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National Housing Finance Corporation Annual report 2007

NATIONAL HOUSING FINANCE CORPORATION LTD.

National Housing Finance Corporation

Annual report

2007

Enhancing lives, opening doors to the future

Unlocking doors…

Making housing finance accessible and affordable
for the low to middle income housing market

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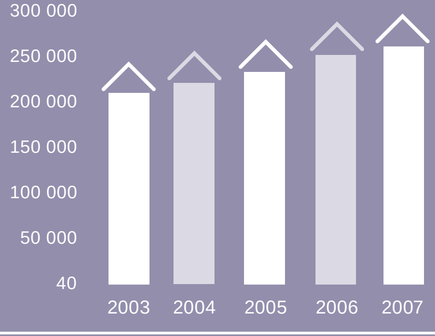

Cumulative housing opportunities
funded 2003-2007

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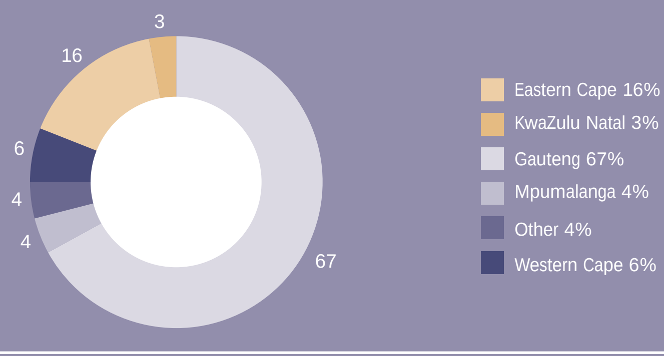


Balance of advances by provinces

Profit before tax

Board of Directors

Executive management

Non-executive directors

1 : Prof Michael Katz : Chairman Edward Nathan Sonnenbergs

2 : Mr Samson Moraba : Chief Executive Officer

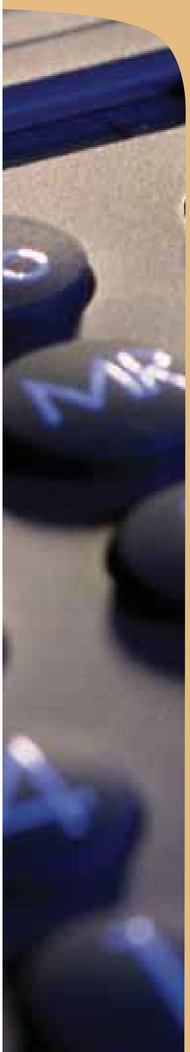
3 : Mr Andrew Canter : Head of Fixed Interest and Investment Futuregrowth Asset Management

4 : Ms Nocawe Makiwane : Managing Director Avuka Investments (Pty) Limited

5 : Mr Tim Middleton : Executive Director Kagiso Urban Management (Pty) Limited

6 : Mr Sango Ntsaluba : Chief Executive Officer Amabubesi Investments (Pty) Limited

7 : Mr Sizwe Tati : Managing Executive ABSA Small Business



Executive management

8 : Mr Samson Moraba : Chief Executive Officer

9 : Ms Adrienne Egbers : Chief Financial Officer

10 : Mr Siegfried Mogane : Credit

11 : Mr Brian Kgosi : Information Technology

13 : Mr Lawrence Lehabe : Marketing

14 : Ms Elsabe Marx : Company Secretary

15 : Ms Nomsa Ntshingila : Human Resources

16 : Ms Zonia Adams : Treasury

*** : Ms Salome Sengani : Corporate Strategy**

*** : Mr Gavin Long : Credit**

** Photograph not available*

Chairman’s report

Prof MM Katz

“Facilitate the development of a viable and sustainable low to middle income housing finance market”

Chairman's report

I am pleased to present this report of the Corporation's accomplishments for the 2007 financial year.

In the year under review, the NHFC took significant strides towards implementing the broadened mandate of the Corporation. A deeper understanding of household needs and preferences in our target market is a prerequisite to growing the business. The extensive research undertaken has assisted us to adapt our business practices, service levels and product offerings to the lower end of the housing market.

We have entered into a strategic relationship with the South African Post Office (SAPO) to pilot the delivery mechanism for the retail model. SAPO will support the front office for retail home loans to facilitate a smooth roll-out of this new product. With its branches throughout the country, SAPO is very well placed to work with NHFC in its aim to broaden and deepen access to home loans for the lower income South Africans.

We have reviewed our corporate governance structures and the mandates of the Board Committees during the year under review to enhance and align them with our new business.

As directors, we are dedicated to serving as stewards of a national housing finance agency and will continue to provide the Corporation with strong leadership in grasping the opportunities and facing the challenges within the affordable housing market. Thus we attended the MinMec conference which provided valuable insights and highlighted some of the important challenges that face NHFC and other housing institutions.

I sincerely thank my fellow Board members for their leadership and strategic contribution while fulfilling their duty of providing prudent oversight in the affairs of the Corporation. I acknowledge that this builds on the exceptional legacy left by our former Chairman, the late Mr Eric Molobi. In memory of his life, the Board has supported and approved the creation of the Eric Molobi Innovation Hub, which was launched in July by the Honourable Minister of Housing.

I sincerely thank the Honourable Minister for her availability, support and rigorous engagement with the Board. This has resulted in NHFC expanding the boundaries of the Corporation's intervention in its objective of becoming the housing finance lender of choice for the many, yet unserved, South Africans in the low to middle income market.

I believe that the achievements outlined in this report, along with our ability to adapt, anticipate and respond appropriately to the challenges ahead, will determine the effectiveness with which we navigate the future and turn today's opportunities into success.

Finally my sincere thanks to my colleagues on the Boards and to Samson Moraba and his executive management team.

Prof MM Katz
Acting Chairman

Chief Executive's report

Mr SS Moraba

"Aggressively facilitating both public and private partners to significantly increase the supply of housing suitable for the low to middle income market"

Chief Executive's report

The business of the Corporation remains that of:

- making housing finance accessible and affordable for the low to middle income households;
- supporting the Breaking New Ground (BNG) Strategy by facilitating the development of sustainable human settlements; and
- facilitating the development of a viable and sustainable low to middle income housing finance market.

For the 2006/2007 financial year, the NHFC's main priorities were to build the infrastructure for the implementation of the retail model and to adopt a more aggressive project implementation approach.

Our performance

In the year under review, the NHFC has achieved a reasonable overall performance. The accomplishments outlined in this report build on our past achievements but are indeed, like the achievements in the affordable housing market in South Africa, below the set targets.

Making housing finance accessible and affordable for the low to middle income housing market

The transformation of the Corporation in view of its expanded mandate has culminated in the development of a retail operating model. This would allow the NHFC to deepen the access and broaden the reach to the lower income segments of the market. The NHFC retail offering is currently being piloted in partnership with the Post Bank, which will provide access to home loans for the majority of households in our target market.

Target market

Based on the broadening of our original mandate, that was to serve the low to moderate income groups, to include middle income groups, the NHFC has considered the emerging middle income market as a key group that requires support. Increasingly, these are households that earn more than R7 000 per month, but cannot afford the increasing house prices that are typical of the middle income segment.

These households are left out of the middle income market and are pushed to the lower end of the market. Research in this regard confirms that this is due to unavailability of housing stock priced between R100 000 and R500 000.

Innovation

NHFC has developed an innovative financial instrument, with a strategic partner, that will be launched and rolled out to the market shortly. The instrument will substantially address the above problems and will significantly lower the entry threshold for homeownership, thus promoting broader access to housing for this particular group of households.

Support BNG Strategy by facilitating the development of sustainable human settlements

In adopting a more aggressive project implementation approach instead of being reactive, the following initiatives were embarked upon:

- proactively sourcing projects through business development initiatives instead of waiting for clients to approach the Corporation;
- working with developers, both private and public, instead of the traditional social housing institutions only;
- offering technical assistance through the funding of expenses such as feasibility studies, training for builders amongst other interventions in order to unlock projects;
- providing bridging finance to municipalities involved in housing development projects; and
- financing land acquisition as part of the housing development project costs.

Performance per sector class

Social Housing Institutions

Social Housing Institutions are having particular difficulty in that the subsidies available have not kept pace with the increase in building costs, which causes a gap between the value of the subsidies and the borrowing required. Successes have, however, been noted e.g. a number of Social Housing Projects have been launched in some provinces during the year under review. There is, however, still a need for "social capital" or an innovative funding product to make the units affordable to subsidy beneficiaries.

Municipal capacity

The incapacity at local councils that causes delays in land transfers, planning permission, etc. has been well documented but nevertheless needs to be mentioned. Initiatives by institutions like the Development Bank of SA (DBSA) to address these issues are welcome and will hopefully pay dividends in the next years.

Facilitating and financing private projects

Voluntary private sector initiatives

In the Minister's budget speech on 8 June 2007, she reported that banks were claiming to have provided funding of R32 billion out of the promised R42 billion.

Chief Executive's report continued

NHFC is working with the banks and the Partnership for Housing on housing delivery at scale and it is anticipated that MOUs will be signed with ABSA and Standard, in the near future, to jointly target the huge demand.

Lending through intermediaries (commercial)
Whilst the total number of incremental loans and units were lower than budgeted, the value of disbursements almost tripled. Given that incremental loans are by their nature small (up to R10 000), the increased value of disbursements is due to the higher average loan size for the 782 units financed through mortgage bonds. This outcome is amongst others a result of the escalating average prices of houses and lack of stock at price ranges that are affordable within the income range up to R7 000. The budgeted value of commercial loans was R41,9 million for 2007 while the actual disbursements amounted to R124,2 million.

The seed capital and the initial loan financing that the NHFC made available to the Trust for Urban Housing Finance (TUHF) has impacted positively on the NHFC's target market through the following:

- very visible inner city regeneration;
- significant rental housing impact – proximity to places of work; and
- the leveraging of additional private sector funding for both social and rental housing. NHFC's leveraging factor translates to a 1 to 5 ratio.

Financial review

The Corporation continues to grow its reserves through internal growth and with a profit of R62,9 million, the retained earnings increased to R905,2 million. Although Group profit after tax for the year was 14% above budget, it was 18% below that of 2006 due to increased costs arising out of the re-engineering process undertaken during the year.

Overall revenue at R165,9 million was above budget, partly due to the rise in interest rates during the year. The necessity to impair amounts outstanding from two clients resulted in the budget for impairments being exceeded by approximately R15 million. The operating expenses were R68,4 million against a budget of R83,7 million, which is an 18% positive variance.

The advance book grew to R846,6 million from R755,7 million which is lower than budget due to the challenges in funding projects, including Social Housing Institutions.

The overall impact geared to improve the quality of life of the people we serve was 14 443 against a budget of 25 182.

Since inception, the Corporation has disbursed R2,4 billion and delivered 264 130 housing opportunities.

Key risks

We have during the year under review focused our efforts on the management of the strategic risks inherent to the retail pilot project to ensure the successful roll-out of the retail model offering through the Post Bank.

We have simultaneously focused on the operational risks facing us in the implementation of an IT architecture that is robust to support our current and new business and will meet our needs for innovation to offer choices to the households in the target market.

We have also managed regulatory risks closely, particularly pertaining to new legislation e.g. the National Credit Act, which will impact on our lending activities.

Human resources

The competitive environment in which we operate demands organisational capabilities that enable us to effectively implement the broadened mandate and differentiate us from other players in the market.

At the core of our organisational capabilities are our staff's competencies. They are the ones who manage core processes defined in the transformation process, deploy appropriate technologies to deliver the required unique offering and create a sustainable business. It has become key for the Corporation to develop its staff's competencies and where necessary recruit new staff with appropriate skills and retain its existing resources and talent.

Future outlook

The strategic focus for the coming financial year will largely be a continuation of the key initiatives designed in line with the broadened mandate of the Corporation which is additional to the current business operations.

These initiatives are:

- implementation of the new organisational structure in line with the target operating model;
- rolling out of the retail offering to the key provinces and thereafter national;
- effective launching and managing the implementation of an innovative product that will assist in deepening and broadening access to the affordable housing market and thus changing the low to middle income housing landscape;
- closing out on the key scale project initiatives that began during this financial year such that they significantly increase the supply of housing stock in the target market;

The Corporation's response to the "breaking new ground in housing delivery" strategy and the millennium goals will be greatly enhanced in the envisaged transformed NHFC

- work with banks by playing a facilitative and integrative role in the process and thus enhance the scale of delivery and the funds flow in the target market; and
- aggressively facilitating both public and private partners to significantly increase the supply of housing suitable for the low to middle income housing market.

Appreciation

We recognise that we can do more to help people who may not have shared in the recent housing market boom due to their low income levels or lack of housing product to suit their needs.

We also know that our success is founded on being a Corporation that is well managed, accountable and responsible. We are proud of the impact we have made, but also acknowledge that more can be done and that we have not done it alone. Many of our partners, including the banks under the Financial Sector Charter, are committed to solving the housing issues we currently face and we will continue to work with them to develop solutions needed to ensure that every South African, with a reasonable source of income, has an opportunity to find affordable, decent and suitable housing.

I want to thank our Board's Acting Chairman, Professor Michael Katz and the rest of the Board members for their input, leadership and wisdom in guiding the affairs of the Corporation. I want to take the opportunity to also thank the Honourable Housing Minister, Dr Lindiwe Sisulu, for her continued support, availability and commitment to the cause of making the NHFC the critical building block in addressing the challenges of meeting the housing finance needs of most underserved South Africans.

To the management and staff of the Corporation, I salute you for the tenacity and resolve you showed in one of the most challenging years of the Corporation's life.

Mr SS Moraba
Chief Executive Officer

Corporate governance

Governance principles

The Board has reaffirmed the Corporation's commitment to sound governance practices and, in particular, to the principles underlying the second King Committee Report on Corporate Practices and Conduct (King II). In this regard, the Board is constantly reviewing its corporate governance structures and practices to align it with national best practice. The Corporation is committed to conducting its affairs with integrity and holds itself responsible and accountable towards its stakeholders.

Code of Ethics (the Code)

The Corporation is managed ethically and in line with the Code, which is based on the fundamental principles of fairness, transparency, integrity, reliability, responsibility and honesty.

The Code commits management and staff to high standards of conduct in their dealings with the Corporation's clients and stakeholders. No incidence of unethical conduct that required further investigation or action was reported during the year under review,

Values

The Corporation promotes sound values and is committed to trustworthiness, openness to new ideas, passion for purpose, accountability, commitment and teamwork.

The Corporation's governance structures

Accountability to the Shareholder

The Corporation through its Board of Directors (the Board) is accountable to its sole Shareholder, the Government of the Republic of South Africa. The Minister of Housing (the Minister) represents the Shareholder's interest.

Accountability to the Minister of Housing

The Minister in her capacity as representative of the Shareholder determines the Corporation's mandate and holds the Board accountable for managing and controlling the Corporation's operations in compliance with its mandate.

A Corporate Plan was submitted to the National Department of Housing (NDoH) in March 2007, as required in terms of Section 52 of the Public Finance Management Act, Act 1 of 1999 (PFMA).

The Corporate Plan sets out the strategic objectives and performance criteria and management is accountable for achieving these objectives within the set risk parameters.

The Board reports to the Shareholder by way of quarterly and annual reports as well as regular meetings between the CEO and the Minister.

Board of Directors

The Board is appointed by the Minister in her capacity as Shareholder's representative and comprises seven members, the details of whom are reflected on page 3 of the annual report. With the exception of the Chief Executive Officer (CEO) they are all non-executive.

The offices of Chairman and CEO are separated. Prof Katz is acting as non-executive Chair and the CEO position is held by Mr Moraba.

Our human capital

The Corporation is committed to conducting its affairs with integrity and holds itself responsible and accountable towards its stakeholders

There are currently three vacancies on the Board. The Minister indicated that she would review the Board composition once the new operating model for broadening the Corporation's mandate is implemented.
The directors bring a wide range of financial and legal expertise to bear on issues like strategy, performance, protection of stakeholder's interests and the setting of the Corporation's policies.

The Board is responsible for:

- retaining full and effective control over the Corporation;
- approving the corporate strategy, Business Plans and budgets and monitoring management closely in implementing it;
- ensuring that the Corporation complies with all relevant laws and regulations and codes of best practice; and
- ensuring that effective risk management processes are in place.

During the financial year the Board reviewed and approved the following:

- the Board Charter and Code of Conduct, which gives an overview of the roles and functions of the CEO, Board and Shareholder and the principles to be followed in conducting the business of the Corporation; and
- the Delegated Authorities which sets out clearly the powers delegated to management.

The directors are entitled to seek independent professional advice concerning the affairs of the Corporation and have access to any information they may require in discharging their duties.

Chief Executive Officer (CEO)

The CEO is charged with the day to day management of the Corporation's operations and assists the Board in providing strategic and policy direction to the Corporation.

The CEO consults regularly with the National Department and the Minister of Housing.

Company Secretary

All directors have access to the advice and services of the Company Secretary, whose appointment is in accordance with the provisions of the Companies Act.

Corporate governance continued

Board Committees

To assist it in discharging its responsibilities, the Board has established the following committees: Audit and Risk, Board Credit and Investment and Human Resources, Ethics and Remuneration Committees.

The Terms of Reference for each of these Committees were reviewed during the year under review and approved by the Board. The respective Committee Chairmen report to the Board at Board meetings.

Audit and Risk (A&R) Committee

The A&R Committee oversees financial reporting, internal controls, risk management, funding plans and strategies, compliance, corporate governance and policies. It is supported by the Financial Risk Management Committee (FRMC) in fulfilling its duties with regard to financial risk management. Its responsibilities pertaining to risk management include, but are not limited to:

- reviewing the Corporation's risk management policy and strategy;
- assisting the Board in evaluating the adequacy and effectiveness of the risk management process;
- performing an assurance function in respect of enterprise wide risk management; and
- reviewing the Corporation's significant risk exposures and making recommendations to the Board on appropriate mitigation strategies.

Board Credit and Investment Committee (BCIC)

BCIC is accountable for evaluating and approving loan facilities exceeding R20 million up to R100 million or facilities which cumulatively exceed R20 million up to R100 million per client and recommending those in excess of R100 million to the Board. To assist BCIC in performing its assessment of the credit risks inherent to an application, it has approved all credit policies and reviews quarterly portfolio reports.

BCIC is accountable for recommending long-term investment strategies, policies and proposals to the Board.

Board and Committee composition and record of attendance

Name of director	Category	Board		Audit and Risk		BCIC		HRER	
Number of meetings		4		4		6		2	
Prof MM Katz	Acting Chair[1]	4	✓					2	✓
Mr SS Moraba	Executive Director	4	✓	4	✓	5	✓	2	✓
Mr AC Canter	Non-Executive Directors	4	✓			4	✓		
Ms NE Makiwane		3	✓			6	✓		
Mr TA Middleton[2]		4	✓			3	✓	2	✓
Ms N Mjoli-Mncube[3]		X	✓						
Mr SS Ntsaluba[4]		3	✓	2	✓				
Mr SA Tati		3	✓	4	✓	4	✓		

1 appointed on 1 June 2006
2 appointed as a BCIC member and Chair of HRER on 28 September 2006
3 resigned on 31 October 2006
4 appointed as HRER member on 29 June 2006
✓ membership of Board or Board Committee
X absence with apology

Our success is founded on being a Corporation that is well managed, accountable and responsible

Human Resources, Ethics and Remuneration Committee (HRER)

HRER is charged with the oversight of the human resources policies and strategies, remuneration for staff and management and the development and implementation of the Code of Ethics.

In discharging its duties, HRER gives due cognisance to the Corporation's remuneration philosophy to offer remuneration that will attract, incentivise, retain and reward employees with the required skills to deliver on its mandate.

Management Committees

Executive Management Committee (Exco)

Exco comprises executive managers and deals with issues pertaining to the day-to-day management of the business of the Corporation. Exco is also accountable for formulating the Corporation's strategy and implementing it once approved by the Board.

Management Credit Committee (MCC)

MCC's Terms of Reference was reviewed during the year under review and approved by the BCIC. MCC is responsible for approving loan facilities up to or cumulatively up to R20 million per client and recommending those in excess of that amount to BCIC. Credit applications are submitted to and assessed by the Credit Division, who conduct a thorough assessment of the risks associated with the particular application and put forward a recommendation to MCC.

Corporate governance continued

Financial Risk Management Committee (FRMC)

FRMC is responsible for overseeing the management of treasury risks and reviewing treasury management policies and financial risk management strategies.

FRMC is also responsible for reviewing funding plans and strategies and making investment decisions in line with approved policies.

Procurement Committee

The Committee is accountable for monitoring and overseeing the implementation of the procurement policy, procedures and code of conduct and monitoring adherence thereto.

Integrated risk management

Risk management governance structures and accountability

In line with King II, the Board is responsible for the management of the risks pertaining to the business of the Corporation. The Board has delegated this authority to the Audit and Risk Committee.

Whilst the Line Manager of each Division within the Corporation has the primary responsibility for identifying and managing risks inherent to the operations of his/her Division, the ARC Manager develops and reviews risk management strategies, policies and procedures to ensure that they are appropriate for the Corporation.

The ARC Manager reports administratively to the CEO and submits quarterly reports to the A&R Committee, providing assurance on the management of significant risks or exposures. The internal audit function independently audits the adequacy and effectiveness of the Corporation's risk management, control and governance processes.

Major risks

The Corporation, like all Development Financial Institutions, assumes substantial risks in pursuing its business objectives. The Corporation is exposed to the following risks:

Strategic risk

Strategic risk relates to failure of the Corporation to deliver on its mandate.

The Corporation is in the process of aligning its operating business model to its broadened mandate. This will enable the Corporation to provide targeted housing finance to the end user.

Credit risk

Credit risk is the risk that a borrower or other financial counterparty will be unable or unwilling to fulfil their contractual obligations to the Corporation.

Credit risk, due to the nature of the Corporation's activities, is a major part of its overall risks. Managing credit risk is given highest priority to ensure that the Corporation remains financially sustainable.

During the year under review, the Corporation set up a fully fledged Credit Division, and appointed an Executive Manager, who is responsible for the development, review and implementation of credit policies, procedures and processes.

The Corporation has a comprehensive appraisal and approval process for all credit decisions and clearly defined approval levels.

Market risk

Market risk is the risk of a decrease in the market value of a portfolio of financial instruments caused by an adverse movement in market variables. An adverse movement in interest rates is such a risk which is managed through the monitoring of financial markets and positions on a daily basis. Surplus funds are invested using a mixture of fixed and floating rate instruments. The counterparty risk is managed through careful selection of counterparties (only A1 rated), allocating limits and daily monitoring in line with the Treasury Management Policy.

Liquidity risk

Liquidity risk is the risk that the Corporation may have insufficient funds or marketable assets available to fulfil its future cash flow obligations timeously.

The liquidity risk is managed through careful selection of financial instruments, setting of parameters for investment instruments and maturities, and cash flow forecasting. During the year under review, the Corporation appointed an Executive Manager of the Treasury Division.

Compliance risk

Compliance risk relates to negative impact originating from non-compliance with all applicable legislation and regulations.

The Corporation promotes sound values and is committed to trustworthiness, openness to new ideas, passion for purpose, accountability, commitment and teamwork

The Corporation has a Compliance Officer who is independent of the operational activities and assists management in complying with all applicable statutory and regulatory requirements. The compliance risk is managed through creating awareness of the regulatory requirements, and monitoring compliance with legislative requirements.

Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems.

This risk category is managed through a system of internal controls, which is based on approved policies and procedures for initiation, verification and reconciliation of transactions, and adequate segregation of incompatible duties. The operational risk category includes the following risk areas:

- fraud;
- financial management;
- legal risk;
- human resources risk;
- information risk; and
- business continuity management.

During the year under review, the Board approved a fraud prevention policy and plan, which sets out the NHFC's zero tolerance for fraud. A fraud hotline is available to staff and the public to report any suspected fraudulent matters on a confidential basis. No incidents of fraud or irregular activities were reported during the year under review.

Reputational risk

Reputational risk is the risk of damage to the Corporation's image which may impair its ability to retain and generate more business.

Corporate governance continued

The Corporation manages its reputational risk through its on-going evaluation and management of the significant risk types highlighted above. An Assistant Executive was appointed during the year under review, to manage the Corporate Communications portfolio.

Internal control

The Audit and Risk Committee assists the Board in discharging its duty to ensure that the Corporation maintains adequate accounting records, internal controls and systems designed to provide reasonable assurance on the integrity and reliability of financial information and to safeguard its assets.

The effectiveness of these internal control and systems is monitored through management reviews, formalised reporting and internal audits.

The internal audit function, under the direction of the ARC Manager, is outsourced to an independent service provider and operates in terms of an Internal Audit Charter, which was reviewed and approved by the A&R Committee during the year under review. The internal audit function reports functionally to the A&R Committee and administratively to the CEO and its staff have full and unrestricted access to the Chair of the A&R Committee. The A&R Committee conducts its own assessment of the effectiveness of the internal audit function.

All operations, business activities and support functions are subject to internal audit review. The internal audit plan is based on key risk areas identified from enterprise-wide risk assessments and the audits are planned and executed to provide management with independent assurance on the adequacy and effectiveness of the systems of internal control in place.

Statement of directors' responsibilities and approvals

The Public Finance Management Act (PFMA) requires the directors to ensure that the National Housing Finance Corporation Limited (NHFC) 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 International Financial Reporting Standards (IFRS).

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 IFRS.

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 discharge the above responsibilities, 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.

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 action is taken to correct deficiencies as they are identified.

The directors are of the opinion, based on the information and explanations given by management, Internal Audit, and discussions with the independent External Auditors, based on the results of their audit, 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 that 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 (including cash flow information) fairly present the financial position of NHFC at 31 March 2007, and the results of its operations for the year then ended.

The annual financial statements of NHFC for the year ended 31 March 2007, set out on pages 20 to 60, were approved by the Board of Directors and signed on their behalf on 28 June 2007 by:

Prof MM Katz
Acting Chairman

Mr SS Moraba
Chief Executive Officer

Report of the Audit and Risk Committee

The Audit and Risk Committee reports that it has discharged all of its responsibilities set out in its Terms of Reference.

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

- the effectiveness of the internal control systems;
- the effectiveness of internal audit;
- the risk areas of the 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;
- compliance with legal and regulatory provisions;
- the activities of the internal audit function, including its annual work programme, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations; and
- where relevant, the independence 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 Committee, the internal controls and 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 Committee has evaluated the annual financial statements of the NHFC for the year ended 31 March 2007 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, the Public Finance Management Act, and IFRS. The Audit and Risk Committee concurs that the adoption of the going concern premise in framing the annual financial statements is appropriate.

The Committee, at its meeting of 21 June 2007, recommended these annual financial statements for approval by the Board.

Mr SA Tati
Chairman

NATIONAL HOUSING FINANCE CORPORATION LTD.

Report of the independent auditors

TO THE MINISTER OF HOUSING

REPORT ON THE FINANCIAL STATEMENTS

We have audited the annual financial statements of National Housing Finance Corporation Limited, which comprise the directors' report, the balance sheet as at 31 March 2007, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 20 to 60.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act and the Public Finance Management Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. We have also conducted the audit to ensure that we have discharged our responsibility in terms of section 27 and 28 of the Public Audit Act.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group and company as of 31 March 2007, and of the financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act and the Public Finance Management Act of South Africa.

Ernst & Young Inc.

Ernst & Young Inc.
Registered Auditor

24 July 2007
Johannesburg

Report of the directors

The directors are pleased to submit their report, together with the Group audited financial statements for the year ended 31 March 2007.

GENERAL REVIEW

The NHFC is incorporated in terms of the Companies Act. 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 in pages 6 to 9 of this report.

FINANCIAL RESULTS

The financial results of the Corporation for the year under review are set out on pages 22 to 60 of these financial statements.

SHARE CAPITAL

There were no changes to the authorised and issued share capital of the Corporation during the year.

DIVIDENDS

All profits are retained by the Corporation to allow for the 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.

To build the Corporation's capital base and thereby increase the impact of its activities, no dividend has been declared for the year under review.

DIRECTORS

The following persons served as directors of the Company during the financial year:

E Molobi	*(Chairman)* (deceased 2006)
Prof MM Katz	*(Acting Chairman)*
SS Moraba	*(Chief Executive Officer)*
AC Canter	
NE Makiwane	
TA Middleton	
N Mjoli-Mncube	(resigned 31 October 2006)
SS Ntsaluba	
SA Tati	

Service contracts: No directors have service contracts with the Corporation.

Report of the directors continued

COMPANY SECRETARY

Ms E Marx

BUSINESS ADDRESSES

PO Box 31376
Braamfontein
2017

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

POST-BALANCE SHEET EVENTS

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

Certificate from the Company Secretary

In my capacity as Company Secretary, I hereby confirm in terms of the Companies Act, that the Corporation lodged, with the Registrar of Companies, all such returns as are required of a public company in terms of the Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date

EMarx

Ms E Marx
Company Secretary

Balance sheets

As at 31 March 2007

		GROUP		COMPANY	
	NOTES	2007 R'000	2006 R'000	2007 R'000	2006 R'000
ASSETS					
Non-current assets		855 415	767 722	912 493	824 726
Advances	3	846 580	755 702	846 580	755 702
Investment in subsidiary	4	–	–	50 000	50 000
Interest in joint venture	5	3 197	3 197	3 197	3 197
Investment in preference shares	6	2 500	7 000	2 500	7 000
Investment in cell captive	7	–	–	7 000	7 000
Property, plant and equipment	8	924	1 224	924	1 224
Deferred taxation	14	2 214	599	2 292	604
Current assets		1 682 187	1 690 098	1 666 621	1 668 229
Other receivables and prepayments	9	21 497	11 185	35 622	11 185
Investments – Bonds	11	233 499	245 757	233 499	245 757
Investments – Money market	12	707 185	755 335	706 647	737 511
Investments – Job summit	12	372 436	342 628	372 436	342 628
Investments – Development fund	12	104 778	–	104 778	–
Cash on call	13	107 661	108 203	107 661	107 646
Cash on call – Job summit	13	50 989	55 440	50 989	55 440
Cash on call – Development fund	13	22 647	118 036	22 647	118 036
Bank balances and cash	13	43 613	11 101	21 654	9 369
Taxation receivable	14	17 882	42 413	10 688	40 657
Investment property held for sale	10	34 000	21 654	34 000	21 654
Total assets		2 571 602	2 479 474	2 613 114	2 514 609
EQUITY AND LIABILITIES					
Capital and reserves		1 985 169	1 922 288	2 026 757	1 899 524
Share capital	15	842	842	842	842
Share premium	15	879 158	879 158	879 158	879 158
Grant capital	16	200 000	200 000	200 000	200 000
Distributable reserves		905 169	842 288	946 757	819 524
Non-current liabilities		571 143	547 117	571 143	547 117
Government funds under management	17	547 239	518 914	547 239	518 914
Deferred income	18	23 904	28 203	23 904	28 203
Current liabilities		15 289	10 069	15 213	67 968
Intercompany loan	4	–	–	–	58 251
Provisions	20	7 992	2 082	7 992	2 082
Trade payables	19	7 297	7 987	7 221	7 635
Total equity and liabilities		2 571 602	2 479 474	2 613 114	2 514 609

Income statements

For the year ended 31 March 2007

		GROUP		COMPANY	
	NOTES	**2007** **R'000**	2006 R'000	**2007** **R'000**	2006 R'000
Interest on advances		**70 655**	60 118	**70 655**	60 118
Interest on investments		**95 204**	95 812	**93 468**	94 277
Revenue		**165 859**	155 930	**164 123**	154 395
Net impairments	3	**(18 938)**	1 092	**(4 813)**	4 604
Revenue net of impairments		**146 921**	157 022	**159 310**	158 999
Other income	21	**10 042**	13 414	**10 195**	13 942
Expenses	22	**(68 414)**	(62 143)	**(71 945)**	(71 597)
Net income before taxation		**88 549**	108 293	**97 560**	101 344
Taxation	14	**(25 668)**	(31 392)	**(28 281)**	(29 263)
Income after taxation attributable to ordinary shareholders		**62 881**	76 901	**69 279**	72 081

Statements of changes in equity

For the year ended 31 March 2007

	Ordinary share capital R'000	Share premium R'000	Grant capital R'000	Distributable reserves R'000	Total R'000
Group					
Balance 31 March 2005	842	879 158	200 000	765 676	1 845 676
Utilisation of secondary reserves	–	–	–	(289)	(289)
Net profit for the year	–	–	–	76 901	76 901
Balance 31 March 2006	842	879 158	200 000	842 288	1 922 288
Net profit for the year	–	–	–	62 881	62 881
Balance at end of year	**842**	**879 158**	**200 000**	**905 169**	**1 985 169**
Company					
Balance 31 March 2005	842	879 158	200 000	747 732	1 827 732
Operating lease adjustment	–	–	–	(289)	(289)
Net profit for the year	–	–	–	72 081	72 081
Balance 31 March 2006	842	879 158	200 000	819 524	1 899 524
Financial liability derecognised				57 954	57 954
Net profit for the year	–	–	–	69 279	69 279
Balance at end of year	**842**	**879 158**	**200 000**	**946 757**	**2 026 757**

Cash flow statements

For the year ended 31 March 2007

		GROUP		COMPANY	
	NOTES	**2007 R'000**	2006 R'000	**2007 R'000**	2006 R'000
Cash flows from operating activities		**(11 254)**	12 604	**(13 637)**	17 046
Cash utilised in operations	24.1	**(174 361)**	(139 451)	**(177 760)**	(137 349)
Interest received		**165 859**	155 930	**164 123**	154 395
Taxation paid	24.2	**(2 752)**	(3 875)	**–**	–
Cash flows from investing activities		**1 495**	(17 571)	**1 495**	(17 571)
Additions to fixed assets	8	**(505)**	(528)	**(505)**	(528)
Acquisition of investments – Property held for sale		**–**	(16 500)	**–**	(16 500)
Decrease in preference shares investment		**2 000**	–	**2 000**	–
Debentures purchased in Cape Town Community Housing Company		–	(543)	**–**	(543)
Cash flows from financing activities		**28 325**	2 388	**28 325**	2 388
Grant funds received		**–**	2 388	**–**	2 388
Increase in Government funds under management		**28 325**	–	**28 325**	–
Net increase/(decrease) in cash and cash equivalents		**18 566**	(2 579)	**16 183**	1 863
Cash and cash equivalents at beginning of year	24.3	**1 390 743**	1 393 322	**1 370 629**	1 368 766
Cash and cash equivalents at end of year	24.3	**1 409 309**	1 390 743	**1 386 812**	1 370 629

Notes to the annual financial statements

For the year ended 31 March 2007

GROUP ACCOUNTING POLICIES

1. CORPORATE INFORMATION

The consolidated financial statements of the National Housing Finance Corporation Limited (NHFC) for the year ended 31 March 2007 were approved by the Board on 28 June 2007. National Housing Finance Corporation is a public company incorporated and domiciled in South Africa, the shares of which are held by the Government of the Republic of South Africa.

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2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except as otherwise indicated. The consolidated financial statements are presented in Rand and all values are rounded to the nearest thousand (R'000) except where otherwise indicated. Consolidated financial statements are prepared on a going concern basis.

Statement of compliance

The Group and Company financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS).

Basis of consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of NHFC and its subsidiaries as at 31 March 2007.

Subsidiaries (including special purpose entities) are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Typically, this will be where the Group has more than 50% of the voting power. In assessing control, potential voting rights presently exercisable or convertible are taken into account.

Summary of significant accounting policies

Investment in subsidiary

Investment in a subsidiary is carried at cost less impairment.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Interest in a joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The Group's interest in its joint venture is accounted for under the equity method of accounting. Under the equity method, the investment is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture.

GROUP ACCOUNTING POLICIES (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

Summary of significant accounting policies (continued)

Investment in preference shares

Investment in preference shares is carried at cost less impairment because the fair value of the investment cannot be reliably measured. The value cannot be reliably measured because the shares are not traded in an active market.

Property, plant and equipment

Plant and equipment is stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation and accumulated impairment in value.

Depreciation is calculated on a straight-line basis over the useful life of the assets.

The carrying value of plant and equipment is reviewed for impairment when events or changes in circumstance indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year-end.

Impairment of assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Fair value less cost to sell is the price in a binding sales agreement less the cost of disposal. If there is no binding sales agreement, the market price of the asset less the cost of disposal is the fair value less cost to sell. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

GROUP ACCOUNTING POLICIES (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

Summary of significant accounting policies (continued)

Impairment of assets (continued)

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried in a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Financial assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivable, held-to-maturity investments, and available-for-sale financial assets, as appropriate.

Financial assets are initially recognised at cost plus directly attributable transaction costs. In subsequent years fair value applies.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase the asset. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets at fair value through profit and loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purposes of selling in the near term. Gains or losses on investments held for trading are recognised in income.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held to maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed at the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount less allowances for impairment.

This calculation includes all fees received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

GROUP ACCOUNTING POLICIES (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

Summary of significant accounting policies (continued)

Financial assets (continued)

Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method subsequent to initial recognition. Gains and losses are recognised in income when the loans and advances are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid price at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transaction; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. Short-term receivables are not discounted unless the effect is material.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of less than twelve (12) months. For the purpose of the consolidated cash flow statement, cash and cash equivalents consists of cash equivalents as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are measured at amortised cost.

Trade payables

Trade payables are recognised and carried at original invoice price.

GROUP ACCOUNTING POLICIES (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

Summary of significant accounting policies (continued)

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial assets

A financial asset is derecognised when the right to receive cash flows from the asset has expired or the Group has transferred its rights to receive cash and

a) has transferred substantially all the risks and rewards of the asset; or
b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Impairment of financial assets

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and advances carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss shall be recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

GROUP ACCOUNTING POLICIES (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of impairment is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence of an impairment loss on an unquoted equity instrument that is not held at fair value because its fair value cannot be reliably measured, the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset is used.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit. Reversal of impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimates can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset. The classification of the lease is determined in terms of IAS 17 *Leases.*

The Corporation does not have any finance leases at present.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

GROUP ACCOUNTING POLICIES (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

Summary of significant accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured.

Interest income

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Government grants

The National Housing Finance Corporation has received Government grants that form part of permanent capital. These are accounted for as Shareholders' Equity.

Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their current values for financial reporting purposes in the financial statements. Current and substantially enacted tax rates are used to determine deferred tax.

The carrying amount of a deferred income tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets and deferred tax liability are not recognised if it arises from transactions that are not business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

GROUP ACCOUNTING POLICIES (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

Summary of significant accounting policies (continued)

Investment property held for sale

When the Corporation holds “investment property for resale” these are subject to negotiations with a prospective purchaser in advance of the agreement to take them on the balance sheet of the Corporation.

Any such assets are therefore likely to be on-sold within a short period of time. Depreciation on these assets ceases when the asset is classified as held for sale.

Investment property held for sale is measured at fair value.

Secondary reserves

In consolidating its interest in a cell captive the Corporation separately identifies the reserves as statutorily required for insurance companies.

Segment information

The Group’s primary reporting format is based on business segments and its secondary format is based on geographical segments. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each business segment representing a strategic business unit that offers different products and serves different markets.

Standards and Interpretations issued, not yet effective, that the Corporation has not yet adopted

The following accounting standards, amendments to standards and new interpretations, which are not yet mandatory, have not been adopted in the current year:

- IAS 1 *Amendment – Capital Disclosures* – Effective years beginning on or after 1 January 2007
- IFRS 7 *Financial Instruments: Disclosures* – Effective years beginning on or after 1 January 2007
- IFRS 8 *Operating Segments* – Effective years beginning on or after 1 January 2009

The Group assessed the significance of these new standards, amendments to standards and new interpretations, which will be applicable from 1 January 2007 and later years and concluded that they will have no material financial impact. IFRS 8 will not have a current impact on the geographic segments definition but may have an impact on the amounts reported using the requirement to report data as reported to the Chief Operating Decision Maker. Both IAS 1 and IFRS 7 will have an impact on certain disclosures.

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
3. ADVANCES				
Gross advances				
Opening balances	**814 673**	780 056	**814 673**	780 056
Disbursements	**270 414**	211 056	**270 414**	211 056
Repayments	**(160 598)**	(140 297)	**(174 723)**	(140 297)
Amounts written off	**–**	(36 142)	**–**	(36 142)
Balance at end of year	**924 489**	814 673	**910 364**	814 673
Impairments on advances				
Balances at beginning of year	**(58 971)**	(94 244)	**(58 971)**	(94 244)
Reduction in impairment on advances	**–**	13 545	**–**	13 545
Amounts previously impaired and written off during year	**–**	31 714	**–**	31 714
Increase of impairments on advances	**(18 938)**	(9 986)	**(4 813)**	(9 986)
Balance at end of year	**(77 909)**	(58 971)	**(63 784)**	(58 971)
Comprising:				
Specific impairments	**(77 909)**	(58 971)	**(63 784)**	(58 971)
Net advances	**846 580**	755 702	**846 580**	755 702
Maturity analysis				
Payable within 1 year	**177 354**	125 016	**177 354**	125 016
Payable within 1 to 2 years	**113 391**	150 854	**113 391**	150 854
Payable within 2 to 3 years	**116 824**	95 775	**116 824**	95 775
Payable beyond 3 years	**439 011**	384 057	**439 011**	384 057
Net advances	**846 580**	755 702	**846 580**	755 702
4. INVESTMENT IN A SUBSIDIARY				
Gateway Home Loans (Proprietary) Limited is a wholly owned subsidiary of National Housing Finance Corporation Limited and is currently not trading.				
Shares at cost – ordinary shares			**50**	50
Share premium			**49 950**	49 950
			50 000	50 000
Loans owed to subsidiary			**–**	(58 251)

5. INTEREST IN A JOINT VENTURE

National Housing Finance Corporation Limited has a 50% interest in Cape Town Community Housing Company (Proprietary) Limited, a jointly controlled entity which is involved in the low to moderate income housing market in the Western Cape. The joint venture party is the City of Cape Town.

The share of assets, liabilities, income and expenses of the jointly controlled entity as at 31 March 2007 is listed below.

	GROUP		COMPANY	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
Shares at cost – ordinary shares	**2 000**	2 000	**2 000**	2 000
Accumulated impairment	**(2 000)**	(2 000)	**(2 000)**	(2 000)
Net book value of shares	**–**	–	**–**	–
Non-convertible debentures at cost – issued prior to 31 March 2004	**18 000**	18 000	**18 000**	18 000
Non-convertible debentures at cost – issued prior to 31 March 2006	**3 197**	3 197	**3 197**	3 197
	21 197	21 197	**21 197**	21 197
Accumulated impairment	**(18 000)**	(18 000)	**(18 000)**	(18 000)
Net interest in joint venture	**3 197**	3 197	**3 197**	3 197
Current assets	**55 118**	54 563	**55 118**	54 563
Non-current assets	**12 379**	27 383	**12 379**	27 383
	67 497	81 946	**67 497**	81 946
Current liabilities	**50 744**	54 921	**50 744**	54 921
Non-current liabilities	**63 857**	63 025	**63 857**	63 025
	114 601	117 946	**114 601**	117 945
Capital commitments	**2 193**	2 098	**2 193**	2 098
Revenue	**30 084**	27 306	**30 084**	27 306
Cost of sales	**(24 824)**	(18 024)	**(24 824)**	(18 024)
Other income	**11 588**	–	**11 588**	–
Operating costs	**(23 089)**	(5 734)	**(23 089)**	(5 734)
Finance cost	**(2 751)**	(1 435)	**(2 751)**	(1 435)
(Loss)/profit before income tax	**(8 992)**	2 113	**(8 992)**	2 113
Net (loss)/profit	**(8 992)**	2 113	**(8 992)**	2 113

	GROUP		COMPANY	
	2007 **R'000**	2006 R'000	**2007** **R'000**	2006 R'000
6. INVESTMENT IN UNLISTED PREFERENCE SHARES				
Blue Dot (Proprietary) Limited	**–**	2 000	**–**	2 000
Greenstart (Proprietary) Limited	**2 500**	2 500	**2 500**	2 500
Masekheni (Proprietary) Limited	**–**	2 500	**–**	2 500
Shares in Masekheni	**2 500**	2 500	**2 500**	2 500
Less impairment	**(2 500)**	–	**(2 500)**	–
Net investment in unlisted preference shares	**2 500**	7 000	**2 500**	7 000
The preference shares in Blue Dot were converted to a loan and in Masekheni have been fully impaired.				
Preference shares in Greenstart (Proprietary) Limited These are redeemable cumulative preference shares. The investment consists of 100 shares at par value of R1 and a share premium of R24 999 per share. The total preference shares in Greenstart (Pty) Limited is R2,5 million.				
Dividends in terms of shareholders' agreement, are set at 6,3% per annum on the aggregate subscription price of R2,5 million.				
Dividends are up to date and are included in other income.				
The directors' valuation of the investment is R2,5 million (2006: R7 million).				
7. INVESTMENT IN A CELL CAPTIVE				
Unlisted investments				
Guardrisk Insurance Company Limited				
Shares at cost			**7 000**	7 000
100% investment in cell captive – Cell no. 105				

Notes to the annual financial statements
continued

For the year ended 31 March 2007

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
8. PROPERTY, PLANT AND EQUIPMENT				
Group and company				
Fixed asset: computer equipment	**5 135**	4 679	**5 135**	4 679
Accumulated depreciation: computer equipment	**(4 569)**	(4 145)	**(4 569)**	(4 145)
Fixed assets: computer software	**4 376**	4 339	**4 376**	4 339
Accumulated depreciation: computer software	**(4 318)**	(4 119)	**(4 318)**	(4 119)
Fixed asset: furniture and fittings	**2 708**	2 708	**2 708**	2 708
Accumulated depreciation: furniture and fittings	**(2 450)**	(2 315)	**(2 450)**	(2 315)
Fixed assets: motor vehicle	**105**	105	**105**	105
Accumulated depreciation: motor vehicle	**(102)**	(76)	**(102)**	(76)
Fixed assets: office equipment	**386**	374	**386**	374
Accumulated depreciation: office equipment	**(347)**	(326)	**(347)**	(326)
Fixed asset: leasehold improvements	**293**	293	**293**	293
Accumulated depreciation: leasehold improvements	**(293)**	(293)	**(293)**	(293)
	924	1 224	**924**	1 224
Reconciliation of opening balances to closing balances – 2007				
Opening balances				
Fixed asset: computer equipment	**534**	745	**534**	745
Fixed assets: computer software	**220**	657	**220**	657
Fixed asset: furniture and fittings	**393**	448	**393**	448
Fixed assets: motor vehicle	**29**	57	**29**	57
Fixed assets: office equipment	**48**	78	**48**	78
Fixed asset: leasehold improvements	**–**	134	**–**	134
	1 224	2 119	**1 224**	2 119
Additions				
Fixed asset: computer equipment	**456**	361	**456**	361
Fixed assets: computer software	**37**	15	**37**	15
Fixed asset: furniture and fittings	**–**	127	**–**	127
Fixed assets: office equipment	**12**	–	**12**	–
Fixed asset: leasehold improvements	**–**	25	**–**	25
	505	528	**505**	528

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
8. PROPERTY, PLANT AND EQUIPMENT (continued)				
Reconciliation of opening balances to closing balances – 2007 (continued)				
Depreciation				
Fixed asset: computer equipment	**(424)**	(571)	**(424)**	(571)
Fixed assets: computer software	**(199)**	(452)	**(199)**	(452)
Fixed asset: furniture and fittings	**(136)**	(182)	**(136)**	(182)
Fixed assets: motor vehicle	**(26)**	(28)	**(26)**	(28)
Fixed assets: office equipment	**(21)**	(30)	**(21)**	(30)
Fixed asset: leasehold improvements	**–**	(159)	**–**	(159)
	(806)	(1 423)	**(806)**	(1 423)
Closing balances				
Fixed asset: computer equipment	**566**	534	**566**	534
Fixed assets: computer software	**58**	220	**58**	220
Fixed asset: furniture and fittings	**258**	393	**258**	393
Fixed assets: motor vehicle	**3**	29	**3**	29
Fixed assets: office equipment	**39**	48	**39**	48
	924	1 224	**924**	1 224
The useful life of the assets is estimated as follows:				
Fixed asset: computer equipment	**3 years**	3 years	**3 years**	3 years
Fixed assets: computer software	**3 years**	3 years	**3 years**	3 years
Fixed asset: furniture and fittings	**6 years**	6 years	**6 years**	6 years
Fixed assets: motor vehicle	**4 years**	4 years	**4 years**	4 years
Fixed assets: office equipment	**6 years**	6 years	**6 years**	6 years
Fixed asset: leasehold improvements	**Period of the lease**	Period of the lease	**Period of the lease**	Period of the lease

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
9. OTHER RECEIVABLES AND PREPAYMENTS				
Deposits and prepayments	**2**	2	**2**	2
Related parties	**2 635**	2 618	**16 760**	2 618
Staff debtors	**266**	476	**266**	476
Other receivables	**6 684**	1 725	**6 684**	1 725
Interest accrued	**11 910**	6 364	**11 910**	6 364
	21 497	11 185	**35 622**	11 185
Terms and conditions of the above receivables: Other receivables are non-interest bearing and are settled on 30-day terms. For terms and conditions of related parties, refer note 28.				
10. INVESTMENT PROPERTY HELD FOR SALE				
Sectional title building held for sale	**21 654**	21 654	**21 654**	21 654
Fair value gain	**12 346**	–	**12 346**	–
	34 000	21 654	**34 000**	21 654
There has been a delay in finalising the sale of this property. Negotiations are continuing.				
The following amounts have been recognised in the income statement.				
Fair value gain	**12 346**	–	**12 346**	–
Rental income	**4 542**	–	**4 542**	–

A sworn valuation was conducted and the amount shown on the balance sheet is the fair value.

Details of property and valuation

a) Description	Erven 300 and 585 West Germiston, Germiston, Gauteng, known as President Place
b) Situated at	The corner of President, Human, Clark and FH Odendaal Streets
c) Date of valuation	10 April 2007
d) Purchase price or valuation amount	R34 000 000
e) Cost of additions and improvements since date of acquisition or valuation	None known
f) Basis of valuation	Capitalisation of net income at 16%. Comparable sales in the immediate vicinity reflect a capitalisation rate in the region of 16%.
g) Name and qualifications of valuators	G Wampach – Registered Professional Valuer

	GROUP		COMPANY	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
11. BOND INVESTMENTS (HELD FOR TRADE)				
Fair value at the beginning of the year	**245 757**	243 174	**245 757**	243 174
Fair value adjustment	**(12 258)**	2 583	**(12 258)**	2 583
	233 499	245 757	**233 499**	245 757
The fair value adjustment was done on 31 March at the market value.				
Comprising				
RSA Stock – R153 at fair value R120 million nominal value 13,00% per annum redeemable on 31 August 2010	**136 817**	145 327	**136 817**	145 327
City of Johannesburg Bonds at fair value R90 million nominal value 11,95% per annum redeemable on 13 October 2010	**96 682**	100 430	**96 682**	100 430
	233 499	245 757	**233 499**	245 757

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
12. MONEY MARKET INVESTMENTS				
Money market – NHFC	**707 185**	755 335	**706 647**	737 511
Amalgamated Banks of South Africa Limited	**100 000**	103 854	**100 000**	101 319
Investec Bank Limited	**125 000**	131 584	**125 000**	131 241
Standard Bank of South Africa Limited	**105 000**	93 321	**105 000**	90 525
Rand Merchant Bank Holdings Limited	**100 000**	107 225	**100 000**	105 966
Nedcor Bank Limited	**130 000**	112 910	**130 000**	111 045
Land Bank of South Africa*	**122 197**	113 186	**122 197**	112 826
First Rand Bank Limited	**–**	1 055	**–**	–
Eskom	**24 450**	85 612	**24 450**	84 590
Gensec Limited	**–**	230	**–**	–
Citi Bank	**–**	240	**–**	–
Deutsche Bank	**–**	1 694	**–**	–
Supreme Cash	**–**	4 425	**–**	–
Guardrisk	**538**	–	**–**	–
Money market – Job summit related projects	**372 436**	342 628	**372 436**	342 628
Amalgamated Banks of South Africa Limited	**46 818**	55 406	**46 818**	55 406
Rand Merchant Bank Holdings Limited	**60 691**	30 353	**60 691**	30 353
Standard Bank of South Africa Limited	**60 794**	65 833	**60 794**	65 833
Nedcor Bank Limited	**45 167**	46 231	**45 167**	46 231
Investec Bank Limited	**60 380**	50 458	**60 380**	50 458
Land Bank of South Africa*	**78 861**	49 695	**78 861**	49 695
Eskom	**19 725**	44 652	**19 725**	44 652
Call accounts – Development fund	**104 778**	–	**104 778**	–
Eskom	**19 725**	–	**19 725**	–
Land Bank of South Africa*	**24 672**	–	**24 672**	–
Investec	**20 101**	–	**20 101**	–
Nedcor Bank Limited	**20 120**	–	**20 120**	–
Amalgamated Banks of South Africa Limited	**20 160**	–	**20 160**	–

** Note: At the date of this report these investments have matured and no further investments have been made in Land Bank*

	GROUP		COMPANY	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
12. MONEY MARKET INVESTMENTS (continued)				
Summary				
NHFC	**858 459**	874 639	**835 962**	854 526
NHFC – Money market	**707 185**	755 335	**706 647**	737 511
– Cash and short-term deposits	**107 661**	108 203	**107 661**	107 646
– Cash at bank	**43 613**	11 101	**21 654**	9 369
Job summit	**423 425**	398 068	**423 425**	398 068
Job summit – Money market	**372 436**	342 628	**372 436**	342 628
– Cash and short-term deposits	**50 989**	55 440	**50 989**	55 440
Development fund	**127 425**	118 036	**127 425**	118 036
Development fund – Money market	**104 778**	–	**104 778**	–
– Cash and short-term deposits	**22 647**	118 036	**22 647**	118 036
Total	**1 409 309**	1 390 743	**1 386 812**	1 370 630
13. CASH AND SHORT-TERM DEPOSITS				
Other short-term deposits				
Call accounts – NHFC	**107 661**	108 203	**107 661**	107 646
Amalgamated Banks of South Africa Limited	**19 668**	24 152	**19 668**	24 152
Investec Bank Limited	**8 110**	8 804	**8 110**	8 804
Nedcor Bank Limited	**6 524**	1 881	**6 524**	1 881
Rand Merchant Bank Holdings Limited	**15 703**	4 314	**15 703**	4 314
Standard Bank of South Africa Limited	**17 779**	6 560	**17 779**	6 003
Standard Bank of South Africa Limited (Stanlib)	**19 730**	42 492	**19 730**	42 492
TCTA (Trans Caledon)	**20 147**	20 000	**20 147**	20 000
Call accounts – Job summit related projects	**50 989**	55 440	**50 989**	55 440
Amalgamated Banks of South Africa Limited	**7 944**	12 510	**7 944**	12 510
Investec Bank Limited	**12 600**	17 659	**12 600**	17 659
Nedcor Bank Limited	**14 061**	4 330	**14 061**	4 330
Rand Merchant Bank Holdings Limited	**7 280**	9 301	**7 280**	9 301
Standard Bank of South Africa Limited	**4 899**	11 640	**4 899**	11 640
Stanlib	**4 205**	–	**4 205**	–

Notes to the annual financial statements

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For the year ended 31 March 2007

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
13. CASH AND SHORT-TERM DEPOSITS (continued)				
Call accounts – Development fund	**22 647**	118 036	**22 647**	118 036
Investec Bank Limited	**22 647**	118 036	**22 647**	118 036
Cash at bank and in hand	**43 613**	11 101	**21 654**	9 369
Standard Bank of South Africa Limited	**21 778**	11 101	**21 651**	9 369
Cash on hand	**21 835**	–	**3**	–
14. TAXATION				
Consolidated income statement				
Current tax				
– Current income tax charge	**27 283**	31 430	**29 969**	29 310
– Deferred tax	**(1 615)**	(38)	**(1 688)**	(47)
Income tax expense reported in the consolidated income statement	**25 668**	31 392	**28 281**	29 263

Notes to the annual financial statements

continued

For the year ended 31 March 2007

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
14. TAXATION (continued)				
Deferred tax				
Balance at beginning of year	**599**	442	**604**	438
Credit for year	**1 615**	38	**1 688**	47
Prior period adjustment: operating lease	**–**	119	**–**	119
Balance at end of year	**2 214**	599	**2 292**	604
Deferred tax asset consists of:				
– Provision for leave pay	**2 063**	1 744	**2 063**	1 744
– Provision for incentive bonus	**5 929**	–	**5 929**	–
– Operating lease	**–**	338	**–**	338
– Revaluation of bonds	**12 258**	–	**12 258**	–
– Fair value gain on property held for sale	**(12 346)**	–	**(12 346)**	–
– IBNR movement	**(269)**	(17)	**–**	–
Total	**7 635**	2 065	**7 904**	2 082
Tax rate @ 29%	**2 214**	599	**2 292**	604
Consolidated statement of changes in equity				
Deferred income tax related to items charged or credited directly to equity:				
– straightlining of operating lease on buildings	**–**	119	**–**	119
Income tax expense reported in equity	**–**	119	**–**	119

	GROUP		COMPANY	
	2007 **R'000**	2006 R'000	**2007** **R'000**	2006 R'000
14. TAXATION (continued)				
A reconciliation between tax expense and the product of accounting profit multiplied by SA domestic tax rate for the years ended 31 March 2007 and 2006 is as follows:				
Accounting profit before tax from operations	**88 549**	108 293	**97 560**	101 344
At SA statutory income tax rate @ 29%	**25 679**	31 519	**28 292**	29 390
Permanent differences at the effective tax rate of 29%	**(11)**	(127)	**(11)**	(127)
Preference dividend received	**(79)**	(439)	**(79)**	(439)
Non-deductible expenses	**40**	1	**40**	1
Income tax expense reported in the income statement	**25 668**	31 392	**28 281**	29 263
Taxation: balance sheet				
Balance at beginning of year	**42 413**	68 702	**40 657**	68 374
Normal tax charge	**(30 035)**	(26 289)	**(29 969)**	(27 717)
Balance at end of year	**17 882**	42 413	**10 688**	40 657
15. ISSUED CAPITAL, SHARE PREMIUM AND RESERVES				
Capital				
Authorised				
100 000 000 ordinary shares of R0,01 each	**1 000**	1 000	**1 000**	1 000
Ordinary shares				
Issued and fully paid				
84 187 332 ordinary shares of R0,01 each	**842**	842	**842**	842
Share premium	**879 158**	879 158	**879 158**	879 158

Notes to the annual financial statements
continued

For the year ended 31 March 2007

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
16. GRANT CAPITAL				
Balance as at 1 April 2006	**200 000**	200 000	**200 000**	200 000
Balance as at 31 March 2007	**200 000**	200 000	**200 000**	200 000
The grants arose as the result of the merger of HEF and HIDF in the 2002 financial year. They were considered to be permanent and are therefore included in Shareholder's Equity.				
17. GOVERNMENT FUNDS UNDER MANAGEMENT				
Job summit				
– Poverty Relief Funds	**303 196**	279 652	**303 196**	279 652
– Subsidies – KwaZulu Natal	**116 618**	118 980	**116 618**	118 980
– Subsidies – Mpumalanga	**–**	2 245	**–**	2 245
Development Fund	**127 425**	118 037	**127 425**	118 037
Total funds under management	**547 239**	518 914	**547 239**	518 914
NHFC was appointed by the National Department of Housing to project manage the delivery of rental stock under the Presidential Job Summit housing project and tasked to manage funds allocated by treasury in terms of the poverty relief fund and subsidy funds from KwaZulu Natal and Mpumalanga provinces.				
18. DEFERRED INCOME				
Balance at beginning of year	**28 203**	33 903	**28 203**	33 903
Deferred income received	**(4 299)**	(5 700)	**(4 299)**	(5 700)
Balance at end of year	**23 904**	28 203	**23 904**	28 203

The South African Housing Trust (SAHT) and the NHFC were established by the National Department of Housing (NDOH) to provide finance for low cost housing.

The SAHT was liquidated during the 2003 financial year. The assets held by SAHT included advances to homebuyers housing subcontractors and micro lenders for low cost housing.

The advance book of SAHT was transferred to the NHFC for a consideration of R1. The fair value of the advances as at 31 March 2007 is R23,9 million (2006: R28,2 million).

The income from the advance book is taken into account as it is received from borrowers. The balances outstanding from these debtors are included in advances.

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
19. TRADE PAYABLES				
Trade payables	**7 297**	7 987	**7 221**	7 635
Balance as at 31 March 2007	**7 297**	7 987	**7 221**	7 635
Terms and conditions of the above financial liabilities:				
Trade payables are non-interest bearing and are settled on 30-day terms.				
20. PROVISIONS				
Balance as at 31 March 2007	**7 992**	2 082	**7 992**	2 082
Provisions comprise – Accumulated leave pay	**2 063**	1 744	**2 063**	1 744
– Lease payments	**–**	338	**–**	338
– Incentive bonus	**5 929**	–	**5 929**	–
Provision for leave pay				
Opening balance as at 1 April	**1 744**	1 512	**1 744**	1 512
Provision utilised for the year	**(475)**	(161)	**(475)**	(161)
Additional provision raised	**794**	393	**794**	393
Closing balance as at 31 March	**2 063**	1 744	**2 063**	1 744
Provision for lease payments				
Opening balance as at 1 April	**338**	–	**338**	–
Provision utilised for the year	**(338)**	–	**(338)**	–
Provision raised	**–**	338	**–**	338
Closing balance as at 31 March	**–**	338	**–**	338
Provision for incentive bonus				
Opening balance as at 1 April	–	–	**–**	–
Provision utilised for the year	–	–	**–**	–
Provision raised	**5 929**	–	**5 929**	–
Closing balance as at 31 March	**5 929**	–	**5 929**	–

Leave pay provision is realised when employees take leave or terminate employment.

Provision for incentive bonus is expected to be realised when bonuses are paid in the 2008 financial year.

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For the year ended 31 March 2007

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
21. OTHER INCOME				
Non-interest income	**10 042**	13 414	**10 195**	13 942
Other income is made up as follows:				
SA Housing Trust	**4 299**	5 700	**4 299**	5 700
Management fees – intercompany charges	**182**	–	**586**	528
Management fees – Government funds under management	**–**	2 754	**–**	2 754
Bad debts recovered	**504**	–	**504**	–
Fair value gain – Property held for sale	**12 346**	–	**12 346**	–
Revaluation of investments held for trading	**(12 007)**	2 583	**(12 258)**	2 583
Sundry income	**4 718**	2 377	**4 718**	2 377
22. NET INCOME BEFORE TAXATION				
Net income before taxation is stated after taking the following into account:				
Employment cost	**38 938**	34 688	**38 938**	34 688
– Staff costs	**30 162**	25 109	**30 162**	25 109
– Management staff costs (refer note 23)	**8 776**	9 579	**8 776**	9 579
Sundry costs:	**161**	5 503	**161**	5 503
– Capacitation costs	**121**	5 461	**121**	5 461
– Donations	**40**	42	**40**	42
Auditors' remuneration:	**185**	1 024	**185**	990
– Audit fees	**185**	950	**185**	916
– Prior year under provision	**–**	74	**–**	74
Other costs	**24 460**	15 759	**27 991**	25 246
– Consultancy and advisory	**12 220**	3 811	**12 220**	3 811
– Legal fees	**421**	1 156	**421**	1 156
– Directors' fees	**219**	211	**219**	211
– Administration	**4 828**	5 713	**8 359**	15 200
– Communication	**1 427**	1 256	**1 427**	1 256
– Training and development	**795**	337	**795**	337
– Travel and entertainment	**1 655**	1 402	**1 655**	1 402
– Marketing	**1 135**	964	**1 135**	964
– Office expenses	**1 761**	909	**1 761**	909
Depreciation	**806**	1 423	**806**	1 423
Operating lease payments for year	**3 864**	3 747	**3 864**	3 747
Total	**68 414**	62 143	**71 945**	71 597

Notes to the annual financial statements

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For the year ended 31 March 2007

	Fees R'000	Salaries R'000	Bonuses R'000	Company contri-butions R'000	Other R'000	Total 2007 R'000	Total 2006 R'000
23. DIRECTORS AND SENIOR MANAGEMENT EMOLUMENTS							
Directors – Non-executives	**219**					**219**	211
E Molobi – Kagiso Trust						**–**	8
SA Tati	**54**					**54**	29
N Mjoli-Mncube	**–**					**–**	15
NE Makiwane	**45**					**45**	35
S Ntsaluba	**27**					**27**	32
AC Canter – Future Growth Asset Management	**46**					**46**	62
TA Middleton	**47**					**47**	30
Fees for services as Committee members	**–**					**–**	6
D Botha	**–**					**–**	3
MSV Gantsho – Development Bank of SA	**–**					**–**	3
Chief Executive Officer							
S Moraba		**1 728**	**955**	**146**	**7**	**2 836**	2 765
Executive members		**4 093**	**1 288**	**518**	**40**	**5 940**	5 763
Z Adams		**161**	**–**	**2**	**–**	**163**	–
A Egbers		**919**	**313**	**182**	**7**	**1 421**	1 333
B Kgosi		**225**	**–**	**25**	**2**	**252**	–
L Lehabe		**614**	**114**	**89**	**8**	**827**	682
G Long		**145**	**–**	**23**	**2**	**170**	–
N Ntshingila		**615**	**85**	**47**	**7**	**754**	391
M Pillay		**347**	**304**	**62**	**4**	**716**	1 162
S Sengani		**882**	**293**	**73**	**7**	**1 256**	1 100
L Vutula		**185**	**179**	**15**	**2**	**381**	1 095
Total	**219**	**5 821**	**2 243**	**664**	**47**	**8 995**	8 745

NB: Prof Katz agreed not to charge fees

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
24. RECONCILIATION OF CASH UTILISED IN OPERATIONS				
24.1 Net income before taxation	**88 549**	108 293	**97 560**	101 344
Adjustments for the following items:	**(166 940)**	(175 119)	**(165 204)**	(174 539)
Revaluation of investments held for trading	**12 258**	(2 583)	**12 258**	(2 583)
Depreciation	**806**	1 423	**806**	1 423
Impairments	**–**	(35 273)	**–**	(35 273)
Fair value adjustment on investment property held for sale	**(12 346)**	–	**(12 346)**	–
Preference share investments	**–**	(7 000)	**–**	(7 000)
Property held for sale	**–**	(5 154)	**–**	(5 154)
Deferred income amortisation	**(4 299)**	(5 700)	**(4 299)**	(5 700)
Bad debts written off	**–**	36 142	**–**	36 142
Non-cash adjustment on lease	**–**	(406)	**–**	(406)
Impairment of investment – preference shares	**2 500**	–	**2 500**	–
Interest received	**(165 859)**	(156 568)	**(164 123)**	(155 988)
Operating loss before changes in working capital	**(78 391)**	(66 826)	**(67 644)**	(73 195)
Net increase in working capital	**(95 970)**	(72 625)	**(110 116)**	(64 154)
Increase in advances	**(90 878)**	(63 759)	**(90 878)**	(63 759)
Decrease in intercompany loans	**–**	–	**(297)**	(2 572)
Increase in accounts receivable	**(10 312)**	(5 647)	**(24 437)**	3 875
Decrease in accounts payable	**(690)**	(3 219)	**(414)**	(1 698)
Increase in provisions	**5 910**	–	**5 910**	–
Cash utilised in operations	**(174 361)**	(139 451)	**(177 760)**	(137 349)
24.2 Taxation paid				
Amounts receivable 1 April	**42 413**	68 702	**40 657**	68 374
Taxation charges for the year	**(27 283)**	(31 430)	**(29 969)**	(29 310)
Interest received	**–**	1 266	**–**	1 593
Amounts receivable 31 March	**(17 882)**	(42 413)	**(10 688)**	(40 657)
Taxation paid	**(2 752)**	(3 875)	**–**	–

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
24. RECONCILIATION OF CASH UTILISED IN OPERATIONS (continued)				
24.3 Cash and cash equivalents				
Investments – NHFC	**814 846**	863 538	**814 308**	845 156
– Managed funds	**550 850**	516 104	**550 850**	516 104
Bank balances and cash	**43 613**	11 101	**21 654**	9 369
Total bank balances and cash	**1 409 309**	1 390 743	**1 386 812**	1 370 629
25. COMMITMENTS				
Operating lease commitments – Group as lessee				
The Group has entered into a commercial lease on the property from which it operates. The lease commenced on 1 April 2007 and will end 31 March 2012; the lease may be extended.				
Future minimum rentals payable under current operating lease as at 31 March 2007				
Within 1 year	**3 500**	1 936	**3 500**	1 936
– Property	**3 375**	1 936	**3 375**	1 936
– Equipment	**125**	–	**125**	–
After one year but not more that five years	**16 138**	–	**16 138**	–
– Property	**16 119**	–	**16 119**	–
– Equipment	**19**	–	**19**	–
	19 638	1 936	**19 638**	1 936

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
26. 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 Robson Savage, and subject to the Pension Fund Act of 1956.				
The Corporation is not liable for post retirement benefits.				
Provident fund contributions	**3 041**	2 502	**3 041**	2 502

27. FINANCIAL RISK MANAGEMENT

Credit risk

Financial assets, which potentially subject the Corporation 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 the allowance for impairments. Credit risk on advances is limited in terms of the credit policy which provides for prudent counter party limits in respect of individual clients as a percentage of the total advances portfolio. The advances at year-end reflect that the Corporation has exposure within approved counter party limits.

The Corporation 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 Corporation'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.

Clients that enjoy variable interest rate facilities are subject to interest rates, based on prime or which reset on a quarterly basis, in accordance with various agreed market indices.

	GROUP		COMPANY	
	2007 **R'000**	2006 R'000	**2007** **R'000**	2006 R'000
27. FINANCIAL RISK MANAGEMENT (continued)				
The composition of the year-end advances book is as follows:				
Fixed rate advances	**128 579**	69 198	**128 579**	69 198
Linked rate advances	**795 910**	745 475	**781 785**	745 475
Less: impairments	**(77 909)**	(58 971)	**(63 784)**	(58 971)
	846 580	755 702	**846 580**	755 702

Interest rate risk

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

		GROUP 2007		GROUP 2006	
	Strategy	**Fixed rate R'000**	**Linked rate R'000**	Fixed rate R'000	Linked rate R'000
Assets					
Advances – rates vary between 9% and 14% p.a.	**1**	**128 579**	**795 910**	69 198	745 475
Investments held for trading – refer to note 11. The rate is fixed at 12,54% p.a.	**2**	**233 499**		245 757	
Money market investments – rates vary between 8,5% and 9,35% p.a.			**1 365 696**		1 379 642
Bank balances and cash – rates vary between 5,5% and 7,5% p.a.			**43 613**		11 101

Notes to the annual financial statements

continued

For the year ended 31 March 2007

		GROUP 2007		GROUP 2006	
	Strategy	**Fixed rate R'000**	**Linked rate R'000**	Fixed rate R'000	Linked rate R'000
27. FINANCIAL RISK MANAGEMENT (continued)					
Liabilities					
Government grants under management – rates are linked to short-term investment rates			**547 239**		518 914
Interest rate risk management strategy is as follows:					
Clients who enjoy variable interest rate facilities are subject to interest rates that reset on a change in prime interest rate or on a quarterly basis in accordance with various market indices.					
Investments are aligned to the cash flow requirements and strategy of the core business. The portfolio is diversified utilising a mix of fixed and floating rate instruments within the policy framework and is continually monitored to adapt to changing dynamics.					
Liquidity risk					
To ensure that the Group is able to meet its financial commitments the liquidity management process includes:					
– short- and long-term cash flow management; and					
– diversification of investment activities with appropriate levels of short-term instruments.					

	GROUP 2007		GROUP 2006	
	Carrying amount R'000	**Fair value R'000**	Carrying amount R'000	Fair value R'000
27. FINANCIAL RISK MANAGEMENT (continued)				
Fair value				
At 31 March 2007 and 2006 the carrying amounts of financial assets and liabilities approximated their fair values.				
Financial assets				
– Advances	**846 580**	**846 580**	755 702	755 702
– Accounts receivable	**21 497**	**21 497**	11 185	11 185
– Investments held for trading	**233 499**	**233 499**	245 757	245 757
– Money market investments	**1 365 696**	**1 365 696**	1 379 642	1 379 642
– Bank balances and cash	**43 613**	**43 613**	11 101	11 101
	2 510 885	**2 510 885**	2 403 387	2 403 387
Financial liabilities				
– Accounts payable	**15 289**	**15 289**	10 069	10 069
– Government grants under management	**547 239**	**547 239**	518 914	518 914
	562 528	**562 528**	528 983	528 983

Market values have been used to determine the fair value of investments held for trading.

All other financial assets and liabilities approximate their fair values.

Notes to the annual financial statements

continued

For the year ended 31 March 2007

		COMPANY	
		2007	2006
28. RELATED PARTIES DISCLOSURE			
The consolidated financial statements include the financial statements of National Housing Finance Corporation Limited and subsidiaries as listed below			
	Country of incorporation	**% equity interest**	% equity interest
Subsidiary			
Gateway Homeloans (Proprietary) Limited	RSA	100	100
Gateway Homeloans 001 (Proprietary) Limited	RSA	100	100
Guardrisk Cellcaptive	RSA	100	100
The following table provides the total amounts of transactions which have been entered into with related parties for the relevant financial year (for information regarding outstanding balances refer to notes as indicated).			
		Total R'000	Total R'000
Related party			
Subsidiaries			
Gateway Homeloans (Proprietary) Limited			
– Intercompany (receivables)/payables (refer note 4)		**–**	(60 823)
– Management fees paid to National Housing Finance Corporation Limited		**342**	342
Guardrisk Cellcaptive			
– Accounts receivable		**14 125**	9 522
– Insurance proceeds received		**(14 125)**	(9 522)
– Insurance paid		**3 534**	10 602
Joint venture			
Cape Town Community Housing Company (Proprietary) Limited			
– Debentures (refer note 5)		**3 197**	3 197
– Advances		**–**	14 152
Other			
Rural Housing Loan Fund			
– Protea FSG book purchased		**12 500**	–
– Accounts payable (refer note 19)		**–**	(124)
– Management fees paid to National Housing Finance Corporation Limited		**–**	30
Social Housing Foundation			
– Accounts receivable (refer note 10)		**657**	1 983
– Management fees received		**244**	167
Thubelisha/NDOH		**100 000**	–
Telkom SA			
– Telecommunication services		**598**	–
SA Post Office			
– Postal services		**2**	–

Notes to the annual financial statements

continued

For the year ended 31 March 2007

	Lending activities R'000	Investment activities R'000	Total 2007 R'000	Total 2006 R'000
29. SEGMENT INFORMATION Group business segmental analysis of income statement				
Revenue – 2007	**70 655**	**95 204**	**165 859**	–
Revenue – 2006	60 118	95 812	**–**	155 930
Total revenue			**165 859**	155 930
Impairments			**(18 938)**	1 092
Revenue net of impairments			**146 921**	157 022
Other income			**10 042**	13 414
Expenses			**(68 414)**	(62 143)
Net income before taxation			**88 549**	108 293
Taxation			**(25 668)**	(31 392)
Net income after taxation			**62 881**	76 901
Group business segmental analysis of the balance sheet				
Advances – 2007	**846 580**		**846 580**	
Advances – 2006	**755 702**			755 702
Debentures Cape Town Community Housing Company (Proprietary) Limited – 2007		**3 197**	**3 197**	
Debentures Cape Town Community Housing Company (Proprietary) Limited – 2006		3 197		3 197
Preference shares investments – 2007		**2 500**	**2 500**	
Preference shares investments – 2006		7 000		7 000
Property, plant and equipment – 2007		**924**	**924**	
Property, plant and equipment – 2006		1 224		1 224
Accounts receivable – 2007		**21 497**	**21 497**	
Accounts receivable – 2006		11 185		11 185
Investment: property held for sale – 2007		**34 000**	**34 000**	
Investment: property held for sale – 2006		21 654		21 654
Investments held for trading – 2007		**233 499**	**233 499**	
Investments held for trading – 2006		245 757		245 757
Money market investments – 2007		**1 365 696**	**1 365 696**	
Money market investments – 2006		1 379 642		1 379 642
Bank balances and cash – 2007		**43 613**	**43 613**	–
Bank balances and cash – 2006		11 101		11 101
Deferred taxation 2007		**2 214**	**2 214**	
Deferred taxation 2006		599		599
Taxation – 2007		**17 882**	**17 882**	
Taxation – 2006		42 413		42 413
			2 571 602	2 479 474

	Other provinces	Mpuma-langa	Gauteng	KwaZulu Natal	Eastern Cape	Western Cape	Total 2007 R'000	Total 2006 R'000
29. SEGMENT INFORMATION (continued)								
Geographical segmental analysis of income statement								
Revenue – 2007	**5 156**	**7 675**	**40 176**	**2 663**	**10 826**	**4 159**	**70 655**	
Lending income							**93 468**	
Investment income								
Revenue – 2006								
Lending	2 881	14 370	28 325	3 100	7 446	3 996		60 118
Investment income								94 277
Total revenue							**164 123**	154 395
Impairments							**(4 813)**	4 604
Revenue net of impairments							**159 310**	158 999
Other income							**10 195**	13 942
Expenses							**(71 945)**	(71 597)
Net income before taxation							**97 560**	101 344
Taxation							**(28 281)**	(29 263)
Net income after taxation							**69 279**	72 081

	Other provinces	Mpuma-langa	Gauteng	KwaZulu Natal	Eastern Cape	Western Cape	**Total 2007 R'000**	Total 2006 R'000
29. SEGMENT INFORMATION (continued)								
Geographical segmental analysis of the balance sheet								
Advances – 2007	**33 536**	**35 768**	**574 318**	**23 287**	**133 779**	**45 891**	**846 580**	
Advances – 2006	15 249	106 398	432 256	57 185	85 986	58 630		755 702
Investment in subsidiary 2007			**50 000**				**50 000**	
Investment in subsidiary 2006			**50 000**					50 000
Debentures Cape Town Community Housing Company (Proprietary) Limited – 2007						**3 197**	**3 197**	
Debentures Cape Town Community Housing Company (Proprietary) Limited – 2006						3 197		3 197
Preference shares investments – 2007			**2 500**				**2 500**	
Preference shares investments – 2006			2 500			4 500		7 000
Investment in cell captive 2007			**7 000**				**7 000**	
Investment in cell captive 2006			7 000					7 000
Property, plant and equipment – 2007			**924**				**924**	
Property, plant and equipment – 2006			1 224					1 224

Notes to the annual financial statements

continued

For the year ended 31 March 2007

	Other provinces	Mpuma-langa	Gauteng	KwaZulu Natal	Eastern Cape	Western Cape	**Total 2007 R'000**	Total 2006 R'000
29. SEGMENT INFORMATION (continued)								
Geographical segmental analysis of the balance sheet (continued)								
Accounts receivable – 2007			**35 622**				**35 622**	
Accounts receivable – 2006			11 185					11 185
Investment: property held for sale – 2007			**34 000**				**34 000**	
Investment: property held for sale – 2006			21 654					21 654
Investments held for trading – 2007			**233 499**				**233 499**	
Investments held for trading – 2006			245 757					245 757
Money market invest-ments – 2007			**1 365 158**				**1 365 158**	
Money market invest-ments – 2006			1 371 260					1 361 260
Bank balances and cash – 2007			**21 654**				**21 654**	
Bank balances and cash – 2006			9 369					9 369
Deferred taxation 2007			**2 292**				**2 292**	
Deferred taxation 2006			604					604
Taxation – 2007			**10 688**				**10 688**	
Taxation – 2006			40 657					40 657
							2 613 114	2 514 609

External auditor's report performance in terms of Section 28 of the Public Audit Act 2005

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Reporting on performance information

We have reviewed the performance information as set out on pages 62 to 63.

Responsibility of the accounting authority of NHFC

The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

Responsibility of the Auditors

We conducted our engagement in accordance with Section 28 of the Public Audit Act. In terms of the foregoing our engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings

None identified.

Ernst & Young Inc.

Ernst & Young Inc.

Registered Auditor

24 July 2007

Johannesburg

Performance Report Section 55(2) of PFMA

For the year ended 31 March 2007

	Actual R'000	Budget R'000
Group budgeted and audited results for the year ended 31 March 2007		
Income		
Lending activities	**70 655**	**96 876**
Investment activities	**95 204**	**61 937**
Other	**10 042**	**7 027**
Total income	**175 901**	**165 840**
Impairments	**(18 938)**	**(4 166)**
Operating expenses	**(68 414)**	**(83 732)**
Profit before tax	**88 549**	**77 942**
Tax	**(25 668)**	**(22 603)**
Profit after tax	**62 881**	**55 339**

Explanation of variances

Approvals to lenders for the year amounted to R317 million of which only R270 million was disbursed. The budget for disbursements was R1,04 million. The reasons for the lack of disbursements included:

- Insufficient subsidies for Social Housing projects to be viable
- Delays in the commencement of projects
- Projects facilitated by NHFC but funded by the private sector funders

Lending income

The reduction in lending income is as a result of lower disbursements mentioned above.

Investment income

Investment income is higher than the budget due to lower disbursements.

Other income

Other income includes management fees, rental income and fair value gain on valuation of property held for sale.

Expenses

Expenses are R12 million below budget. This is due to expenses expected for the implementation of the new mandate now due for commencement in the 2007/2008 financial year. This includes consultants, marketing costs, computer costs, legal expenses, borrower education and travelling costs.

Performance Report Section 55(2) of PFMA

For the year ended 31 March 2007

	Actual R'000	Budget R'000
Group budgeted and audited results for the year ended 31 March 2007 (continued)		
Key performance indicators		
Projects		
Number of projects funded	9	25
Amounts disbursed	146 149	997 907
Units financed and facilitated	9 105	19 199
Commercial		
Number of intermediaries	8	11
Amounts disbursed	124 263	41 881
Incremental loans provided	4 556	5 947
Units financed	782	–
	5 338	5 947
Retail		
Amounts disbursed	–	5 400
Loans provided	–	36
Summary of disbursements and impact		
Total disbursed	270 414	1 045 188
Housing opportunities funded and facilitated		
Incremental housing loans	4 556	5 947
Housing units provided	9 887	19 199
	14 443	25 145

The Corporation, with its move into projects in the 2007 year, experienced delays in implementation thereof due to various challenges, such a municipal capacity, insufficient level of subsidies, delays in commencement of projects.

NATIONAL HOUSING FINANCE CORPORATION LTD.

Notes

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Profile of the National Housing Finance Corporation Limited

The National Department of Housing established the National Housing Finance Corporation Limited (NHFC) as a Development Finance Institution (DFI) in 1996, with the principal mandate of broadening and deepening access to affordable housing finance for the low to middle income South African households.

Vision

The NHFC is the leader in the development of the low to middle income housing market.

Mission

Provide innovative and affordable housing finance solutions to the low to middle income housing market.

What the NHFC does

Make housing finance more accessible and affordable for the low to middle income households

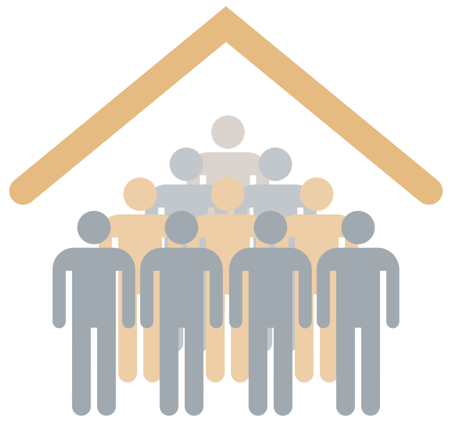
– Help households meet their housing finance needs; and
– Extend the reach through the provision of innovative housing finance products

Support BNG strategy by facilitating the development of sustainable human settlements

– Significantly expand the housing supply and tenure options;
– Promote integrated/inclusionary housing development; and
– Help in the eradication of informal settlements

Facilitate the development of a viable and sustainable low to middle income housing finance market

– Implement risk-enhancement mechanisms; and
– Advocate the promotion of an enabling environment in the low to middle income housing market



Administration

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