

| | Note | Group 2004 R'000 | Group 2003 R'000 | Company 2004 R'000 | Company 2003 R'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | **72 704** | 199 656 | **31 074** | 100 822 |
| Cash (utilised by)/generated by operations | 25.1 | **(83 249)** | 44 477 | **(110 146)** | (38 587) |
| Interest received | | **204 539** | 216 083 | **187 251** | 197 873 |
| Interest paid | | **(16 727)** | (16 639) | **(16 634)** | (16 639) |
| Taxation paid | 25.2 | **(31 859)** | (44 265) | **(29 396)** | (41 825) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | **(11 574)** | (2 952) | **(18 574)** | (2 952) |
| Additions to fixed assets | 9 | **(1 612)** | (2 841) | **(1 612)** | (2 841) |
| Inflow on disposal of fixed assets | | **38** | 24 | **38** | 24 |
| Net outflow from acquisition of investments | | **–** | – | **(7 000)** | – |
| Debentures purchased in Cape Town Community Housing Company | | **(10 000)** | – | **(10 000)** | – |
| Inflow on disposal of R184's | | **–** | 130 117 | **–** | 130 117 |
| Net outflow from acquisition of R194's | | **–** | (129 245) | **–** | (129 245) |
| Inflow on disposal of R194's | | **–** | 128 730 | **–** | 128 730 |
| Net outflow from acquisition of R153's | | **–** | (129 738) | **–** | (129 738) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | **(32 028)** | 235 617 | **(32 028)** | 235 617 |
| Cash outflows from restructuring | | **–** | (64 900) | **–** | (64 900) |
| Reduction on deferred income | 17 | **(5 185)** | – | **(5 185)** | – |
| Grant funds received | 2 | **24 296** | 104 339 | **24 295** | 104 339 |
| Provincial subsidies received for the Job Summit | | **(51 138)** | 196 178 | **(51 138)** | 196 178 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **29 103** | 432 321 | **(19 527)** | 333 487 |
| Cash and cash equivalents at beginning of year | | **1 652 584** | 1 220 263 | **1 525 596** | 1 192 110 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 25.3 | **1 681 687** | 1 652 584 | **1 506 069** | 1 525 596 |

# GROUP ACCOUNTING POLICIES

**1 ACCOUNTING POLICIES**

The principle accounting policies adopted in the preparation of these financial statements are set out below:

### 1.1 Basis of presentation

The consolidated financial statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice. The consolidated financial statements are prepared on a basis consistent with the prior year, except for the adoption of AC133 Financial Instruments Recognition and Measurement with effect from 1 April 2003, which is applied prospectively. In terms of the transitional provisions of AC133, adjustments are made to the opening distributable reserves and as such comparatives have not been restated. The effect of the changes is detailed in note 2.

### 1.2 Basis of consolidation

The financial statements of subsidiaries are consolidated from the date on which effective control is acquired by the Group, up to the date that such effective control ceases. For this purpose, subsidiaries are companies over which the Group, directly or indirectly, has an interest of more than half the voting rights or otherwise has the ability to control the financial and operating activities so as to obtain benefits from their activities.

Subsidiaries are excluded from consolidation when control is intended to be temporary due to the subsidiary being acquired and held exclusively with a view to its subsequent disposal in the near future or when an existing subsidiary is subsequently disposed of.

Special purpose entities, including cell captives, are consolidated when the substance of the relationship between the Group and the special purpose entity indicates that the Group effectively controls the entity.

All inter-company transactions, balances and unrealised gains and losses are eliminated on consolidation.

### 1.3 Financial instruments

#### 1.3.1 General

Financial instruments carried on the balance sheet include cash and bank balances, derivative instruments, loans and advances, convertible debentures, accounts receivable and payable, investments and investment securities.

Financial instruments are initially measured at cost, including transaction costs, when the Group becomes a party to the contractual arrangements. When the Group can legally do so and the Group intends to settle on a net basis or simultaneously, related financial liabilities and assets are offset and the net balance is reported in the balance sheet.

#### 1.3.2 Cash and bank balances

Cash and bank balances consist of cash on hand and in banks. These are classified as loans originated by the enterprise and are measured at fair value.

#### 1.3.3 Investments and Investment securities

Investments include promissory notes, banker's acceptances, negotiable certificates of deposit, fixed deposit investments and commercial paper. These are classified as held to maturity and measured at amortised cost using the effective interest rate method. Interest earned whilst the investments are held to maturity is reported as interest income in the income statement.

Non-current investments securities include RSA stock that is classified as available for sale and measured at fair value with the gains and losses taken to the income statement. Financial assets are classified as available-for-sale where the intention, origination and designation of the instrument does not fall within the ambit of the other financial asset classifications. Available-for-sale instruments are typically assets that are held for a longer period and in respect of which short-term fluctuations in value do not affect the Group's hold or sell decision. However, when available-for-sale equity instruments are determined to be impaired to the extent that the fair value declines below its original cost, the resultant losses are recognised in the income statement.

# GROUP ACCOUNTING POLICIES

**1.3.4 Derivative financial instruments**
Derivative instruments are initially measured at cost and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments are recognised in the income statement as they arise.

**1.3.5 Accounts receivable**
Accounts receivable are classified as originated by the enterprise and are measured at amortised cost.

**1.3.6 Financial liabilities and equity instruments**
Significant financial liabilities include interest-bearing convertible debentures, funds received in trust for specific projects, and accounts payable. The Group holds financial liabilities at amortised cost unless stated otherwise.

*1.3.6.1 Convertible debentures*
Interest-bearing convertible debentures are recorded at amortised cost using the effective interest rate method. Finance charges are accounted for on an accrual basis and is charged to income. Settlement on the accrual is done semi-annually in arrears.

*1.3.6.2 Funds received in trust for specific projects*
Funds received in trust are recorded at the proceeds received date. Interest income and expenses incurred are accounted for on an accrual basis and are capitalised to the fund.

*1.3.6.3 Trade and other payables*
Accounts payable are classified as non-trading financial liabilities and measured at amortised cost.

**1.4 Loans and advances**
**1.4.1 Originated advances**
The Group classifies the loans and advances as originated where it provides money directly to a borrower or to an intermediary at draw down. Originated advances are carried at amortised cost.

All advances are recognised when cash is advanced to borrowers.

**1.4.2 Purchased advances**
The Group classifies purchased advances as held to maturity. Purchased advances and loans where management has both the intent and ability to hold to maturity, are classified as held to maturity. The company classifies purchased advances and receivables acquired in terms of a business combination, where such advances and receivables were classified as "Originated" by the seller as "Originated".

**1.5 Impairments for credit losses**
**1.5.1 General**
A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

**1.5.2 Impairment of advances**
The Group creates a specific impairment when there is objective evidence that it will not be able to collect all amounts due. The amount of the impairment is the difference between the carrying amount and the recoverable amount, calculated as the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate at inception of the advance.

The Group reverses impairments through the income statement, if the amount of the impairment subsequently decreases due to an event occurring after the initial impairment.

**1.5.3 Impairment of other financial assets carried at amortised cost**
The Group calculates the impairment loss for assets carried at amortised cost as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate.

**1.6 Revenue recognition**

Revenue is recognised in the financial statements on the following basis:

- Interest income is recognised on a time proportion basis applying the effective yield on the assets.
- Dividend income is recognised once the right to receive the payment has been established.
- Fee income, exclusive of Value Added Tax, is recognised as and when such income is earned.

**1.7 Leasing**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

**1.8 Government grants**

On restructuring of the Group the acquisition of share capital in the restructured entities HEF and HIDF was accounted for as capital grants from Government on 1 April 2001.

**1.9 Retirement benefit costs**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

**1.10 Taxation**

**1.10.1 Current taxation**

The charge for current tax is based on the results for the year as adjusted for items which are not taxable or disallowed. It is calculated using tax rates that have been enacted at the balance sheet date.

**1.10.2 Deferred taxation**

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that there will be taxable profits against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**1.11 Fixed assets and depreciation**

All fixed assets are stated at cost less accumulated depreciation. Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

- Computer equipment 33,33%
- Computer software 33,33% to 100%
- Furniture, fittings and office equipment 16,67%
- Motor vehicles 25%

# GROUP ACCOUNTING POLICIES

Leasehold improvements are amortised over the remaining period of the lease:

- Leasehold improvements 33,33% to 100%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in income.

**1.12 Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event which is probable will result in an outflow of economic benefits that can be reasonably estimated.

**1.13 Related party transactions**

All related party transactions are at arms length and in the ordinary course of business.

**1.14 Segmental reporting**

For management purposes, the group is organised on a national basis into three business segments – Lending (interest received on advances), Investments (interest received on investments and Government stock) and Fund Management (fees received). The primary reporting format is therefore based on business segments, while the secondary reporting format is based on geographical location.

**1.15 Deferred income**

Deferred income is a liability held at cost related to purchased advances from South African Housing Trust. It is amortised to the income statement as and when payments are received from the related underlying debtors.

**1.16 Embedded derivatives**

An embedded derivative arises when derivatives are a component of a financial instrument in such a way that the cash flows in respect of the instrument vary in a similar way to those in respect of a standalone derivative.

# Notes to the annual financial statements for the year ended 31 March 2004



**2 CHANGES IN ACCOUNTING POLICY**

**2.1 Job Summit Housing Project**

During the year the Company changed its accounting policy with regards to the Job Summit Housing Project funds received from National Treasury – refer note 16 (Funds under administration).

Since the funds of R225 million were received from Government in the financial years 2002 and 2003, interest income was treated as income in the financial statements of National Housing Finance Corporation Limited. The income and expenditure with the related taxation on these amounts was included in the results of the Company. During the financial year 2004 a decision was taken to change the accounting on these funds as to ensure that the interest earned is capitalised and the expenses recovered from the interest. This is in line with the directive from the National Department of Housing. This change in accounting policy resulted in an amount of R55,7 million being transferred to the Grant funding received from National Treasury.

| | **2004 R'000** | 2003 R'000 |
|---|---|---|
| The effect of the restatement on opening distributable reserves in respect of the change in accounting policy is to reduce it as follows: | | |
| Net amount before taxation | **31 406** | 2 068 |
| Taxation | **(9 422)** | (620) |
| Net | **21 984** | 1 448 |
| The effect of the change in accounting policy is to reduce net profit for the year as follows: | | |
| Net amount before taxation | **24 296** | 29 338 |
| Taxation | **–** | (8 802) |
| Net | **24 296** | 20 536 |

**2.2 Impact of adopting AC133**

During the year, the Group changed its accounting policy in respect of its financial instruments to comply with South African Statements of GAAP – AC133, Financial Instruments: Recognition and Measurement. AC133 affects the recognition and measurement of financial instruments, in particular credit impairments against loans and advances. AC133 is applied prospectively, and in terms of the transitional provisions, adjustments are required to the opening distributable reserves, as such comparatives have not been restated. The effect of the change is detailed in the Statements of Changes in Equity.

# Notes to the annual financial statements for the year ended 31 March 2004

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2004 R'000** | 2003 R'000 | **2004 R'000** | 2003 R'000 |
| **3** | **ADVANCES** | | | | |
| | Gross advances | **672 707** | 614 669 | **672 707** | 614 669 |
| | Less: Impairment/Provisions | **(119 052)** | (64 079) | **(119 052)** | (64 079) |
| | Less: Advances written off | **–** | (3 252) | **–** | (3 252) |
| | | **553 655** | 547 338 | **553 655** | 547 338 |
| | **Reconciliation of gross advances** | | | | |
| | Opening balances | **614 669** | 377 154 | **614 669** | 377 154 |
| | Disbursements | **174 869** | 150 845 | **174 869** | 150 845 |
| | Consolidation of HEF and HIDF | **–** | 283 251 | **–** | 283 251 |
| | Repayments | **(116 831)** | (196 581) | **(116 831)** | (196 581) |
| | Balance at end of year | **672 706** | 614 669 | **672 706** | 614 669 |
| | **Analysis of the impairments** | | | | |
| | Portfolio impairment | **–** | (12 811) | **–** | (12 811) |
| | Individual Impairment | **(119 052)** | (51 268) | **(119 052)** | (51 268) |
| | Balance at end of year | **(119 052)** | (64 079) | **(119 052)** | (64 079) |
| | **Reconciliation of the impairment** | | | | |
| | Balance at beginning of year | **(64 079)** | (21 972) | **(64 079)** | (21 972) |
| | Provisions Written Back | **64 079** | – | **64 079** | – |
| | Income statement reversal of impairment on advances | **2 038** | (45 359) | **2 038** | (45 359) |
| | Movement in opening provisions | **(121 090)** | – | **(121 090)** | |
| | Advances written off against provision | **–** | 3 252 | **–** | 3 252 |
| | Balance at end of year | **(119 052)** | (64 079) | **(119 052)** | (64 079) |

**Geographical analysis**

| | **Other provinces** | **Mpumalanga** | **Gauteng** | **KwaZulu-Natal** | **Eastern Cape** | **Western Cape** | **Total** |
|---|---|---|---|---|---|---|---|
| **Gross advances** | 23 805 | 84 301 | 395 131 | 66 406 | 34 185 | 68 878 | 672 707 |
| **Impairments** | (10 244) | (7 673) | (39 334) | – | (7 637) | (54 163) | (119 052) |
| | 13 561 | 76 628 | 355 797 | 66 406 | 26 548 | 14 715 | 553 655 |

**Maturity analysis**

| | **Within 1 year** | **1–2 years** | **2–3 years** | **Beyond 3 years** | **Total** |
|---|---|---|---|---|---|
| Expected receivable | 84 552 | 64 670 | 63 701 | 459 783 | 672 707 |
| Impairment | (72 239) | (5 147) | (5 070) | (36 596) | (119 052) |
| | 12 313 | 59 523 | 58 631 | 423 187 | 553 655 |

# Notes to the annual financial statements for the year ended 31 March 2004



**4 INVESTMENT IN SUBSIDIARY**

Gateway Home Loans (Proprietary) Limited

| | Total issued share capital | | Effective percentage holding | | Book value of holding company interest Shares at cost | |
|---|---|---|---|---|---|---|
| | **2004** | 2003 | **2004** | 2003 | **2004** | 2003 |
| | **R'000** | R'000 | **%** | % | **R'000** | R'000 |
| Shares at cost – ordinary shares | **5 000** | 5 000 | **100** | 100 | **50 000** | 50 000 |
| Loans owing by subsidiary | | | | | **99 920** | 98 162 |
| Net interest in subsidiary | | | | | **149 920** | 148 162 |

The main business of the Company was to acquire and administer home loans advanced by primary market lenders as part of a secondary market process with a view to providing affordable housing finance to enable the delivery of housing on scale. During the 2002 year, a decision was taken by the Board of Directors of the NHFC to restructure certain portions of the business conducted by the NHFC group of companies, with the object of consolidating certain portions of the business conducted by Gateway Home Loans (Pty) Ltd into NHFC. This became effective from 1 April 2002.

**5 INVESTMENT IN CAPE TOWN COMMUNITY HOUSING (PROPRIETARY) LIMITED (incorporated in the Republic of South Africa)**

| | Total issued share capital | | Effective percentage holding | | Book value of holding company interest Shares at cost | |
|---|---|---|---|---|---|---|
| | **2004** | 2003 | **2004** | 2003 | **2004** | 2003 |
| | **R'000** | R'000 | **%** | % | **R'000** | R'000 |
| Shares at cost | **4 000** | 4 000 | **50** | 50 | **2 000** | 2 000 |
| Accumulated impairment | | | | | **(2 000)** | (2 000) |
| Net book value of shares | | | | | **–** | – |
| Convertible debentures at cost | | | | | **18 000** | 8 000 |
| Accumulated impairment | | | | | **(18 000)** | – |
| Net interest | | | | | **–** | 8 000 |

The value of the shares and debentures in this company, a 50% partnership with the City of Cape Town, has been fully impaired as at the 31 March 2004.

# Notes to the annual financial statements for the year ended 31 March 2004

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2004** | 2003 | **2004** | 2003 |
| | | **R'000** | R'000 | **R'000** | R'000 |
| 6 | **INVESTMENT IN PREFERENCE SHARES** | | | | |
| | Preference shares in Peulwana Finance | **2 450** | 2 450 | **2 450** | 2 450 |
| | Redeemable participating preference shares – | | | | |
| | 10% interest rate payable from April 2002 | | | | |
| | if profits are available | | | | |
| 7 | **INVESTMENT IN CELL CAPTIVE** | | | | |
| | Unlisted investments | | | | |
| | *Guardrisk Insurance Company Limited* | | | | |
| | 100% investment in a Cell captive – Cell no 105 | **–** | – | **7 000** | – |
| 8 | **INVESTMENT SECURITIES** | | | | |
| | RSA Stock – R153 | | | | |
| | R120 million nominal | | | | |
| | 13,0% per annum redeemable on 31 August 2010 | **141 155** | 138 857 | **141 155** | 138 857 |

# Notes to the annual financial statements for the year ended 31 March 2004



**9 FIXED ASSETS**

**9.1 Group**

| | Depreciation rate | Cost R'000 | Accumulated depreciation R'000 | 2004 Carrying value R'000 | 2003 Carrying value R'000 |
|---|---|---|---|---|---|
| Computer equipment | 33,33% | 4 004 | 3 079 | **925** | 655 |
| Computer software | 33,33% – 100% | 4 074 | 2 976 | **1 098** | 1 221 |
| Furniture and fittings | 16,67% | 2 552 | 1 866 | **686** | 845 |
| Motor vehicles | 25% | 103 | 24 | **79** | – |
| Office equipment | 16,67% | 366 | 247 | **119** | 167 |
| Leasehold improvements | 33,33% – 100% | 60 | – | **60** | 916 |
| | | 11 159 | 8 192 | **2 967** | 3 804 |

**Reconciliation of opening balances to closing balances year ended 31 March 2004**

| | Computer equipment R'000 | Computer software R'000 | Furniture & fittings R'000 | Office equipment R'000 | Motor vehicles R'000 | Leasehold improve-ments R'000 | 2004 Total R'000 |
|---|---|---|---|---|---|---|---|
| Opening balances | 655 | 1 221 | 845 | 167 | – | 916 | **3 804** |
| Additions | 720 | 575 | 143 | 11 | 103 | 60 | **1 612** |
| Depreciation | (450) | (698) | (302) | (59) | (24) | (916) | **(2 449)** |
| | 925 | 1 098 | 686 | 119 | 79 | 60 | **2 967** |

| | Depreciation rate R'000 | Cost R'000 | Accumulated depreciation R'000 | 2003 Carrying value R'000 |
|---|---|---|---|---|
| Computer equipment | 33,33% | 3 284 | 2 629 | 655 |
| Computer software | 33,33% – 100% | 3 499 | 2 278 | 1 221 |
| Furniture and fittings | 16,67% | 2 409 | 1 564 | 845 |
| Motor vehicles | 25% | 70 | 70 | – |
| Office equipment | 16,67% | 355 | 188 | 167 |
| Leasehold improvements | 33,33% – 100% | 2 081 | 1 165 | 916 |
| | | 11 698 | 7 894 | 3 804 |

# Notes to the annual financial statements for the year ended 31 March 2004

**9 FIXED ASSETS continued**

**9.2 Company**

| | Depreciation rate | Cost R'000 | Accumulated depreciation R'000 | 2004 Carrying value R'000 | 2003 Carrying value R'000 |
|---|---|---|---|---|---|
| Computer equipment | 33,33% | 4 004 | 3 079 | **925** | 655 |
| Computer software | 33,33% – 100% | 4 074 | 2 976 | **1 098** | 1 221 |
| Furniture and fittings | 16,67% | 2 552 | 1 866 | **686** | 845 |
| Motor vehicles | 25% | 103 | 24 | **79** | – |
| Office equipment | 16,67% | 366 | 247 | **119** | 167 |
| Leasehold improvements | 33,33% – 100% | 60 | – | **60** | 916 |
| | | 11 159 | 8 192 | **2 967** | 3 804 |

**Reconciliation of opening balances to closing balances year ended 31 March 2004**

| | Computer equipment R'000 | Computer software R'000 | Furniture & fittings R'000 | Office equipment R'000 | Motor vehicles R'000 | Leasehold improve-ments R'000 | 2004 Total R'000 |
|---|---|---|---|---|---|---|---|
| Opening balances | 655 | 1 221 | 845 | 167 | – | 916 | **3 804** |
| Additions | 720 | 575 | 143 | 11 | 103 | 60 | **1 612** |
| Disposals | – | – | – | – | – | – | **–** |
| Depreciation | (450) | (698) | (302) | (59) | (24) | (916) | **(2 449)** |
| | 925 | 1 098 | 686 | 119 | 79 | 60 | **2 967** |

| | Depreciation rate R'000 | Cost R'000 | Accumulated depreciation R'000 | 2003 Carrying value R'000 |
|---|---|---|---|---|
| Computer equipment | 33,33% | 3 284 | 2 629 | 655 |
| Computer software | 33,33% – 100% | 3 499 | 2 278 | 1 221 |
| Furniture and fittings | 16,67% | 2 409 | 1 564 | 845 |
| Motor vehicles | 25% | 70 | 70 | – |
| Office equipment | 16,67% | 355 | 188 | 167 |
| Leasehold improvements | 20% – 100% | 2 081 | 1 165 | 916 |
| | | 11 698 | 7 894 | 3 804 |

**10 ACCOUNTS RECEIVABLE**

| | | | | |
|---|---|---|---|---|
| Other receivables | **5 265** | 15 650 | **5 264** | 421 |
| Related parties | **5 126** | 641 | **5 126** | 641 |
| Interest accrued | **2 736** | 5 555 | **2 115** | 3 806 |
| | **13 127** | 21 846 | **12 505** | 4 868 |

# Notes to the annual financial statements for the year ended 31 March 2004

| | Group 2004 R'000 | Group 2003 R'000 | Company 2004 R'000 | Company 2003 R'000 |
|---|---|---|---|---|
| **11 INVESTMENTS** | | | | |
| *Held to maturity investments:* | | | | |
| *Short-term deposits* | | | | |
| Amalgamated Banks of South Africa Limited | **193 537** | 176 540 | **193 537** | 176 540 |
| Fixed deposits | **51 990** | 56 364 | **51 990** | 56 364 |
| Promissory Notes | **141 547** | 120 176 | **141 547** | 120 176 |
| Investec Bank Limited | **81 358** | 277 933 | **50 855** | 277 933 |
| Fixed deposits | **30 503** | 101 331 | **–** | 101 331 |
| Promissory Notes | **50 855** | – | **50 855** | – |
| Negotiable certificates of deposit | **–** | 176 602 | **–** | 176 602 |
| Standard Bank of South Africa Limited | **302 871** | 253 109 | **272 369** | 218 348 |
| Fixed deposits | **211 324** | 66 486 | **211 325** | 31 725 |
| Promissory Notes | **91 547** | 186 623 | **61 044** | 186 623 |
| Rand Merchant Bank Holdings | **217 236** | 225 302 | **191 817** | 195 367 |
| Fixed deposits | **150 289** | – | **150 289** | – |
| Promissory Notes | **25 419** | 225 302 | **–** | 195 367 |
| Negotiable certificates of deposit | **41 528** | – | **41 528** | – |
| Nedcor Bank Limited | **178 124** | 128 484 | **162 565** | 128 484 |
| Fixed deposits | **96 857** | 36 320 | **81 298** | 36 320 |
| Promissory Notes | **81 267** | 92 164 | **81 267** | 92 164 |
| SARB Decillion | **24 771** | – | **24 771** | – |
| Treasury bills | **24 771** | – | **24 771** | – |
| *Other short-term financial instruments* | | | | |
| Transnet | **102 546** | – | **102 546** | – |
| Commercial paper | **50 011** | – | **50 011** | – |
| Coupon bills | **52 535** | – | **52 535** | – |
| Eskom | **175 006** | 223 704 | **145 094** | 187 806 |
| Commercial paper | **175 006** | 223 704 | **145 094** | 187 806 |
| Gensec Bank Limited | **–** | 50 647 | **–** | 50 647 |
| Fixed deposits | **–** | 50 647 | **–** | 50 647 |
| Landbank | **212 048** | 30 657 | **182 647** | 30 657 |
| Promissory Notes | **162 175** | 30 657 | **132 774** | 30 657 |
| Treasury bills | **49 873** | – | **49 873** | – |
| | **1 487 497** | 1 366 376 | **1 326 201** | 1 265 782 |

# Notes to the annual financial statements for the year ended 31 March 2004

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2004 R'000** | 2003 R'000 | **2004 R'000** | 2003 R'000 |
| **12** | **SHARE CAPITAL** | | | | |
| | Authorised | | | | |
| | 100 000 000 ordinary shares of R0,01 each | **1 000** | 1 000 | **1 000** | 1 000 |
| | Issued | | | | |
| | 84 187 332 ordinary shares of R0,01 each | **842** | 842 | **842** | 842 |
| **13** | **SHARE PREMIUM** | | | | |
| | Balance at end of year | **879 158** | 879 158 | **879 158** | 879 158 |
| **14** | **GRANT CAPITAL** | | | | |
| | Balance at end of year | **200 000** | 200 000 | **200 000** | 200 000 |
| **15** | **OTHER RESERVES** | | | | |
| | Balance at beginning of year | **–** | 50 000 | **–** | 50 000 |
| | Transfer to distributable reserves – Cell captive | **4 185** | (50 000) | **–** | (50 000) |
| | Balance at end of year | **4 185** | – | **–** | – |
| **16** | **FUNDS UNDER ADMINISTRATION – JOB SUMMIT** | | | | |
| | Balance at end of year | **280 702** | 256 406 | **280 702** | 256 406 |

At the Presidential Job Summit held in October 1998, it was resolved that there was sufficient need for a National Presidential Lead Project (NPLP) on rental housing at scale, to pilot affordable mass housing delivery and alternative forms of tenure – especially rental housing. Following discussions and negotiations with National Treasury, it was decided that NHFC would, on behalf of the Department of Housing, manage the Presidential Pilot Project. The NHFC had received R225 million as a grant from the National Department of Housing for this purpose. The net income for the grant amounted to R55,7 million since first receipt and this is included in the amount of R280,7 million.

| | | Group 2004 R'000 | Group 2003 R'000 | Company 2004 R'000 | Company 2003 R'000 |
|---|---|---|---|---|---|
| **17** | **DEFERRED INCOME** | | | | |
| | Balance at beginning of year | **43 686** | 46 278 | **43 686** | 46 278 |
| | Deferred income arising | **–** | 2 320 | **–** | 2 320 |
| | Deferred income amortised | **(5 185)** | (4 912) | **(5 185)** | (4 912) |
| | Balance at end of year | **38 501** | 43 686 | **38 501** | 43 686 |

The South African Housing Trust (SAHT) and the NHFC were established by the National Department of Housing (NDOH) to provide finance for low-income housing. The SAHT was closed in 2002. The assets held by SAHT included advances to homebuyers, housing subcontractors and micro lenders for low-income housing. The National Department of Housing (NDOH) sold the advance book of SAHT to the NHFC for a consideration of R1. The fair value of the advances as at 31 March 2004 is R38,5 million (2003: R43,7 million).

The deferred income of R2,3 million in 2003 arose from the consolidation of the loan books of Homebuild Discount between the NHFC and the Rural Housing Loan Fund and was fully earned in 2004.

# Notes to the annual financial statements for the year ended 31 March 2004



| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2004 R'000** | 2003 R'000 | **2004 R'000** | 2003 R'000 |
| **18** | **LONG-TERM LIABILITIES** | | | | |
| | Convertible debentures | **–** | 100 000 | **–** | 100 000 |
| | Job Summit Housing Project | **145 040** | 196 178 | **145 040** | 196 178 |
| | | **145 040** | 296 178 | **145 040** | 296 178 |

The debentures consist of 100 000 000 subordinated unsecured senior convertible debentures of R1 each, redeemable on 28 February 2005. Interest is payable at 16,53% semi-annually in arrears, in equal instalments on 31 August and 28 February.

With effect from 28 February 2001 holders of the debentures could, by furnishing written notice, convert their debentures in whole or in part to ordinary shares in the capital of the Company. No debentureholders have exercised these rights and these rights have lapsed.

These debentures will be repaid on 28 February 2005 and R101 million has been included in current liabilities.

During the financial year, subsidy money of R38,6 million (2003: R196,7 million) was received from Mpumalanga Province and added to the Job Summit Housing Project Liability. These funds are specifically earmarked for Job Summit Housing Projects in Mpumalanga and KwaZulu-Natal. The interest received on these funds is capitalised and is not included in the interest income of the Company or the Group. Approved disbursement on these projects is debited against funds held.

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2004 R'000** | 2003 R'000 | **2004 R'000** | 2003 R'000 |
| **19** | **ACCOUNTS PAYABLE** | | | | |
| | Joint venture development fund | **80 489** | 80 489 | **80 489** | 80 489 |
| | Related parties | **60** | – | **60** | – |
| | Sundry creditors and accruals | **16 114** | 13 183 | **16 000** | 13 164 |
| | | **96 663** | 93 672 | **96 549** | 93 653 |
| **20** | **REVENUE** | | | | |
| | Interest on advances | **64 584** | 79 526 | **64 584** | 79 526 |
| | Interest on deposits and Government Stock | **139 955** | 139 495 | **122 667** | 118 347 |
| | Fees received and other income | **24 419** | 11 025 | **15 436** | 11 366 |
| | | **228 958** | 230 046 | **202 687** | 209 239 |
| **21** | **FINANCE COSTS** | | | | |
| | Interest on convertible debentures | **16 530** | 16 541 | **16 530** | 16 541 |
| | Finance charges | **197** | 98 | **104** | 98 |
| | | **16 727** | 16 639 | **16 634** | 16 639 |

# Notes to the annual financial statements for the year ended 31 March 2004

| | Group 2004 R'000 | Group 2003 R'000 | Company 2004 R'000 | Company 2003 R'000 |
|---|---|---|---|---|
| **22 NET INCOME BEFORE TAXATION** | | | | |
| Net income before taxation is arrived at after taking the following items into account: | | | | |
| Revaluation of R153's | **2 298** | 10 867 | **2 298** | 10 867 |
| Profit on sale of R184's | **–** | 7 117 | **–** | 7 117 |
| Bad debts recovered | **3 581** | 110 | **3 581** | 110 |
| Impairments/Provisions | **15 962** | 45 359 | **15 962** | 45 359 |
| Revaluation of derivative instruments | **–** | 9 918 | **–** | 9 918 |
| Loss on sale of R194's | **–** | 515 | **–** | 515 |
| Premium written off on R153's | **–** | 9 378 | **–** | 9 378 |
| Staff costs | **17 996** | 16 579 | **17 996** | 16 579 |
| Number of employees | **78** | 73 | **78** | 73 |
| Auditors' remuneration | | | | |
| Audit fees | **573** | 596 | **573** | 484 |
| Technical services | **257** | – | **257** | – |
| Prior year underprovision | **220** | 274 | **220** | 274 |
| | **1 050** | 870 | **1 050** | 758 |
| Fees for services | | | | |
| Consulting and advisory | **4 341** | 6 939 | **4 341** | 6 939 |
| Depreciation | | | | |
| Computer equipment | **450** | 462 | **450** | 462 |
| Computer software | **698** | 575 | **698** | 575 |
| Furniture and fittings | **302** | 359 | **302** | 359 |
| Office equipment | **59** | 53 | **59** | 53 |
| Motor vehicles | **24** | – | **24** | – |
| Leasehold improvements | **916** | 498 | **916** | 498 |
| | **2 449** | 1 947 | **2 449** | 1 947 |
| Operating lease payments in respect of premises | **3 926** | 4 392 | **3 926** | 4 392 |
| Provident fund contributions | **2 149** | 1 806 | **2 149** | 1 806 |
| Profit on disposal of fixed assets | **38** | 1 | **38** | 1 |

# Notes to the annual financial statements for the year ended 31 March 2004



| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2004 R'000** | 2003 R'000 | **2004 R'000** | 2003 R'000 |
| **23** | **DIRECTORS' AND EXECUTIVES' EMOLUMENTS** | | | | |
| | *Non-executive directors* | | | | |
| | Fees for services as directors | **310** | 87 | **310** | 87 |
| | E Molobi – paid to Kagiso Trust | **42** | 23 | **42** | 23 |
| | S Tati – paid to Khula Enterprises | **98** | 18 | **97** | 18 |
| | D Botha – paid to Development Bank of South Africa | **12** | 10 | **12** | 10 |
| | N Mjoli-Mncube – paid to Nurcha | **50** | 11 | **50** | 11 |
| | N Makiwane | **84** | 14 | **84** | 14 |
| | M Gantsho – paid to Development Bank of South Africa | **14** | 11 | **14** | 11 |
| | S Ntsaluba | **6** | – | **6** | – |
| | T Middleton | **4** | – | **4** | – |
| | *Executive directors* | **2 036** | 1 715 | **2 036** | 1 715 |
| | Bonuses | **517** | 428 | **517** | 428 |
| | Salaries | **1 275** | 1 020 | **1 275** | 1 020 |
| | Retirement Fund Contributions | **106** | 102 | **106** | 102 |
| | Medical Aid Contributions | **–** | – | **–** | – |
| | Fringe Benefits | **–** | 165 | **–** | 165 |
| | Other | **138** | – | **138** | – |
| | *Executive managers** | **10 083** | 10 110 | **10 083** | 10 110 |
| | Bonuses | **1 535** | 1 107 | **1 535** | 1 107 |
| | Salaries | **7 773** | 8 244 | **7 773** | 8 244 |
| | Medical Aid Contributions | **130** | 123 | **130** | 123 |
| | Provident Fund Contributions | **645** | 636 | **645** | 636 |
| | | **12 429** | 11 909 | **12 429** | 11 909 |

No service contracts are in place with directors.

* Details of salaries have been supplied to the shareholder.

| | | Group 2004 R'000 | Group 2003 R'000 | Company 2004 R'000 | Company 2003 R'000 |
|---|---|---|---|---|---|
| **24** | **TAXATION** | | | | |
| **24.1** | **Charge for the year** | | | | |
| | Taxation on income | | | | |
| | South African Normal Taxation | | | | |
| | *Current* | **35 781** | 45 875 | **33 049** | 45 833 |
| | *Deferred* | **60** | (11 188) | **61** | (11 188) |
| | Total South African Taxation on income | **35 841** | 34 687 | **33 110** | 34 645 |
| **24.2** | **Tax rate reconciliation** | **%** | % | **%** | % |
| | SA Normal Tax Rate | **30,0** | 30,0 | **30,0** | 30,0 |
| | Other permanent differences | **(1,4)** | (0,9) | **–** | – |
| | Assessed loss utilised | **(2,3)** | – | **–** | – |
| | Exempt income | **–** | (2,9) | **–** | – |
| | Effective tax rate | **26,3%** | 26,2% | **30,0%** | 30,0% |
| **24.3** | **Reconciliation of deferred taxation** | | | | |
| | Balance at beginning of year | **6 488** | (4 701) | **6 488** | (4 701) |
| | AC133 adjustment to opening balance | **(6 105)** | – | **(6 105)** | – |
| | Charge for the current year | **(60)** | 11 188 | **(61)** | 11 188 |
| | Balance at end of year | **322** | 6 488 | **322** | 6 488 |

# Notes to the annual financial statements for the year ended 31 March 2004

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2004** | 2003 | **2004** | 2003 |
| | | **R'000** | R'000 | **R'000** | R'000 |
| **25** | **RECONCILIATION OF CASH UTILISED IN OPERATIONS** | | | | |
| **25.1** | **Income before taxation** | **136 235** | 132 615 | **110 348** | 115 482 |
| | Adjustments for non-cash flow items: | **(171 737)** | (146 700) | **(154 542)** | (128 490) |
| | Revaluation of R153's | **(2 298)** | (10 867) | **(2 298)** | (10 867) |
| | Revaluation of derivative instruments | **–** | 9 918 | **–** | 9 918 |
| | Depreciation | **2 449** | 1 947 | **2 449** | 1 947 |
| | Impairment | **15 962** | 45 359 | **15 962** | 45 359 |
| | Bad debts written-off | **–** | 3 252 | **–** | 3 252 |
| | Profit on disposal of fixed assets | **(38)** | (1) | **(38)** | (1) |
| | Profit on sale of R184's | **–** | (7 117) | **–** | (7 117) |
| | Loss on sale of R194's | **–** | 515 | **–** | 515 |
| | Premium written-off on purchase of R153's | **–** | 9 738 | **–** | 9 738 |
| | Interest paid | **16 727** | 16 639 | **16 634** | 16 639 |
| | Interest received | **(204 539)** | (216 083) | **(187 251)** | (197 873) |
| | **Operating loss before working capital changes** | **(35 502)** | (14 085) | **(44 194)** | (13 008) |
| | Changes in working capital: Net (increase)/decrease | **(47 747)** | 58 562 | **(65 951)** | (25 579) |
| | Increase in advances | **(61 289)** | (29 885) | **(61 289)** | (210 535) |
| | (Increase)/Decrease in intercompany loan accounts | **–** | – | **(1 757)** | 100 211 |
| | (Decrease)/Increase in accounts receivable | **9 175** | 5 095 | **(7 181)** | 256 |
| | Increase in accounts payable | **4 367** | 83 352 | **4 276** | 84 489 |
| | **Cash (utilised in)/generated by operations** | **(83 249)** | 44 477 | **(110 146)** | (38 587) |
| **25.2** | **Taxation paid** | | | | |
| | Amounts receivable – beginning of year | **24 406** | 3 951 | **26 182** | 3 951 |
| | AC133 adjustment to opening balance | **31 521** | – | **31 521** | – |
| | Change in accounting policy | **–** | 9 422 | **–** | 9 422 |
| | Taxation charge for the year | **(35 781)** | 55 298 | **(33 049)** | 54 634 |
| | Amounts receivable – end of year | **(52 005)** | (24 406) | **(54 040)** | (26 183) |
| | Taxation paid | **(31 859)** | (44 265) | **(29 396)** | (41 825) |
| **25.3** | **Cash and cash equivalents** | | | | |
| | Investments | **1 487 497** | 1 366 376 | **1 326 201** | 1 265 782 |
| | Bank balances and cash | **194 190** | 286 207 | **179 869** | 259 814 |
| | | **1 681 687** | 1 652 583 | **1 506 069** | 1 525 596 |

# Notes to the annual financial statements for the year ended 31 March 2004



| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2004** | 2003 | **2004** | 2003 |
| | | **R'000** | R'000 | **R'000** | R'000 |
| **26** | **LEASE COMMITMENTS** | | | | |
| | Lease commitments | | | | |
| | *Payable within 1 year* | **3 171** | 4 936 | **3 171** | 4 936 |
| | Property | **2 833** | 4 430 | **2 833** | 4 430 |
| | Office equipment | **338** | 506 | **338** | 506 |
| | *Payable between 2 and 5 years* | **6 858** | 307 | **6 858** | 307 |
| | Property | **6 466** | – | **6 466** | – |
| | Office equipment | **392** | 307 | **392** | 307 |
| | | **10 029** | 5 243 | **10 029** | 5 243 |
| **27** | **CONTINGENT LIABILITIES** | | | | |
| | Guarantees provided | | | | |
| | *Ithemba* | **6 870** | – | **6 870** | – |
| | *Gensec* | **533** | – | **533** | – |
| | *Cape Town Community Housing Company* | **5 000** | | **5 000** | |
| | *Greater Middelburg Housing Association* | **–** | 4 750 | **–** | 4 750 |
| | *King William's Town Housing Association* | **–** | 3 500 | **–** | 3 500 |
| | | **12 403** | 8 250 | **12 403** | 8 250 |

**28 RETIREMENT BENEFITS**

Contributions to the National Housing Finance Corporation Provident Fund are charged against income as incurred. The Fund is a defined contribution fund administered by Alexander Forbes (to September 2003) and subsequently by Robson Savage, and subject to the Pension Fund Act of 1956.

The Corporation is not liable for post-retirement benefits.

| | **2004** | 2003 | **2004** | 2003 |
|---|---|---|---|---|
| Provident fund contributions | **2 149** | 1 806 | **2 149** | 1 806 |

**29 FINANCIAL INSTRUMENTS**

**Credit Risk**

Financial assets, which potentially subject the Company to concentrations of high credit risk, consist principally of advances. Short-term deposits are placed with high credit quality financial institutions rated at least A1 or better in terms of short-term credit ratings, by at least two recognised rating agencies. Advances are presented net of impairments. Credit risk with regard to advances is limited in terms of credit policy, which provides for prudent counter party limits in respect of both individual clients and Group exposures as a percentage of the total advances portfolio. The advances at year-end reflect that the Company has exposure within approved counter party limits.

The Company obtains collateral or other security against all advances made, other than from counter parties that have been accorded acceptable external credit ratings by recognised credit rating agencies.

The Company's advances book comprises both fixed and variable interest rate loans.

The rates applicable to fixed interest loans are based on agreed market rates at date of disbursement and remain fixed for the full term of the loan.

| | Group | | Company | |
|---|---|---|---|---|
| | **2004** | 2003 | **2004** | 2003 |
| | **R'000** | R'000 | **R'000** | R'000 |
| **29 FINANCIAL INSTRUMENTS continued** | | | | |
| **The composition of the year-end advances book is as follows:** | | | | |
| Fixed rate advances | **115 766** | 57 687 | **115 766** | 57 687 |
| Linked rate advances | **556 941** | 553 730 | **556 941** | 553 730 |
| Less: Impairments | **(119 052)** | (64 079) | **(119 052)** | (64 079) |
| | **553 655** | 547 338 | **553 655** | 547 338 |

**Interest rate risk**

The group is exposed to interest rate risk on the following assets and liabilities:

| | Strategy | **2004 Fixed rate R'000** | **2004 Linked rate R'000** | **2003 Fixed rate R'000** | **2003 Linked rate R'000** |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Advances – rates varied between 6,78% and 20,85% pa. | 1 | **115 766** | **556 941** | 57 687 | 553 730 |
| Long-term investments – refer to note 8. The rate varied between 8,90% and 11,35% pa. | 2 | **–** | **141 155** | – | 138 857 |
| Short-term investments – rates varied between 7,35% and 13,40% pa. | 3 | **–** | **1 487 497** | – | 1 366 376 |
| Bank balances and cash – rates varied between 6,50% and 12,90% pa. | | **–** | **194 190** | – | 286 207 |
| **Liabilities** | | | | | |
| Debentures – refer to note 18. The rate is fixed at 16,53% paid semi-annually in arrears. | | **101 378** | **–** | 100 000 | – |
| Job Summit Project Funds – rates are linked to short-term investment rates. | | | **145 040** | | 196 178 |

Interest rate risk management strategies are as follows:

1 Clients who enjoy linked interest rate facilities, are subject to interest rate changes in accordance with various market indices and fixed rates are applied to the period of each contract.

2 The R153 is carried at a clean rate, and this varies as market forces dictate.

3 Short-term investments are held at amortised cost.

# Notes to the annual financial statements for the year ended 31 March 2004



**29 FINANCIAL INSTRUMENTS continued**

**Fair value**

At 31 March 2004 and 2003 the carrying amounts of cash, short-term deposits, advances, accounts payable with the exception of debentures, valued at R106,5 million, investments and short-term borrowings approximated their fair values.

| | Carrying amount 2004 R'000 | Fair value 2004 R'000 |
|---|---|---|
| Assets | | |
| – Advances | 553 655 | 553 655 |
| – Long-term investments | 141 155 | 141 155 |
| – Short-term investments | 1 487 497 | 1 487 497 |
| – Bank balances and cash | 194 190 | 194 190 |
| | 2 376 497 | 2 376 497 |
| Liabilites | | |
| Debentures | 101 378 | 106 470 |
| Job Summit Project Funds | 145 040 | 145 040 |
| | 246 418 | 251 510 |

**30 SEGMENTAL INFORMATION**

Group business segmental analysis of income statement

| | Lending activities R'000 | Investment activities R'000 | Management fees R'000 | Total 2004 R'000 | Total 2003 R'000 |
|---|---|---|---|---|---|
| **Revenue – 2004** | 64 584 | 139 955 | 24 419 | **228 958** | – |
| **Revenue – 2003** | 79 526 | 139 495 | 11 025 | **–** | 230 046 |
| Finance costs | | | | **(16 727)** | (16 639) |
| **Net interest income** | | | | **212 231** | 213 407 |
| Impairment | | | | **(15 962)** | (45 359) |
| **Net income** | | | | **196 269** | 168 048 |
| Net trading income | | | | **–** | 20 650 |
| **Operating income** | | | | **196 269** | 188 698 |
| Operating costs | | | | **(60 034)** | (56 083) |
| **Net income before taxation** | | | | **136 235** | 132 615 |
| Taxation | | | | **35 841** | (34 687) |
| **Net income after taxation** | | | | **100 394** | 97 928 |
| **Group business segmental analysis of the balance sheet** | | | | | |
| Advances – 2004 | 553 655 | | | **553 655** | – |
| Advances – 2003 | 547 338 | | | **–** | 547 338 |
| Trading securities – 2004 | | 141 155 | | **141 155** | – |
| Trading securities – 2003 | | 138 857 | | **–** | 138 857 |
| Investments – 2004 | | 1 487 497 | | **1 487 497** | – |
| Investments – 2003 | | 1 366 376 | | **–** | 1 366 376 |
| Bank balances and cash – 2004 | | 194 190 | | **194 190** | – |
| Bank balances and cash – 2003 | | 286 207 | | **–** | 286 207 |
| | | | | **2 376 497** | 2 338 778 |

# Notes to the annual financial statements for the year ended 31 March 2004

**30 SEGMENTAL INFORMATION continued**

Geographical segmental analysis of income statement

| | Other provinces R'000 | Mpuma-langa R'000 | Gauteng R'000 | KwaZulu-Natal R'000 | Eastern Cape R'000 | Western Cape R'000 | Total 2004 R'000 | Total 2003 R'000 |
|---|---|---|---|---|---|---|---|---|
| **Revenue – 2004** | | | | | | | | |
| Lending | 473 | 8 777 | 31 710 | 8 227 | 9 691 | 5 707 | **64 584** | |
| Investment and management fees | | | | | | | **164 374** | |
| **Revenue – 2003** | | | | | | | | |
| Lending | 2 741 | 7 936 | 29 888 | 19 804 | 6 529 | 12 628 | **–** | 79 526 |
| Investment and management fees | | | | | | | **–** | 150 520 |
| | | | | | | | **228 958** | 230 046 |
| Finance costs | | | | | | | **(16 727)** | (16 639) |
| **Net interest income** | | | | | | | **212 231** | 213 407 |
| Impairment | | | | | | | **(15 962)** | (45 359) |
| **Net income** | | | | | | | **196 269** | 168 048 |
| Net trading income | | | | | | | **–** | 20 650 |
| **Operating income** | | | | | | | **196 269** | 188 698 |
| Operating costs | | | | | | | **(60 034)** | (56 083) |
| **Net income before taxation** | | | | | | | **136 235** | 132 615 |
| Taxation | | | | | | | **35 841** | (34 687) |
| **Net income after tax** | | | | | | | **100 394** | 97 928 |

Geographical segmental analysis of the balance sheet

| | Other provinces R'000 | Mpuma-langa R'000 | Gauteng R'000 | KwaZulu-Natal R'000 | Eastern Cape R'000 | Western Cape R'000 | Total 2004 R'000 | Total 2003 R'000 |
|---|---|---|---|---|---|---|---|---|
| Advances – 2004 | 13 561 | 76 628 | 355 797 | 66 406 | 26 548 | 14 715 | **553 655** | – |
| Advances – 2003 | 16 920 | 55 122 | 185 998 | 138 566 | 70 949 | 79 783 | **–** | 547 338 |
| Trading securities – 2004 | | | 141 155 | | | | **141 155** | – |
| Trading securities – 2003 | | | 138 857 | | | | **–** | 138 857 |
| Investments – 2004 | | | 1 487 497 | | | | **1 487 497** | – |
| Investments – 2003 | | | 1 366 376 | | | | **–** | 1 366 376 |
| Bank balances and cash – 2004 | | | 194 190 | | | | **194 190** | – |
| Bank balances and cash – 2003 | | | 286 207 | | | | **–** | 286 207 |
| | | | | | | | **2 376 497** | 2 338 778 |

# Administration

## National Housing Finance Corporation Limited (NHFC)

Registration number 1996/005577/06

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Isle of Houghton
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Ernst & Young

### Bankers
Standard Bank of South Africa

### Website
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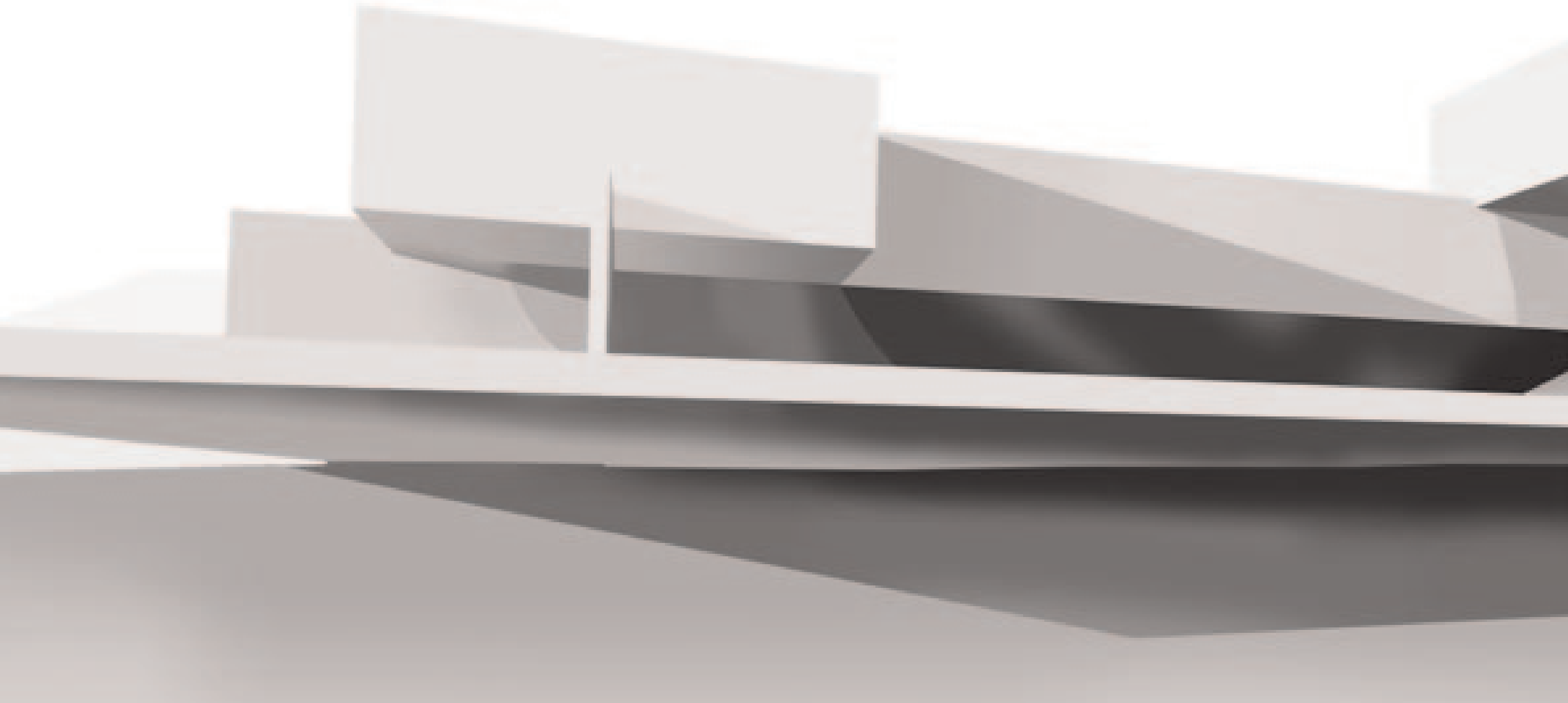
DESIGN Visual Ignition 1552
DTP DTPAlign
PRINT L&K Print

DEPARTMENT OF HOUSING



www.nhfc.co.za