INTEGRATED REPORT

FOR PERIOD 1 APRIL TO 30 SEPTEMBER 2018

RHLF

RURAL HOUSING LOAN FUND

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GENERAL INFORMATION

Registered Name
Rural Housing Loan Fund NPC

Registration Number
1996/010988/08

Registered Office Address
Isle of Houghton, Old Trafford 3, 11 Boundary Road, Houghton

Postal Address
PO Box 645, Bruma, 2026

Contact Telephone Number
(011) 644 9898

Website Address
www.rhlf.co.za

External Auditors
SizweNtsalubaGobodo Grant Thornton Inc.

Banker's Information
Standard Bank SA

Company Secretary
Mr Bruce Gordon, CA(SA)

MANDATE

To facilitate access to housing finance for low-income earners in rural areas to improve their living and housing conditions.

VISION

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

MISSION

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

VALUES

We subscribe to the following values:

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

CHAIRPERSON'S FOREWORD

Ms Thembi Chiliza

Board Chairperson

After a protracted process to merge the Development Finance Institutions in the human settlements sector, the merger has now been accomplished. The Rural Housing Loan Fund ceased to operate on 30 September 2018 with all its assets and liabilities being donated to the National Housing Finance Corporation SOC Ltd with effect from 1 October 2018, along with a transfer of all employees. This Integrated Report, therefore, presents the audited financial statements and performance information for the company for the first two quarters of the financial year 2018/19. Once the Board approves this Integrated Report, it will take a resolution to deregister the Rural Housing Loan Fund.

The Rural Housing Loan Fund was established with the mandate to facilitate access to unsecured incremental housing loans for low-income rural households to improve their housing and living conditions. I am proud to say that the company has, since inception, taken this mandate seriously as shown by its development performance year after year. Its development performance during the period under review shows the passion of its employees, reflecting that incremental housing loans delivered, exceeded the numbers of loans budgeted for the period.

It is important, however, to highlight that the market we serve is highly susceptible to a number of tough economic and business conditions such as low-income levels, slow economic growth, high unemployment rates and high levels of indebtedness. As a result, there are always more people applying for housing loans than those who can afford to take loans.

Notwithstanding these tough conditions experienced for most of the company's existence, we are proud that from inception to the end of 30 September 2018, the company delivered 598 984 incremental housing loans. Furthermore, cumulative funds disbursed in the same period reached R2.1 billion. As we present this final Integrated Report of the Rural Housing Loan Fund, we are both proud and happy to say that we have proved that the incremental housing finance industry works and is appropriate for serving the housing needs of low-income people in our country, who cannot access mortgage housing finance. This is the legacy that the Rural Housing Loan Fund leaves as the business is transferred to the National Housing Finance Corporation.

The market we serve is highly susceptible to a number of tough economic and business conditions such as low-income levels, slow economic growth, high unemployment rates and high levels of indebtedness.

I extend my appreciation to all our staff for their dedication in serving the low-income people of South Africa. I have no doubt that they will continue to focus on this mandate in the bigger consolidated entity and ultimately in the Human Settlements Development Bank. We thank them for their continued focus on supporting our intermediaries and ensuring achievement of our mandate – a feat that they maintained even during the tense period of achieving successful completion of the merger and preparing for the integration of operations.

Our intermediaries have been at the coalface of delivering on our mandate by ensuring that funds they access are used for the sole mandate of our company. For this, I thank them dearly as we would not have been able to deliver on our mandate at such a large scale without them.

In terms of governance, the company continued with four non-executive directors and one executive director during the period under review. I sincerely thank all members of the Board for their dedication to serving the company during our term of office. As a team, we have served the people of South Africa with diligence and as we transfer the Rural Housing Loan Fund business to the National Housing Finance Corporation, we are happy to say that we are handing over a business that is sound and that serves the real needs of the low-income people of South Africa. We have no doubt that when the incremental housing finance product is delivered at scale in both urban and rural areas too, more people will be enabled to incrementally improve their housing conditions.

On behalf of the Board, I convey our sincere gratitude to the Minister for Human Settlements, previous and current, for giving us the opportunity to serve the people of South Africa as members of the Rural Housing Loan Fund Board.

Ms Thembi Chiliza
Board Chairperson
Non-executive Director

People who benefit

CREATING VALUE FOR OUR CUSTOMERS

During the Rural Housing Loan Fund's existence, we have enabled many borrowers to improve their housing situations according to their needs and affordability. Below, we share various examples of how people improve their housing conditions through our funding which they access as loans from our intermediary partners.

1. MR WILLIAM BALOYI, KLIPGAT, BOJANALA MUNICIPALITY, NORTH WEST PROVINCE

New stand – new house

Mr Baloyi is employed in the private sector and earns between R9 800 and R15 000 per month. He lives in Klipgat area and is the breadwinner of a family of eight, including his wife. Mr Baloyi currently stays with his family of eight in a shack and has started building his seven-room house with his own savings and assistance from other financial institutions. In June 2018, he took a loan of R20 000 from a Rural Housing Loan Fund intermediary lender, Thuthukani Housing Finance to buy building materials from a building merchant, Stanley Hardware. Mr Baloyi used the loan to buy roof materials for his new seven-room house.

2. MRS FLORINA BOTHA, SOSHANGUVE (EXT 12), TSHWANE MUNICIPALITY

RDP house extension

Mrs Botha is a 60-year-old lady, employed in the private sector and earns a salary of between R3 500 and R6 000 per month. She took a loan of R20 000 from a Rural Housing Loan Fund intermediary lender, Thuthukani Housing Finance and used it to extend the RDP house she received 10 years ago. Mrs Botha lives alone and is very happy with the assistance received from the lender as she used this loan to complete her house.

3. MISS MARIAM SETABOLA, WINTERVELD, TSHWANE MUNICIPALITY

House extension and water harvest

Miss Setabola is a pensioner who took a loan of R2 500 in July 2018 from a Rural Housing Loan Fund intermediary lender, Lendcor Group through BuildIt. With the loan and the assistance of her grandson, she built the garage shown in the picture. She stated that she decided to build the garage because her grandson stays in Johannesburg and during his visits home, he parks his car outside, although the area is not safe. Mrs Setabola said that with the first loan, she bought a JoJo tank to harvest water because the area has a problem with access to water.

4. MISS CAROLINE MANAMELA, SOSHANGUVE (BLOCK LL), TSHWANE MUNICIPALITY

A pensioner building back-yard rental units

Mrs Manamela is a pensioner and lives with her family in Soshanguve. In June 2018, she took a loan of R2 500 from a Rural Housing Loan Fund intermediary lender, Lendcor Group. She plans to build rooms which she can rent to students as she lives close to the Tshwane University of Technology, Soshanguve Campus. Mrs Manamela said that the rental rooms she is building will generate an additional income of R1 500 per room per month. She is happy that she will be able to earn an extra income and also be able to repay the loan.

5. MRS DORAH MALINGA, BLOCK GG,TSHWANE MUNICIPALITY

A pensioner extending a pre-1994 four-room house

Mrs Malinga, a 64-year-old civil pensioner, borrowed R8 630 in June 2018 from a Rural Housing Loan Fund intermediary lender, Lendcor Group through BuildIt. She used this loan together with her own savings to extend her existing pre-1994 four-room house with an additional three rooms. The house has running tap water inside, a flush toilet and uses grid electricity. She lives with her husband. Mrs Malinga’s monthly salary is between R3 500 and R6 000.

6. MR THABANG SEBOLA, KLIPGAT, TSHWANE MUNICIPALITY

From a shack to a permanent house

Mr Sebola is 25 years old and is employed in the private sector earning between R3 500 and R6 000 per month. He took a loan of R5 000 in May 2018 from a Rural Housing Loan Fund intermediary lender, Thuthukani Financial Services through Stanley Hardware. He is currently stockpiling building materials and plans to build an eight-room house for his family. He stated that the family has been staying in the shack since he was born. Therefore, he decided to build a proper house with assistance from his sisters. He is happy with the loan from Lendcor as this access to housing finance will change the living conditions of his family.

7. MISS ELIZABETH VUKELA, WINTERVELD – TSHWANE MUNICIPALITY, GAUTENG

A pensioner extending an RDP house

Miss Vukela is a pensioner and lives in an RDP house with her child. In December 2017, she took a loan of R2 500 from a Rural Housing Loan Fund intermediary lender, Lendcor Group to extend the RDP house she received 10 years ago, with a veranda. Miss Vukela's RDP house has running tap water inside, a flush toilet and uses grid electricity. She is very happy with the support she received and also stated she can now enjoy the company of visitors outside her house. Miss Vukela is currently stockpiling cement to plaster the house.

8. MRS DORAH MOLOTO, WINTERVELD, TSHWANE MUNICIPALITY, GAUTENG PROVINCE

A pensioner building a new house

The house in the picture above belongs to Mrs Dorah Moloto who lives in Winterveld location. She receives an old age social grant of R1 690 per month. She took a loan of R2 500 from a Rural Housing Loan Fund intermediary lender, Lendcor Group through BuildIt in May 2018. Mrs Moloto used the loan together with the additional income she earns from selling travel bags to build two outside rooms for her family of five. The area has access to water supply inside the house, a pit latrine and grid electricity.

ABOUT THIS REPORT

INTEGRATED REPORT TO 30 SEPTEMBER 2018

ABOUT THIS REPORT

The Rural Housing Loan Fund produces this final Integrated Report prior to it being wound up. The company has donated its business to the National Housing Finance Corporation to implement the consolidation of the Development Finance Institutions reporting to the Minister of Human Settlements. The final condition precedent to enable implementation of the donation was the PFMA section 66 approval by the Minister of Finance which was granted in September 2018. As a result, with effect from 1 October 2018, the business of Rural Housing Loan Fund belongs to the National Housing Finance Corporation.

Following Board approval of the Audited Financial Statements for the period 1 April to 30 September 2018, the Board of the Rural Housing Loan Fund will take a resolution to dissolve the Rural Housing Loan Fund.

SCOPE AND BOUNDARY

This Integrated Report covers the period 1 April 2018 to 30 September 2018, on which date the company ceased trading. There are no material events after 30 September 2018 that have to be included in this report.

REPORTING TO STAKEHOLDERS

The Rural Housing Loan Fund has a wide range of stakeholders with varied information needs. This Integrated Report is our primary report aimed at not only our shareholders, but all our stakeholders both mentioned and not mentioned in this report. The Rural Housing Loan Fund is, with effect from 1 October 2018, operating as a division of the National Housing Finance Corporation – the first step towards the Human Settlements Development Bank.

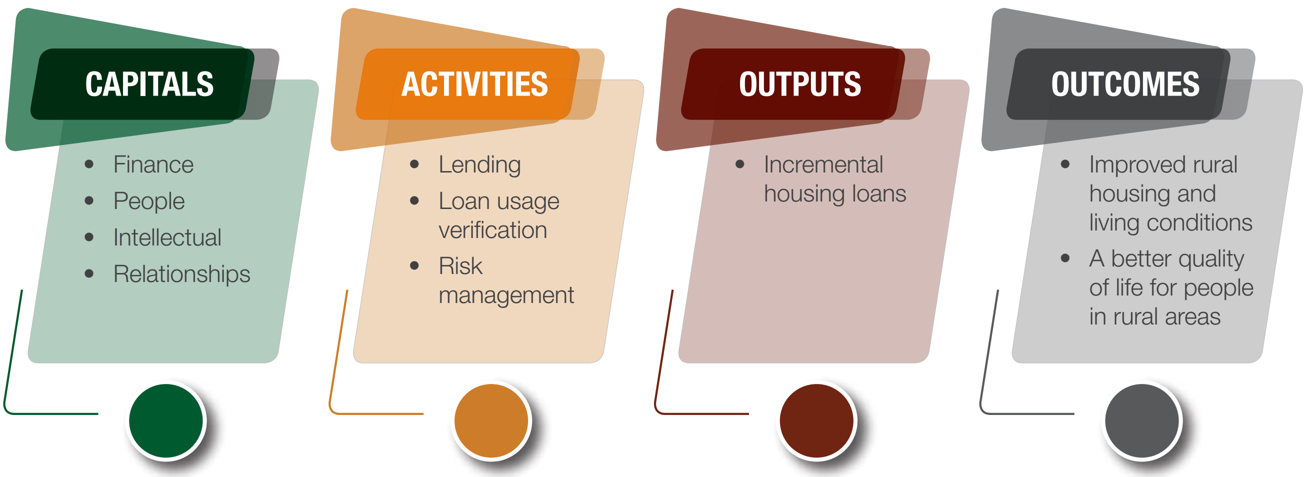
INTEGRATED THINKING

We embrace integrated thinking in our operations to improve delivery on our mandate and to supply information to our stakeholders.

The Rural Housing Loan Fund exists to create value for the company and its stakeholders and is dependent on various forms of capital to achieve this.

The following elements are critical in value creation for the Rural Housing Loan Fund and our stakeholders:

- **Financial capital:** This is the money we have and use to finance all our business activities in the implementation of our mandate of enabling people in our mandate market to access housing loans to improve their living conditions. Sources of our financial capital include South African Government transfers, grant and loan finance from our funders (KFW, the German Development Bank, and the Development Bank of Southern Africa (DBSA), as well as retained earnings the company has accumulated during its existence.
- **Human capital:** In terms of our human resources, we recruit and develop our people with the aim of enhancing their competencies and capabilities. This gives them the experience they need to provide the excellent service required to ensure we deliver on our mandate and add value for our various stakeholders. As the company ceases to operate on 30 September 2018, it should be noted that eight of 17 (47%) members of staff joined the company as interns before being appointed in a permanent capacity, and are now being transferred to the NHFC.
- **Intellectual capital:** We have built knowledge-based expertise in housing microfinance delivery. This allows us to enable low-income people in rural areas to fulfil their aspirations of improving their housing and living conditions through a process of incremental building.
- **Social and relationship capital:** The co-operative relationships we have built with various stakeholders in government, the private sector, communities and non-governmental organisations allow us to consistently deliver on our mandate and create value for our various stakeholders.
- **Natural capital:** We support sustainable use of the natural resources used to produce building materials our money finances. In particular, we would like to see more borrowers using their funding to access renewable sources of energy and other environmentally friendly alternative building technologies.



Our people

WHO ARE WE?

OUR PEOPLE

Jabulani Fakazi
Chief Executive Officer

Bruce Gordon
Chief Financial Officer

William Malatji
Client Executive

Dipolelo Chuene
Office Administrator

Makgalaborwa Maila
Risk Manager

Tsaliko Ntoampe
Client Executive

OUR PEOPLE (continued)

Mlungisi Hlabangani
Risk Analyst

Myriam Kheza
Office Manager

Porche Knauf
Accountant

Relebile Moeketsi
Client Executive

Rhona Mokhele
Office Assistant

Kenneth Molapo
Development Compliance Monitor

OUR PEOPLE (continued)

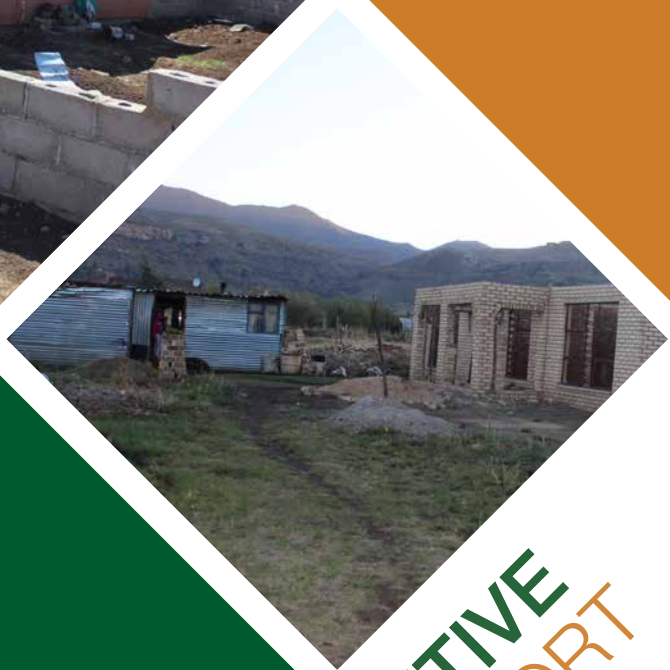
Motlalepule Mothobi
Marketing Officer

Ramodikeng Motshabi
Development Compliance Monitor

Caroline Ndlovu
Risk Analyst

Lindokuhle Ndlovu
Client Executive

Ntombinkulu Radebe
Accounts Clerk



CHIEF EXECUTIVE OFFICER'S REPORT

CHIEF EXECUTIVE OFFICER'S OVERVIEW

Jabulani Fakazi

Chief Executive Officer

I write this report as the last communication to the Rural Housing Loan Fund stakeholders because the company ceased its operations on 30 September 2018, following the donation of its business to the National Housing Finance Corporation in order to establish a single Development Finance Institution reporting to the Department of Human Settlements. This is the first step towards establishment of the envisaged Human Settlements Development Bank.

As a result of the Rural Housing Loan Fund transferring its assets and liabilities to the National Housing Finance Corporation, the company will, subsequent to its Board approving the audited Financial Statements, be de-registered with the Companies and Intellectual Property Commission and delisted as a Schedule 3A public entity in terms of the Public Finance Management Act.

This report, therefore, serves to present performance of the company in the first two quarters of 2018/19 financial year, that is, until the termination of its operations. For the period under review, 17 442 loans were delivered through our intermediaries to rural households. This exceeded the budget of 15 872 by 1 570 loans (9.89%). In general, we are pleased with the performance of the company in helping people in its target market to access finance and improve their housing conditions. Elsewhere in this report, we mention that from inception to the end of September 2018, the company delivered 598 984 incremental housing loans to its target market during the period of its existence.The company continued to operate in a tough business environment during the period 1 April 2018 to 30 September 2018 – just as it had done in the last few years. Low economic growth and the persistently high unemployment rate continued to impede our progress in delivering an even higher number of loans. In addition, levels of household indebtedness in our market has remained relatively high, thus leading to fewer borrowers being able to afford the housing loans to improve their housing conditions.

The challenges highlighted above manifested in lower than budgeted disbursements during the first half of 2018/19. During this period, the entity disbursed only R40 million against a budget of R102 million. By the end of the first half of the financial year, we had loan commitments of R140 million not drawn down by lenders due to the poor lending conditions.

Despite the disappointing disbursements in the period under review, we are proud that by the date the Rural Housing Loan Fund ceased its operations, a cumulative value of disbursements of R2.1 billion since inception had been reached. This is a significant achievement given the low-income market segment we serve.

We are proud that by the date the Rural Housing Loan Fund ceased its operations, a cumulative value of disbursements of R2.1 billion since inception had been reached.

For the period under review, the company achieved total revenue of R32.1 million – exceeding the budget of R29.4 million by R2.7 million (9.2%). However, operating expenses at R21.6 million were much higher (46.3%) than the budget of R14.8 million. The main driver was impairment provisions, which culminated in R10.3 million against the budget of a reversal of R0.8 million as some clients' balance sheets did not improve as expected but declined further. As a result, the surplus achieved for the period under review was only R5.9 million against a budget of R10.1 million.

The company had no discontinued activities during the period under review. The Rural Housing Loan Fund has sound supply chain management processes and systems, and all procurement during the period of reporting was policy compliant. No unsolicited bid proposals were concluded during the first two quarters of the 2018/19 financial year. No fruitless and wasteful expenditure was incurred during the period under review.

As the second quarter for 2018/19 drew to a close, the Minister of Finance granted approval for the loans of the Rural Housing Loan Fund and NURCHA to be transferred to the National Housing Finance Corporation. This was the last remaining condition precedent of the Donation Agreement to be fulfilled before the Rural Housing Loan Fund could donate its business to the National Housing Finance Corporation. As a result of the approval of the last condition precedent, the Rural Housing Loan Fund ceased to operate on 30 September 2018. Following approval of the audited financial statements and performance information, the company will be wounded up.

During the period of its operation since inception, the company has benefited from the value added by many of its stakeholders. Our retail intermediary micro-lending partners deserve special mention because, without them, the company would not have been able to deliver on its mandate in a cost-effective manner, nor reach all South Africa's provinces during its existence.

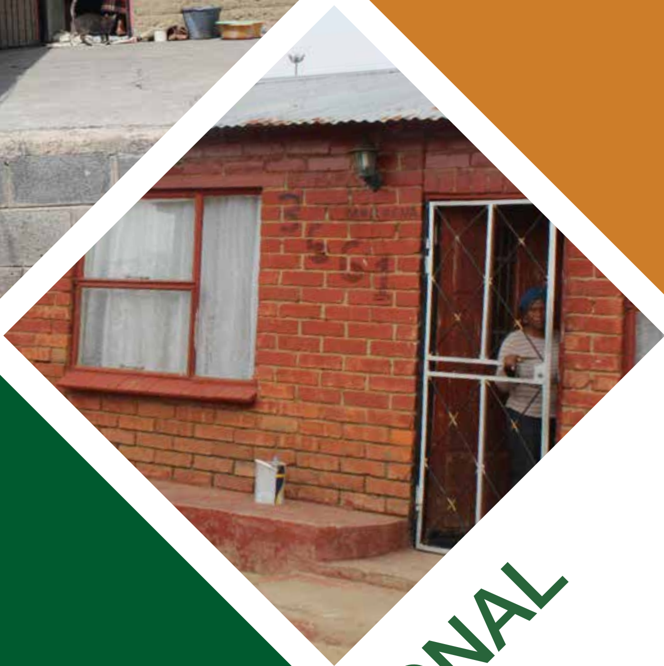
We greatly appreciate the support we have received over the years from our funders, KFW, the DBSA and the Department of Human Settlements – all of whom have contributed to the growth of our business.

Furthermore, I would like to recognise the oversight role played by the Department of Human Settlements and the Parliamentary Portfolio Committee on Human Settlements.

During the period under review and the last few years, the staff of the Rural Housing Loan Fund continued to focus on ensuring the company delivered on its mandate while participating in processes preparing for the merger of the Development Finance Institutions. I sincerely thank them all for their dedication and support and have no doubt that they will continue doing sterling work with their new employer, the National Housing Finance Corporation, under which the incremental housing finance product will be delivered on a national scale.

In conclusion, I would like to thank members of the Board of the Rural Housing Loan Fund. The Board has played a key role in guiding management in ensuring that all steps for the merger are taken in a legally compliant manner, while making certain that achievement of the entity's mandate is not compromised. It will be a remiss if I do not also convey my sincere gratitude to all persons who have served on the Rural Housing Loan Fund Board and Executive since the inception of the company as each one of them contributed to the development of the Rural Housing Loan Fund to the level that the entity achieved during its existence.

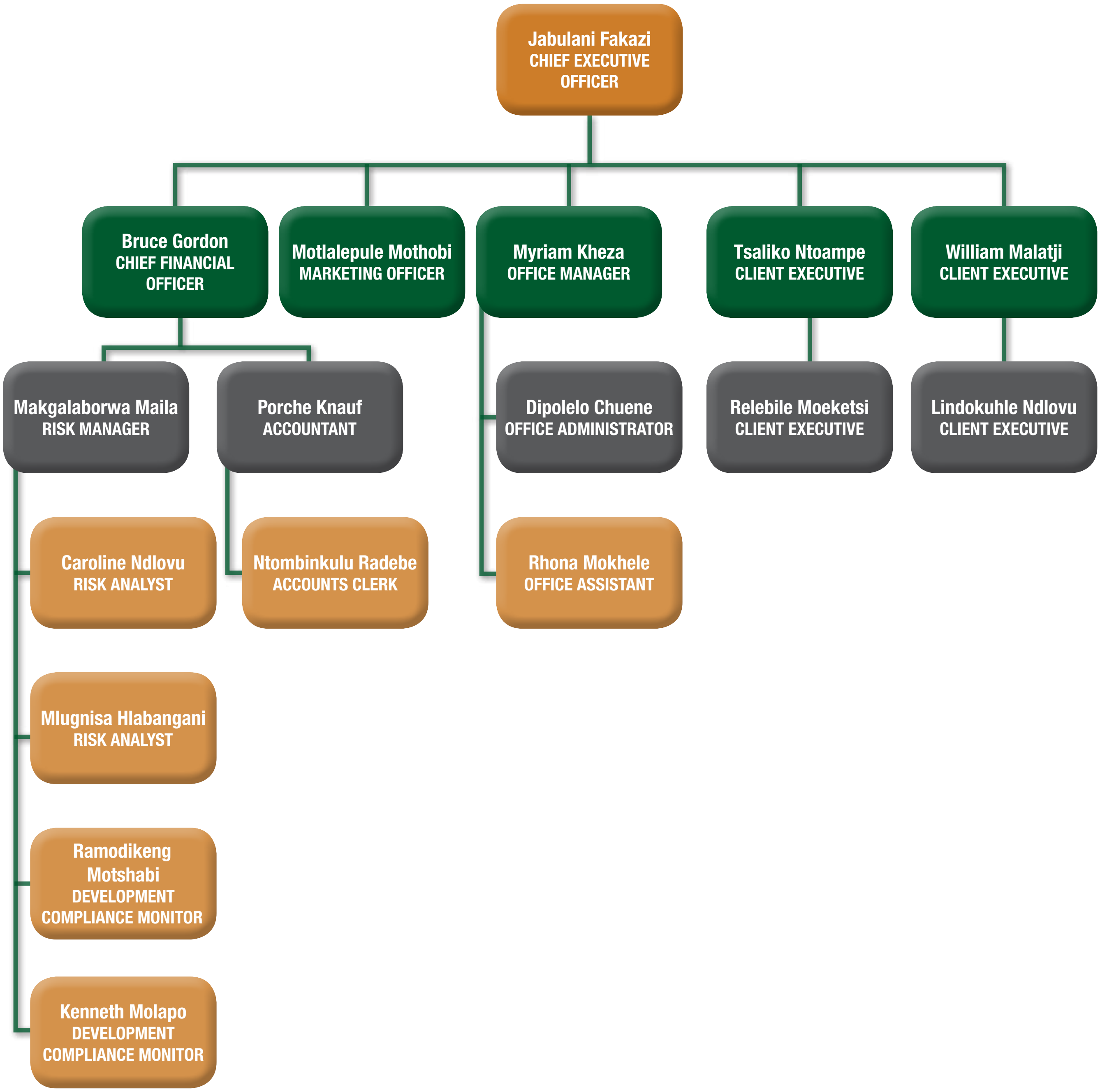
Jabulani Fakazi
Chief Executive Officer



ORGANISATIONAL OVERVIEW

Our employees

At the end of September 2018, the structure of the Rural Housing Loan Fund comprised the following employees:



The Board

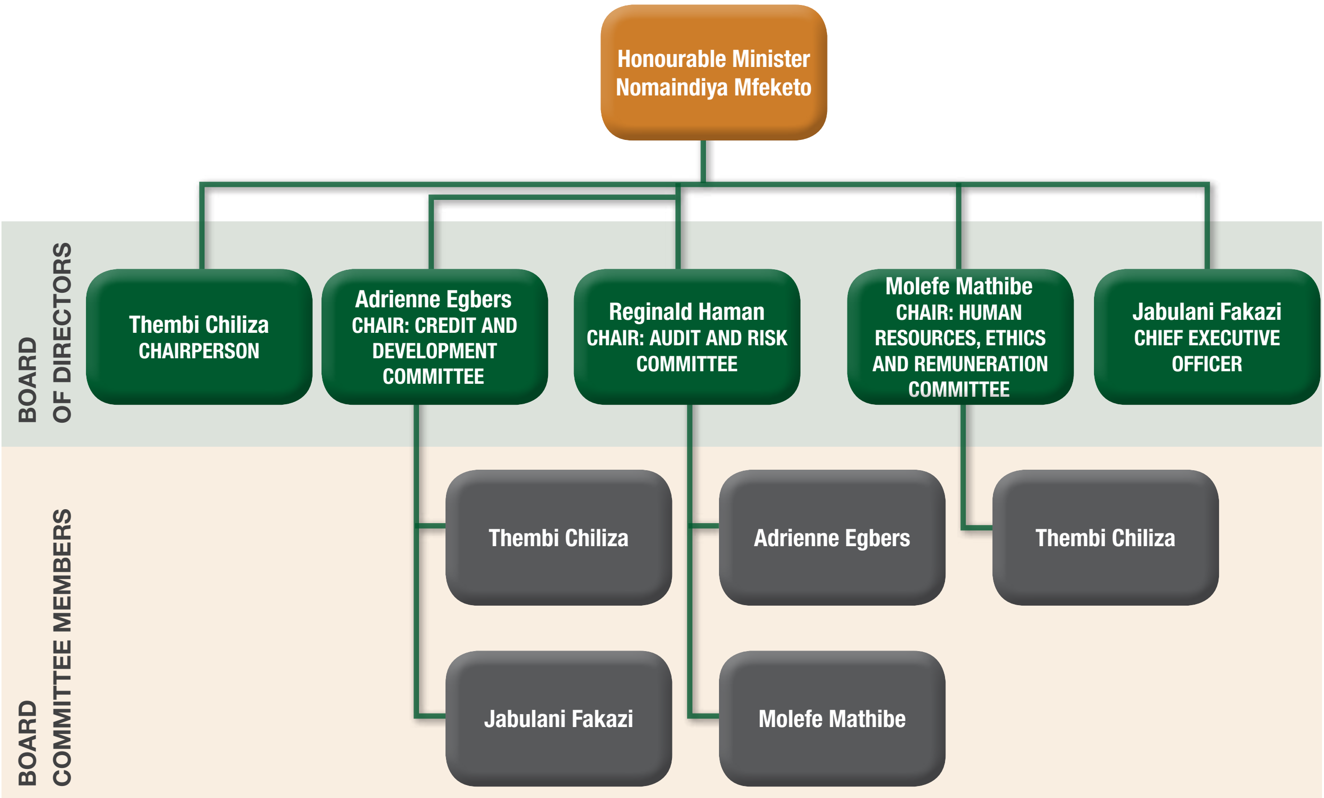
RESPONSIBILITY

This six-month Integrated Report is prepared on behalf of the Board by the Executives of the Rural Housing Loan Fund. The Audit and Risk Committee is delegated with the responsibility of recommending the Integrated Report for approval by the Board. The Board is, however, responsible for the systems and controls used in the preparation of this Integrated Report.

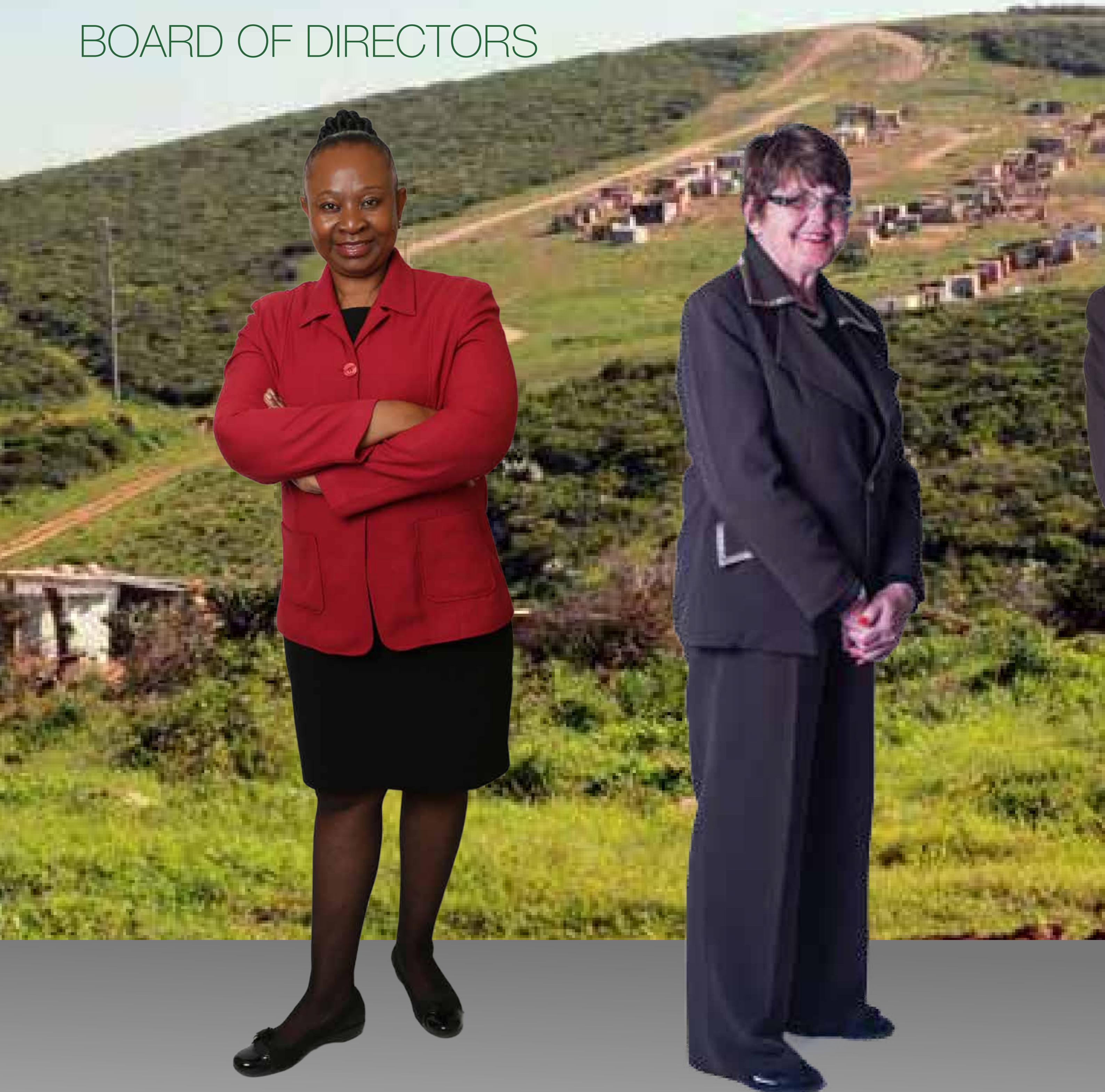
Therefore the Board acknowledges that final responsibility for this Integrated Report, as well as the results it presents, rests with the Board of Directors.

BOARD STRUCTURE AND COMMITTEES

The following is the structure of the governance of the Rural Housing Loan Fund:



BOARD OF DIRECTORS



Thembi Chiliza
Bachelor of Administration
Chairperson of the Board
Human Resources, Ethics and Remuneration Committee Member
Credit and Development Committee Member
Independent Non-Executive Director
12 years Rural Housing Loan Fund experience

Adrienne Egbers
Chartered Accountant (South Africa)
Deputy Chairperson of the Board
Credit and Development Committee Chairperson
Audit and Risk Committee Member
Independent Non-Executive Director
7 years Rural Housing Loan Fund experience

Molefe Mathibe
Bachelor of Commerce
Human Resources, Ethics and Remuneration Committee Chairperson
Audit and Risk Committee Member
Independent Non-Executive Director
8 years Rural Housing Loan Fund experience

Reginald Haman
Master of Business Administration
Audit and Risk Committee Chairperson
Independent Non-Executive Director
5 years Rural Housing Loan Fund experience

Jabulani Fakazi
Master of Arts (Development Policy)
Credit and Development Committee Member
Chief Executive Officer and Executive Director
16 years Rural Housing Loan Fund experience, 9 years executive director

BOARD AND COMMITTEE MEETING ATTENDANCE RECORD: 1 APRIL TO 30 SEPTEMBER 2018

BOARD AND COMMITTEE MEETING ATTENDANCE RECORD							
2018							
	Apr	May	Jun	Jul	Jul	Aug	Sep
Board Meetings							
Date			**28**			**14**	
T Chiliza			A			x	
J J Fakazi			x			x	
A Egbers			x			x	
M Mathibe			x			x	
R T Haman			x			x	

Credit and Development Committee							
Date		**31**		**5**		**30**	**28**
J J Fakazi		x		x		x	x
A Egbers		x		x		x	x
T Chiliza		x		x		x	x

Audit and Risk Committee							
Date	**26**	**29**		**12**	**31**		
A Egbers	x	x		x	x		
M Mathibe	x			A	x		
R T Haman	x			x	x		

HRER Committee							
Date			**27**			**8**	
T Chiliza			x			x	
M Mathibe			x			x	

SPECIAL MEETINGS							
Date	**13, 16, 23**	**10, 11**				**20, 30,31**	**4,20,21,27**
T Chiliza	x	xx				xx	xxx
A Egbers						xx	xxx
R T Haman						xx	x
Mr Mathibe	xxx	xx				xxx	xxxx
J Fakazi	xxx	xx				xxx	xxxx

A=Absent with apology

ORGANISATIONAL PERFORMANCE

Organisational performance

Since this is the final report by the entity, it is considered appropriate to review the entity's performance over the period of its operations.

HOUSING LOANS ISSUED AND MANDATE COMPLIANCE

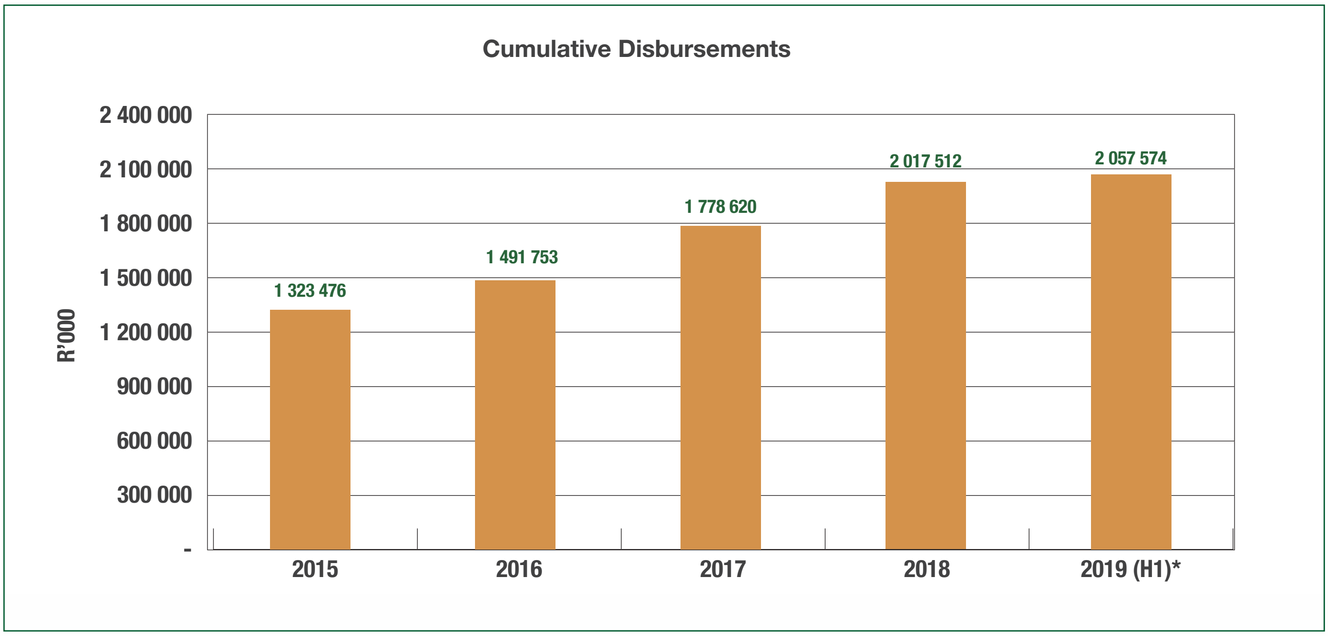
The table below shows that during the Rural Housing Loan Fund's operations, the entity delivered a cumulative total of 598 984 loans and that 531 586 (89%) loans were used in line with the mandate of the company as shown in section B of the table. This is a significant achievement given the fact that loans are unsecured. The tool used by the entity to track loans and their usage is aHousing Impact Monitoring Report. While this report is submitted by each intermediary, the Rural Housing Loan Fund has an internal Development Monitoring team that conducts loan verification visits to homes of borrowers in order to ensure that loans are used in line with the mandate.

Mandate achievement: Housing Impact Monitoring	ANNUAL FIGURES																				
	YEAR																				
A. New Number of Loans	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 (H1)*	Cum Total
Per Annum	17 992	11 122	5 553	10 536	8 006	15 202	26 648	32 028	37 644	40 537	33 112	40 289	47 043	44 812	44 610	40 185	39 790	45 512	40 921	17 442	598 984
Loan usage (%)																					
New house	10%	12%	12%	11%	12%	8%	2%	2%	6%	8%	3%	4%	4%	3%	3%	1%	4%	1%	2%	1%	4%
House extension	29%	18%	19%	19%	18%	14%	7%	10%	8%	17%	8%	10%	12%	11%	8%	8%	6%	6%	2%	1%	10%
Home improvement	48%	54%	54%	52%	53%	49%	49%	48%	56%	50%	71%	68%	71%	76%	81%	73%	77%	85%	88%	89%	68%
Services (water, electricity, sanitation)	7%	8%	7%	7%	8%	12%	16%	10%	4%	3%	2%	3%	3%	2%	2%	14%	12%	7%	7%	9%	7%
Total mandated housing usage (%)	94%	92%	92%	89%	91%	83%	74%	70%	74%	78%	84%	85%	90%	92%	94%	96%	99%	99%	99%	99,7%	89%
Other (mainly education)	6%	8%	8%	11%	9%	17%	26%	30%	26%	22%	16%	15%	10%	8%	6%	4%	1%	1%	1%	0,0%	11%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	YEAR																				
B. Number of loans used for:	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 (H1)	Cum Total
Build a new house	1 799	1 335	666	1 159	929	1 216	533	641	2 259	3 243	993	1 612	1 882	1 344	1 338	402	1 592	337	982	135	24 396
Extend an existing Houses	5 218	2 002	1 055	2 002	1 473	2 128	1 865	3 203	3 012	6 891	2 649	4 029	5 645	4 929	3 569	3 215	2 387	2 644	737	167	58 820
Home improvements/ renovations	8 636	6 006	2 999	5 479	4 243	7 449	13 058	15 373	21 081	20 269	23 510	27 397	33 401	34 057	36 134	29 335	30 638	38 685	35 970	15 499	409 217
Connecting to services	1 259	890	389	738	640	1 824	4 264	3 203	1 506	1 216	662	1 209	1 411	896	892	5 626	4 775	3 186	2 987	1 580	39 153
Total number of loans used for a mandated purpose	16 912	10 232	5 109	9 377	7 285	12 618	19 720	22 420	27 857	31 619	27 814	34 246	42 339	41 227	41 933	38 578	39 392	44 852	40 675	17 381	531 586

*** 2019 (H1): refers to period 1 April to 30 September 2018**

CUMULATIVE DISBURSEMENTS

The graph below presents the cumulative amount of money that the Rural Housing Loan Fund had disbursed to intermediaries from commencement of its operations up to 30 September 2018, the date on which the company ceased operating. At the end of the 2014/15 year, the entity had achieved cumulative disbursements of R1.3 billion since inception. This figure increased to R2.1 billion when the company ceased its operations on 30 September 2018, the end of the first half of the 2018/19 financial year.



* 2019 (H1): refers to period 1 April to 30 September 2018

PERFORMANCE INFORMATION AGAINST PREDETERMINED OBJECTIVES

Performance Information from 1 April 2018 to 30 September 2018

The Rural Housing Loan Fund uses the balanced scorecard methodology for its strategic planning and reporting on its performance. Below we report how the entity has performed during the first half of the year before the merger with the National Housing Finance Corporation became effective.

Stakeholder perspective

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

Indicator	2018/19 (H1)				2017/18
	Actual	Budget	Variance		Actual
Number of housing loans disbursed	17 442	15 872	1 570	9.89%	40 921
% of issued loans used for housing	99.30%	88.00%	11.30%	12.84%	99.38%
% of loans issued to people earning over R15 000	5.03%	20.00%	-14.97%	-74.85%	5.06%
% of loan issued to people earning under R3 500	76.25%	60.00%	16.25%	27.08%	75.77%
% of loans issued to women	61.40%	30.00%	31.40%	104.67%	63.20%

Despite challenges in the market environment, the targets for the number of loans delivered, as well as all other indicators in the first half of the year, were exceeded. This was mainly as a result of clients disbursing loans from funds that were drawn in the last quarter of the 2017/18 year.

Financial perspective

Strategic objective: Real capital preservation

Indicator	2018/19 (H1)				2017/18
	Actual	Budget	Variance		Actual
	R'000	R'000	R'000	(%)	R'000
Expenditure before bad debts	(11 259)	(15 522)	4 263	27,46%	(31 573)
Operating surplus	5 859	10 071	-4 212	-41,82%	25 135

Expenses were below budget, in part because of the delay in approval for implementing the Voucher Programme. With a higher than budgteted bad debt provision, the profitability of the Rural Housing Loan Fund was salvaged to an extent by the savings on expenses.

Business process perspective

Strategic objectives: (1) Sharpen portfolio risk management and enhance early warning system
(2) Increase the loan book

Indicator		2018/19 (H1)				2017/18
		Actual	Budget	Variance		Actual
(1)	% of clients visited for loan verification	65%	60%	5%	8,33%	131%
(2)	Disbursements to retail intermediaries in R'000	40 062	102 415	-62 353	-60,88%	238 892

Disbursements were below target as a result of the poor economic conditions, which have led to low levels of drawdowns from approved facilities. On loan verification visits, more visits were performed than budgeted as a result of efficiencies in the development monitoring process.

Learning and growth perspective

Strategic objectives: Equip staff with skills for personal developemnt and organisational delivery

Indicator	2018/19 (H1)				2017/18
	Actual	Budget	Variance		Actual
	R'000	R'000	R'000	(%)	R'000
Training expense	(149)	(216)	67	-31,02%	380
The target for the half year was not achieved as most employees are enrolled for formal qualification and thus normally register during the fourth quarter of the financial year, which coincides with beginning of calendar year.					

Performance Against Medium-Term Strategic Framework

At the start of the current term of government, the Rural Housing Loan Fund committed to deliver 233 636 incremental housing loans from 1 April 2014 to 31 March 2019. As at the end of September 2018 and as shown in the table below, the entity had delivered 182 508 loans, which constitute 78.1% of loans set as target for the current term of government.

Medium-Term Strategic Framework	Previous term targets	Previous term achieved	Current term targets	Year 1 m current term achieved	Year 2 current term achieved	Year 3 current term achieved	Year 4 current term achieved	Year 5 current term achieved	Total achieved current term	Percentage achieved to date	Percentage time elapsed	
Incremental rural housing loans (Number)	181 111	209 866	233 636	40 185	39 790	45 512	39 579	17 442	182 508	78.1%	90.0%	Higher is better
Percentage used for housing	80.0%	94.0%	88.0%	96.0%	99.7%	99.4%	99.4%	99.3%	98.7%	NA	NA	Higher is better
Percentage to people earning over R15 000 (R9 800 in previous term)	20.0%	12.7%	12.0%	2.0%	5.6%	5.1%	5.1%	5.0%	4.5%	NA	NA	Lower is better
Percentage to people earning under R3 500	60.0%	72.0%	60.0%	75.0%	76.5%	75.8%	75.8%	76.3%	75.8%	NA	NA	Higher is better

NA - Not yet calculated

During the current term of government, the aggressive lending in the micro-finance industry resulted in large numbers of people in the Rural Housing Loan Fund's target market becoming over-indebted. In addition, the tough economic conditions with slow growth and high unemployment that have prevailed during the current MTSF have had an adverse impact on our performance. This has caused the Rural Housing Loan Fund to fall behind its target for the MTSF period at the time of consolidation with the National Housing Finance Corporation. It is doubtful that this deficit will be eliminated during the last six months of the MTSF when the entity reports as a division of the National Housing Finance Corporation.

THE FUTURE

The Future

During the second quarter of the 2018/19 financial year, the Minister of Finance granted approval for the transfer of assets and liabilities of the Rural Housing Loan Fund to the National Housing Finance Corporation. As a result, with effect from 1 October 2018, the Rural Housing Loan Fund became a Division of the National Housing Finance Corporation offering incremental housing finance products. RHLF NPC will be deregistered with CIPC and delisted from the PFMA with National Treasury. However, we need to emphasise that incremental housing loans will continue to be delivered in rural areas under the auspices of the National Housing Finance Corporation.

STAKEHOLDER ENGAGEMENT

STAKEHOLDER ENGAGEMENT

We maintain a policy of open dialogue with all our stakeholders in the execution of our mandate. Our stakeholders are those entities or individuals who are significantly affected by the activities of the Rural Housing Loan Fund, and those we expect to have an influence on the delivery of the organisational mandate. The manner in which we engage with our stakeholders and frequency of those engagements varies for each stakeholder. Our engagements are based on identified issues or matters of concern that may impact on them or on the company's mandate to deliver.

During the first half of the 2018/19 financial year, we engaged with the following stakeholders:

Stakeholders	Method of engagement	Purpose of engagement
Ministry of Human Settlements	Meetings	Introductory meeting of the Boards and Chief Executives of entities with the new Minister of Human Settlements. Meeting on the Development Finance Institutions' consolidation between the Minister and the Board of .the Rural Housing Loan Fund.
Department of Human Settlements	Meetings and presentations	Presentation on Rural Housing Loan Fund's quarterly performance. Discussion on the revised Financial Linked Individual Programme and Voucher Programme with Policy Unit Chief Director and Director. Participating in the Development Finance Institution's Consolidation Steering Committee.
Portfolio Committee on Human Settlements	Presentation	Presentations of the 2018/19 Annual Performance Plan of the Rural Housing Loan Fund.
Intermediaries (existing and pipeline)	Written, telephonic and face-to-face communications	• Attendance of Board meetings; • Communicating issues raised within the Rural Housing Loan Fund; • Selling Rural Housing Loan Fund funding; • Courtesy calls; • Conduct risk reviews, in essence an audit to ensure compliance with their loan agreement and legislation; • Conduct due diligence on potential new clients to assess the associated risks; and • Workshop with all existing clients and pipeline clients on market conditions, regulatory changes and lending opportunities.
Other government departments • National Treasury	Meeting	Discussion on requirements of Section 66 Approval for the Consolidation of NURCHA and the Rural Housing Loan Fund's assets and liabilities into the National Housing Finance Corporation.
Funders (KFW)	Written correspondence and face-to-face meetings	Engagement with the Rural Housing Loan Fund Project Manager at KFW, Germany, to report back on Market Research project funded by KFW through Accompanying Measure Grant. Updating KFW on the Development Finance Institutions' consolidation status.

Stakeholders	Method of engagement	Purpose of engagement
Other Development Finance Institutions: NURCHA, National Housing Finance Corporation, DBSA	NURCHA and the National Housing Finance Corporation: one-on-one and meetings between the three institutions Development Bank of Southern Africa	Discussions on the consolidation of the Development Finance Institutions – CEO's meeting, Development Finance Institutions' MANCO, project work streams and staff knowledge sharing sessions. Focusing on integration, fulfilling conditions precedent to enable implementation of the Donation Agreement and making contributions to the Human Settlements Development Bank business case. Discussion on transferring Development Bank of Southern Africa loan from the Rural Housing Loan Fund to the National Housing Finance Corporation as part of donating the Rural Housing Loan Fund business to the National Housing Finance Corporation to implement consolidation.
National Credit Regulator (NCR)	Written communication and formal meetings	Discussion on Debt Intervention Bill and request to present at the annual workshop. The NCR made requested presentation at the workshop in September 2018.
Borrowers who access housing loans from our approved intermediaries	Borrower interviews at their homes	To conduct verification of loan usage and other mandate compliance issues. Sampled borrowers from all our intermediaries were visited during the first half of the 2018/19 financial year.
Employees	Continuous staff engagement at various levels, staff meetings, training and development needs, internal workshops and performance reviews	Enhance operational performance of the company and enhance team performance; performance reviews; and update on Development Finance Institutions' Consolidation.
Suppliers/service providers	One-on-one meetings	Delivery of goods and services.

AUDITED FINANCIAL STATEMENTS

for the period 1 April 2018 to 30 September 2018

CONTENTS

Report of the Audit and Risk Committee

We are pleased to present our report for the six months ended 30 September 2018. The presentation of this report is necessitated by the fact that on this date the Rural Housing Loan Fund ceased its operations and transferred its business to the NHFC with effect from 1 October 2018.

Audit and Risk Committee Responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51(1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 27.1. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the entity revealed certain weaknesses, which were then raised with the entity.

The following internal audit work was completed during the year under review:

- Operational expenditure, supply chain management and procurement;
- Financial management process;
- Asset management;
- Human resources and payroll;
- Information Technology; and
- Quarterly performance information.

In-Year Management and Monthly/Quarterly Report

The entity has reported quarterly to the Department of Human Settlement as is required by the PFMA.

Evaluation of Financial Statements

We have reviewed the six months financial statements prepared by the entity.

External Auditor's Report

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

The Audit and Risk Committee concurs with and accepts the conclusions of the External Auditor on the six month financial statements and is of the opinion that the audited financial statements be accepted and read together with the report of the External Auditor.

Reginald Haman
Chairperson of the Audit and Risk Committee
Rural Housing Loan Fund
30 January 2019

Statement of Responsibility and Confirmation of Accuracy

To the best of our knowledge and belief, we confirm the following:

- All information and amounts disclosed in this Integrated Report is consistent with the six months financial statements audited by the External Auditor.
- The Integrated Report is complete, accurate and is free from any omissions.
- The Integrated Report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The financial statements have been prepared in accordance with the GRAP standards applicable to the public entity.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing, and implementing a system of internal control and has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the financial statements.

In our opinion, the Integrated Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the period 1 April 2018 to 30 September 2018.

Yours faithfully,

Jabulani Fakazi
Chief Executive Officer
30 January 2019

Ms Thembi Chiliza
Chairperson of the Board
30 January 2019

Directors' Report

MANDATE AND PRINCIPAL ACTIVITIES

The Rural Housing Loan Fund NPC (RHLF) was established by the National Department of Human Settlements as a Development Finance Institution (DFI) with the principal mandate of broadening and deepening access to affordable housing finance, for low- to middle-income South African households. The Rural Housing Loan Fund is listed as a Schedule 3A public entity in terms of the Public Finance Management Act. Details of the Rural Housing Loan Fund's principal activities are described on pages 31 to 35.

CORPORATE GOVERNANCE

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

FINANCIAL RESULTS

The financial results of the Rural Housing Loan Fund for the six months under review are set out on pages 50 to 54 of these financial statements.

BUSINESS PERFORMANCE RESULTS

The business performance against predetermined objectives for the six months under review is set out on pages 34 to 35.

SHARE CAPITAL AND SHAREHOLDER

The Government of the Republic of South Africa is designated as the sole shareholder of the Rural Housing Loan Fund and the Minister of Human Settlements represents the shareholder's interest. As the Rural Housing Loan Fund is an NPC it has no share capital.

DIVIDENDS

In terms of an agreed policy with its shareholder and subject to approval of the National Treasury in terms of Section 53(3) of the Public Finance Management Act of 1999, all surpluses are retained by the Rural Housing Loan Fund in order to build its capital base, and thereby increase its activities and development impact. In addition, as an NPC the Rural Housing Loan Fund may not distribute its profits.

GOING CONCERN

The Board has given particular attention to the assessment of the going concern ability of the Rural Housing Loan Fund, and has a reasonable expectation that the Rural Housing Loan Fund has adequate resources to operate in accordance with its mandate for the foreseeable future. The Rural Housing Loan Fund has therefore adopted the going concern basis in preparing the financial statements.

Notwithstanding this, subsequent to the end of the period, on 1 October 2018, with the conclusion of all legal requirements the Rural Housing Loan Fund donated its business to the National Housing Finance Corporation SOC Ltd as part of a process being conducted by the Department of Human Settlements to form a Human Settlements Development Bank.

DIRECTORATE AND SECRETARIAT

Details pertaining to the directors appear on pages 27 to 30 of the Integrated Report. The Chief Financial Officer performs the duties of the Company Secretary.

DEVELOPMENT FINANCE INSTITUTION CONSOLIDATION

In line with the recommended structure of the transaction, the National Housing Finance Corporation, as the identified institution, acquired the businesses, assets and liabilities of both the Rural Housing Loan Fund and NURCHA through donation. This is viewed as stage one in a process towards a fully integrated Human Settlements Development Finance Institution supported by an enabling act.

REMUNERATION OF DIRECTORS AND MEMBERS OF BOARD COMMITTEES

Directors' emoluments are set out on page 80 of these financial statements.

AUDIT AND RISK COMMITTEE MEMBERS OF BOARD COMMITTEES

The appointment of the Audit and Risk Committee members and External Auditors is in line with the Companies Act, Act 71 of 2008.

The Rural Housing Loan Fund's policy is, where possible, to not use the External Auditors for non-audit services. In cases where the External Auditors are to be used for non-audit services, prior approval of the Audit and Risk Committee must be obtained.

INTERNAL CONTROL

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

INFORMATION TECHNOLOGY

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

EVENTS AFTER THE REPORTING DATE

The business, assets and liabilities of the company were donated to the National Housing Finance Corporation on 1 October 2018. On 30 January 2019, the Board of Directors took a decision to wind up the company and delist it from Schedule 3A of the Public Finance Management Act. The process to implement these decisions within the requirements of legislation is underway.

ASSOCIATES

The Rural Housing Loan Fund's investments are disclosed in note 31 of the annual financial statements.

INFORMATION REQUIRED BY THE PUBLIC FINANCE MANAGEMENT ACT PERFORMANCE

The performance of the Rural Housing Loan Fund against expenditure in the Shareholder's Compact with the Minister of Human Settlements is set out on page 52.

LOSSES DUE TO CRIMINAL CONDUCT AND FRUITLESS AND WASTEFUL EXPENDITURE

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

The Directors' Report for the six months ended 30 September 2018 was approved by the Board of Directors on 30 January 2019 and is signed on their behalf by:

Yours faithfully

Jabulani Fakazi
Chief Executive Officer

Ms Thembi Chiliza
Independent Non-executive Chairperson

SNG Grant Thornton
An instinct for growth™

INDEPENDENT AUDITORS' REPORT TO BOARD OF DIRECTORS ON RURAL HOUSING FUND NPC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Rural Housing Loan Fund NPC (the company) set out on pages 50 to 80 which comprise the statement of financial position as at 30 September 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison to budget for the period then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 30 September 2018, and its financial performance and cash flows for the period then ended in accordance with Generally Recognised Accounting Practice and the requirements of the Public Finance Management Act of South Africa (PFMA) and the Companies Act of South Africa.

Basis for opinion

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

We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of professional conduct of registered auditors (IRBA code) and other independence requirements applicable to performing audits of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IESBA code and in accordance other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (parts A and B).

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

Responsibilities of the board of directors for the financial statements

The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Generally Recognised Accounting Practices and the requirements of the PFMA and companies Act and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the accounting authority is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE REPORTED PERFORMANCE INFORMATION

Introduction and scope

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

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

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the Integrated Report of the company for the period ended 30 September 2018.

	Pages in the Integrated Report
Objectives 1: Broaden and deepen the reach of rural housing delivery	34
Objective 2: Capital Preservation	34
Objective 3: Business Process	34

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

We did not raise any material findings on the usefulness and reliability of the reported performance information for the above mentioned objectives.

Other matter

We draw attention to the matter below. Our opinion is not modified in respect of this matter.

Achievement of planned targets

Refer to the Integrated Report on pages 34 to 35 for information on the achievement of planned targets for the period and explanations provided for the under/ over achievement of the targets. This information should be considered in the context of the conclusions expressed on the usefulness and reliability of the reported performance information in paragraph of this report.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

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

We did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other Information

The company's accounting authority is responsible for the other information. The other information comprises the information included in the Integrated Report which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act). The other information does not include the financial statements, the auditor's report and those selected objectives presented in the Integrated Report that have been specifically reported in this auditor's report.

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

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the Integrated Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact.

Internal control deficiencies

We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation, however, our objective was not to express any form of assurance on it. We did not identify any significant deficiencies in internal control.

Auditor tenure

In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that SizweNtsalubaGobodo Grant Thornton Inc. has been the auditor of Rural Housing Loan Fund NPC for 11 years.

Kelello Hlajoane
SizweNtsalubaGobodo Grant Thornton Inc.
Director
Registered Auditor

14 June 2019

20 Morris Street East
Woodmead
2191
Johannesburg

Annexure – Auditor's responsibility for the audit

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

FINANCIAL STATEMENTS

In addition to our responsibility for the audit of the financial statements as described in this auditor's report, we also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
- conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Rural Housing Loan Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a Company to cease continuing as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

STATEMENT OF FINANCIAL POSITION

	Note	30 Sep 18 R'000	31 Mar 18 R'000
Current assets		**370 316**	**308 728**
Cash and cash equivalents	18	232 524	170 001
Short-term portion of intermediary loans	19	136 828	137 820
Receivables	20	2	2
Prepayments	21	962	905
Non-current assets		**296 530**	**356 382**
Long-term portion of intermediary loans	19	282 307	338 329
Investments in associates	22	9 954	13 454
Unlisted investments	23	3 835	3 994
Property, plant and equipment	25	394	551
Intangible assets	26	40	54
Total assets		**666 846**	**665 110**
Liabilities			
Current liabilities		**12 128**	**14 742**
Trade creditors		1 177	1 956
Current portion of long-term borrowings	28	5 915	6 297
Provisions	27	4 627	6 080
Taxation		409	409
Non-current liabilities		**120 596**	**122 105**
Borrowings	28	120 596	122 105
Total liabilities		**132 724**	**136 847**
Net assets		**534 122**	**528 263**
Represented by			
Grant capital	24	**335 738**	**335 738**
KFW grant		154 763	154 763
Department of Human Settlements grant		180 975	180 975
Retained earnings		**198 384**	**192 525**
Total equity		**534 122**	**528 263**

STATEMENT OF FINANCIAL PERFORMANCE

	Note	Half year ended 30 Sep 18 R'000	Year ended 31 Mar 18 R'000
Interest from lending operations		**25 557**	**48 522**
Other income		**6 575**	**14 223**
Disposal of fixed assets		2	11
Bad debts recovered		59	357
Investment interest		6 514	13 855
Total income		**32 132**	**62 745**
Operating expenses		**(21 579)**	**(44 078)**
Compensation of employees	29	**(7 203)**	**(14 458)**
Salaries and wages		(6 034)	(12 357)
Social contributions		(1 169)	(2 101)
Goods and services		**(3 860)**	**(7 227)**
Agency and outsourced services		(1 243)	(2 894)
Communication		(505)	(619)
Computers		(141)	(322)
Consultants		(98)	(339)
Lease payments		(627)	(946)
Repairs and maintenance		(2)	(11)
Training and staff development		(138)	(350)
Travel and subsistence		(425)	(804)
Other		(681)	(942)
Other expenses		**(10 516)**	**(22 393)**
Depreciation		(182)	(249)
Amortisation		(14)	(28)
Impairment provisions	19	(10 320)	(22 116)
Profit before interest and taxation		**10 553**	**18 667**
Interest paid		(4 694)	(9 611)
Profit before taxation		**5 859**	**9 056**
Taxation	34	-	14 283
Fair value adjustment of associates	31	-	1 796
Profit after taxation		**5 859**	**25 135**

STATEMENT OF COMPARISON TO BUDGET

	Actual R'000	Budget R'000	Variance R'000	%	Explanation of material variances
Interest from lending operations	25 557	26 403	(846)	-3.2%	Disbursements were below budget last financial year and for half of this year, leading to lower debtors' balances
Other income	6 575	3 021	3 554	117.7%	More undisbursed funds than budgeted for most of the year
Total income	**32 132**	**29 424**	**2 708**	**9.2%**	
Operating expenses	**(21 579)**	**(14 749)**	**(6 830)**	**-46.3%**	
Compensation of employees	**(7 203)**	**(9 474)**	**2 271**	**24.0%**	
Salaries and wages	(6 034)	(8 004)	1 970	24.6%	Voucher programme not implemented
Social contributions	(1 169)	(1 470)	301	20.5%	Voucher programme not implemented
Goods and services	**(3 860)**	**(5 568)**	**1 708**	**30.7%**	
Agency and outsourced services	(1 243)	(1 080)	(163)	-15.1%	Legal fees relating to merger
Communication	(505)	(876)	371	42.3%	Marketing was carried out slower than budgeted due to the pending merger
Computers	(141)	(204)	63	30.9%	Budgeted equipment not purchased
Consultants	(98)	(108)	10	-9.6%	
Lease payments	(627)	(600)	(27)	4.5%	
Repairs and maintenance	(2)	(54)	52	-96.3%	New premises led to lower maintenance costs
Training and staff development	(138)	(216)	78	-36.1%	This relates to timing of the expenditure
Travel and subsistence	(425)	(1 110)	685	61.7%	Less travel to clients than budgeted
Other	(681)	(1 320)	639	48.4%	Printing and equipment costs were lower than budgeted
Other expenses	**(10 516)**	**293**	**(10 809)**	**3689%**	
Depreciation	(182)	(229)	47	20.5%	
Amortisation	(14)	(294)	280	95.2%	Computer software not acquired
Impairment provisions	(10 320)	816	(11 136)	13 647%	Clients' balance sheets did not improve as expected, but rather declined further
Profit before interest and taxation	**10 553**	**14 675**	**(4 122)**	**28.1%**	
Interest paid	(4 694)	(4 604)	(90)	2.0%	
Profit before taxation	**5 859**	**10 071**	**(4 212)**	**(41.8%)**	
Taxation	-	-	-	0.0%	
Fair value adjustment of associates	-	-	-	0.0%	
Profit after taxation	**5 859**	**10 071**	**(4 212)**	**(41.8%)**	

CASH FLOW STATEMENT

	Notes	30 Sep 18 R'000	31 Mar 18 R'000
Cash flows from operating activities			
Receipts		**103 024**	**240 991**
Revenue		25 557	48 522
Repayments of loans		70 953	145 206
Interest		6 514	13 855
Taxation paid		-	33 408
Payments		**(42 248)**	**(217 316)**
Compensation of employees	29	(8 656)	(14 480)
Disbursements		(24 113)	(187 067)
Goods and services		(4 012)	(5 189)
Interest and rent on land		(5 310)	(10 580)
Net cash flows from operating activities	35	**60 934**	**23 675**
Cash flows from investing activities			
Purchase of assets		(30)	(711)
Proceeds from sale of assets		9	23
(Acquisition)/disposal of investments		3 500	(3 993)
Net cash flows from investing activities		**3 479**	**(4 681)**
Cash flows from financing activities			
Repayment of borrowings		(1 891)	(3 603)
Proceeds from grant from Department of Human Settlements		-	50 000
Net cash flows from financing activities		**(1 891)**	**46 397**
Net increase/(decrease) in cash and cash equivalents		**62 522**	**65 391**
Cash and cash equivalents at the beginning of the period		170 001	104 610
Cash and cash equivalents at the end of the period		**232 524**	**170 001**

STATEMENT OF CHANGES IN NET ASSETS

	Contributed Capital KFW R'000	Contributed Capital Department of Human Settlements R'000	Accumulated Surplus R'000	Net Assets R'000
Balance at 31 March 2017	154 763	130 975	167 390	453 128
Balance at 01 April 2017	154 763	130 975	167 390	453 128
Surplus for the period	-	-	25 135	25 135
Increase capital contributions		50 000		50 000
Balance at 31 March 2018	**154 763**	**180 975**	**192 525**	**528 263**
Balance at 01 April 2018	**154 763**	**180 975**	**192 525**	**528 263**
Surplus for the period	-	-	5 859	5 859
Balance at 30 September 2018	**154 763**	**180 975**	**198 384**	**534 122**

ACCOUNTING POLICIES

1. BASIS OF PREPARATION

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

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

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

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

2. PRESENTATION CURRENCY

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

3. GOING CONCERN ASSUMPTION

These financial statements were prepared based on the expectation that the entity's business will continue to operate as a going concern for at least the next 12 months. Effective from 1 October 2018, this business was donated to the National Housing Finance Corporation SOC Ltd in terms of an agreement entered into to facilitate the merger of the three Human Settlements entities.

4. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

GRAP 17 Property, Plant and Equipment

The indicators for the assessment of residual value and the useful life have been revised.

Allowed valuers has been expanded to include another expert with the requisite competence as required by GRAP in addition to the previous requirement of members of a valuation profession.

Clarification has also been added that employees can now be used as valuers. This has resulted in the removal or the disclosure requirement of whether an independent valuer was involved.

Due to the insignificance of property, plant and equipment on the balance sheet, no adjustments have been made in terms of GRAP 17.

GRAP 108 Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

The Minister of Finance has not yet set a date for implementation.

5. SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

Judgements

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

Depreciation and amortisation

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

Allowance for doubtful debts

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

Leases

Management uses judgement in assessing 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. Management assess the following in each lease contract (using GRAP 13) to classify a lease as a finance lease or operating lease:

In order to make the determination as to whether a lease is a finance lease, the entity considers several variables (non-exhaustive) and applies judgement to the assessment of whether any of the conditions noted hereunder using the guidance of GRAP 13. These include but are not limited to:

- Transfer of ownership
- Remaining economic life of the asset
- The expected term of the lease
- Fair value of the underlying asset

Associates

For associates the assessment of significant influence requires the application of significant judgement. This includes such items such as assessing the current ability to significantly affect the relevant activities of the investee (rather than the actual exercise of power). The nature of substantive or protective rights and voting rights are all considered when assessing whether the RHLF significantly influence the activities of its entities.

6. FINANCIAL INSTRUMENTS

Initial Recognition

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

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

The company derecognises financial assets when they are either sold, or permanently cease to have a realisable value.

Initial Measurement

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

Subsequent Measurement

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

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

a) Financial instruments at fair value.

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

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

Financial instruments at cost

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

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

Concessionary loans

The part of the concessionary loan that is a social benefit or non-exchange revenue is determined as the difference between the fair value of the loan and the loan proceeds, either paid or received.

After initial recognition, an entity measures concessionary loans in accordance with the subsequent measurement criteria set out for all financial instruments.

6. FINANCIAL INSTRUMENTS (continued)

Gains and losses

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

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

Offsetting

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

Impairments

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

For financial assets held at cost:

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

Investments at cost

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

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash consists of cash with banks.

Trade and other receivables

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

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

Trade and other payables

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

7. PROPERTY, PLANT AND EQUIPMENT

Initial recognition and measurement

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

Items of property, plant and equipment are recognised as assets when it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost where acquired through exchange transactions. However, when items of property, plant and equipment are acquired through non-exchange transactions, those items are initially measured at their fair values as at the date of acquisition.

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

Subsequent measurement

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

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an asset's residual value, where applicable.

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

The depreciation rates are based on the following estimated asset useful lives:

Office Furniture and Fittings	6
Computer Hardware	3

Derecognition

The company derecognises property, plant and equipment when they are either sold, or permanently cease to have a realisable value.

8. INTANGIBLE ASSETS

Initial recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Subsequent measurement

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

8. INTANGIBLE ASSETS (continued)

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

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

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

Amortisation and impairment

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

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

Intangible	Useful Life Range in Years
Computer Software	3

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

Impairments

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

Derecognition

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

9. EMPLOYEE BENEFITS

Short-term employee benefits

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

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

9. EMPLOYEE BENEFITS (continued)

Defined contribution plans

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

10. LEASES

The entity as lessee

Recognition

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

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Measurement

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

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

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

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

Derecognition

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

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

11. REVENUE

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

Where bad debts are recovered, these are recorded as sundry income.

12. SURPLUS OR DEFICIT

Gains and losses

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

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

13. POST-REPORTING DATE EVENTS

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

14. RELATED PARTIES

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

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

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

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

Information about such transactions is disclosed in the financial statements.

15. INVESTMENT IN ASSOCIATES

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

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

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

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

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

16. FRUITLESS AND WASTEFUL EXPENDITURE

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

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

All fruitless and wasteful expenditure is recognised against the respective class of expense in the year in which they are incurred.

17. IRREGULAR EXPENDITURE

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including:

- The Public Finance Management Act (Act 1 of 1999) as amended
- The Income Tax Act (Act 58 of 1962) as amended.

NOTES TO THE FINANCIAL STATEMENTS

18. CASH AND CASH EQUIVALENTS

	30 September 2018 R'000	31 March 2018 R'000
Cash and cash equivalents consist of the following:		
Cash at bank	71 754	14 732
Call deposits	160 770	155 269
	232 524	**170 001**

19. INTERMEDIARY LOANS

Balance at 30 September 2018	Gross Balances R'000	Provision for Doubtful Debts R'000	Net Balance R'000
Intermediary loans	495 375	(76 240)	419 135
Total trade receivables at 30 September 2018	**495 375**	**(76 240)**	**419 135**

Balance at 31 March 2018	Gross Balances R'000	Provision for Doubtful Debts R'000	Net Balance R'000
Intermediary loans	542 069	(65 920)	476 149
Total trade receivables at 31 March 2018	**542 069**	**(65 920)**	**476 149**

	30 September 2018 R'000	31 March 2018 R'000
Long-term loans to retail intermediaries	419 135	476 149
Less: Current portion transferred to current intermediary loans	(136 828)	(137 820)
Long-term portion	**282 307**	**338 329**

19.1 Reconciliation of doubtful debt provision

	30 September 2018 R'000	31 March 2018 R'000
Balance at beginning of the year	(65 920)	(44 278)
Contributions to provision	(10 320)	(22 116)
Bad debts written off against provision	-	474
Balance at end of year	**(76 240)**	**(65 920)**

The quality of debtors is not determined by their payment patterns but rather by the strength of their balance sheet.

19.2 Credit quality of trade receivables from exchange transactions

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

Method of determining credit quality of trade receivables from exchange transactions

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

19.3 Trade receivables pledged as security

No receivables are pledged as security.

	30 September 2018 R'000	31 March 2018 R'000
20. RECEIVABLES		
Sundry receivables	2	2
Department of Human Settlements for construction of houses to determine the quantum for the voucher programme	233	233
Provision against Department of Human Settlements' amount due	(233)	(233)
Total other debtors	**2**	**2**
21. PREPAYMENTS		
Deposits	84	-
Fees relating to the loan from DBSA, being expensed over the life of the loan	878	905
	962	**905**
22. INVESTMENTS IN ASSOCIATES		
Equity investments – Izwe Holdings (Pty) Ltd (carrying value)	-	3 500
Equity investments – Kabo Financial Investments (Pty) Ltd (carrying value)	-	-
Equity investments – Lehae Housing (Pty) Ltd (carrying value)	-	-
Equity investments – Lendcor (Pty) Ltd (carrying value)	9 953	9 954
Equity investments – Norufin Housing (Pty) Ltd (carrying value)	-	-
	9 953	**13 454**
For more details on these investments refer to note 31.		
23. UNLISTED INVESTMENTS		
Equity investments – Real People EPIK Notes	3 836	3 994

24. GRANT CAPITAL

	30 September 2018 R'000	31 March 2018 R'000
Grant at inception from KFW in terms of an intergovernmental agreement	154 763	154 763
Grant from Department of Human Settlements 2010/2011	49 500	49 500
Grant from Department of Human Settlements 2011/2012	49 500	49 500
Grant from Department of Human Settlements 2012/2013	31 975	31 975
Grant from Department of Human Settlements 2017/2018	50 000	50 000
	335 738	**335 738**

The terms of the grant from KFW require that these funds, and any interest earned on them, are used for loans to retail lenders who may only use these funds to grant housing loans to poor rural families.

25. PROPERTY, PLANT AND EQUIPMENT

25.1 Reconciliation of carrying value

	30 September 2018			31 March 2018		
	Cost R'000	Accumulated Depreciation and Impairment R'000	Carrying Value R'000	Cost R'000	Accumulated Depreciation and Impairment R'000	Carrying Value R'000
Furniture and fittings	530	(503)	27	530	(496)	34
Office equipment	55	(40)	15	66	(42)	24
Computer equipment	535	(265)	270	597	(281)	316
Leasehold premises	289	(207)	82	288	(111)	177
Total	**1 409**	**(1 015)**	**394**	**1 481**	**(930)**	**551**

No assets are pledged as security.

25.2 Reconciliation of property, plant and equipment – 30 September 2018

	Carrying Value Opening Balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Carrying Value Closing Balance R'000
Furniture and fittings	34	-	-	(7)	27
Office equipment	24	-	(5)	(4)	15
Computer equipment	316	30	-	(76)	270
Leasehold premises	177	-	-	(95)	82
Total	**551**	**30**	**(5)**	**(182)**	**394**

25.3 Reconciliation of property, plant and equipment – 31 March 2018

	Carrying Value Opening Balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Carrying Value Closing Balance R'000
Furniture and fittings	52	-	(2)	(16)	34
Office equipment	22	13	-	(11)	24
Computer equipment	85	342	-	(111)	316
Leasehold premises	-	288	-	(111)	177
Total	**159**	**643**	**(2)**	**(249)**	**551**

26. INTANGIBLE ASSETS

26.1 Reconciliation of carrying value

	30 September 2018			31 March 2018		
	Cost R'000	Accumulated Amortisation and Impairment R'000	Carrying Value R'000	Cost R'000	Accumulated Amortisation and Impairment R'000	Carrying Value R'000
Computer Software	265	(225)	40	276	(222)	54
Total	**265**	**(225)**	**40**	**276**	**(222)**	**54**

26.2 Reconciliation of intangible assets – 30 September 2018

	Carrying Value Opening Balance R'000	Additions R'000	Amortisation R'000	Carrying Value Closing Balance R'000
Computer software	54	-	(14)	40
Total	**54**	**-**	**(14)**	**40**

26.3 Reconciliation of intangible assets – 31 March 2018

	Carrying Value Opening Balance R'000	Additions R'000	Amortisation R'000	Carrying Value Closing Balance R'000
Computer software	14	68	(28)	54
Total	**14**	**68**	**(28)**	**54**

27. PROVISIONS

27.1 Reconciliation of movement in provision – 30 September 2018

	Retention Reward R'000	Performance Bonus R'000	Provision for Leave Pay R'000	Total R'000
Opening balance	3 288	2 230	562	6 080
Provisions raised	-	517	944	1 461
Unused amounts reversed		(197)	-	(197)
Amounts paid	-	(2 022)	(695)	(2 717)
Closing Balance	**3 288**	**528**	**811**	**4 627**

27.2 Reconciliation of movement in provision – 31 March 2018

	Retention Reward R'000	Performance Bonus R'000	Provision for Leave Pay R'000	Total R'000
Opening balance	3 288	2 393	406	6 087
Provisions raised	-	2 230	944	3 174
Amounts paid	-	(2 393)	(788)	(3 181)
Closing balance	**3 288**	**2 230**	**562**	**6 080**

28. BORROWINGS

	30 September 2018 R'000	31 March 2018 R'000
Development Bank of South Africa	126 511	128 402
Less: Current portion transferred to current liabilities	(5 915)	(6 297)
Total long-term non-current borrowings	**120 596**	**122 105**

Terms and conditions

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

The terms of this loan state that the funds from it may only be used for the following:

- Refinancing of small loan portfolios for housing purposes by various financial institutions accredited with RHLF.
- Granting of equity capital to these finance institutions.

29. EMPLOYEE-RELATED COSTS

	30 September 2018 R'000	31 March 2018 R'000
Employee-related costs – Salaries and wages	5 082	9 203
Employee-related costs – Contributions for UIF, pensions and medical aids	1 169	2 101
Travel, motor car, accommodation, subsistence and other allowances	234	513
Directors' fees	342	356
Overtime payments	22	22
Performance and other bonuses	334	2 243
Long-service awards	20	20
	7 203	**14 458**
Training expenditure	138	350
Employee Related Costs	**7 341**	**14 808**
Less: Training expenditure	(138)	(350)
Movement in provisions	1 453	7
Movement in employee-related creditors	-	15
Cash flow effect	**8 656**	**14 480**

As the Rural Housing Loan Fund is a very small organisation, each employee contributes significantly to its mandate. Consequently, the Board was concerned that there was a risk that there could be a loss of skills if employees resigned as a result of the upcoming merger with the National Housing Finance Corporation and the National Urban Reconstruction and Housing Agency. For this reason, it put in place a retention scheme to ensure that this risk was mitigated. Different employees will be paid different amounts based on their position in the organisation and their salaries. These are set out in the following table:

Position	Months Initial Payment	Months Final payment	Months total
Chief Executive Officer	1	5	6
Chief Financial Officer	1	4	5
Client Executives	1	4	5
Risk Manager	1	4	5
Other employees	1	3	4

The initial payment was made in September 2016. It was repayable pro rata if the recipient resigns during the 12 months ending August 2017. No employees have resigned since the commencemt of the scheme. The final payment is payable 12 months after the merger is completed. The payments are all calculated and payable based on the salary at 30 September 2016. The merger was completed on 1 October 2018 making this amount payable on 30 September 2019.

30. EMPLOYEE BENEFITS

30.1 Defined contribution plans:

	30 September 2018 R'000	31 March 2018 R'000
Provident fund	775	1 425
Total contributions expensed to the Statement of Comprehensive Income	**775**	**1 425**

31. INVESTMENTS IN ASSOCIATES

31.1 Investments in Izwe Holdings (Pty) Ltd

The Entity has a 4.92% interest in Izwe Holdings (Pty) Ltd and has the right to appoint a director. Due to the significant size of loans granted to Izwe, RHLF was able to influence decision-making,

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

	30 September 2018 R'000	31 March 2018 R'000
Share of the investment's Statement of Financial Position:		
Assets	NA	0
Liabilities	NA	0
Non-current liabilities		
Equity	**NA**	**3 500**

The company disposed of these shares in May 2019.

31.2 Investments in Lendcor (Pty) Ltd

The Entity has a 20% interest in Lendcor (Pty) Ltd and has the right to appoint a director.
The following table illustrates summarised financial information of the Entity's investment in Lendcor (Pty) Ltd:

	30 September 2018 R'000	31 March 2018 R'000
Share of associates' Statement of Financial Position:		
Current assets	11 661	11 661
Non-current assets	29 181	29 181
Current liabilities	(6 753)	(6 753)
Non-current liabilities	(24 135)	(24 135)
Equity	**9 954**	**9 954**

31.3 Investments in Norufin Housing (Pty) Ltd

The Entity has a 20% interest in Norufin Housing (Pty) Ltd and has the right to appoint a director.
The following table illustrates summarised financial information of the Entity's investment in Norufin Housing (Pty) Ltd:

Share of associates' Statement of Financial Position:	30 September 2018 R'000	31 March 2018 R'000
Current assets	-	-
Non-current assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-
Equity	**-**	**-**

During the period under review RHLF, worked towards ensuring that Norufin continued operating. Subsequent to the donation to NHFC, all creditors agreed on a compromise to ensure the sustainable operations of Norufin continued.

31.4 Investments in Lehae Housing (Pty) Ltd

The Entity has a 20% interest in Lehae Housing (Pty) Ltd and has the right to appoint a director.

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

Share of associates' Statement of Financial Position:	30 September 2018 R'000	31 March 2018 R'000
Current assets	-	-
Non-current assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-
Equity	**-**	**-**

As part of RHLF's commitment to transforming the incremental housing industry, RHLF converted a portion of its loans to equity in Lehae. This is done to assist the company with the initial losses that a start-up will incur. As a consequence of these losses, the share capital is fully provided for. Other than RHLF's shares, Lehae is 100% black women owned.

31.5 Investments in Kabo Financial Enterprise (Pty) Ltd

The Entity has a 20% interest in Kabo Financial Enterprise (Pty) Ltd and has the right to appoint a director.
The following table illustrates summarised financial information of the Entity's investment in Kabo Financial Enterprise (Pty) Ltd.

Share of associates' Statement of Financial Position:	30 September 2018 R'000	31 March 2018 R'000
Current assets	-	-
Non-current assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-
Equity	**-**	**-**

As part of RHLF's commitment to transforming the incremental housing industry, took up equity in Kabo. This is done to assist the company with the initial losses that a start-up will incur. As a consequence of these losses, the share capital is fully provided for. Other than RHLF's shares, Kabo is 100% black woman owned.

31.6 Fair value adjustment of associates

	30 September 2018 R'000	31 March 2018 R'000
Opening balance	17 448	11 657
Sale of Izwe shares	(3 500)	-
Purchase/(sale) of EPIK notes in Real People	(159)	3 995
Share of Lendcor increase in assets	-	1 500
Share of Izwe (decline) in assets	-	296
Share of associates' revenue and profit	-	1 796
Closing balance	**13 789**	**17 448**

32. COMMITMENTS

	30 September 2018 R'000	31 March 2018 R'000
Commitments in respect of facilities granted	78 481	102 890

Operating leases

At the reporting date the entity had outstanding commitments under operating leases which fell due as follows:

Operating lease arrangements

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

	30 September 2018 R'000	31 March 2018 R'000
Up to 1 year	457	914
1 to 5 years	-	-
More than 5 years	-	-
	457	**914**

Operating leases consisted of the following:

Property rentals are negotaited for a period of three years. Rentals escalate at 8% per annum. These commitments are ended.

Copiers

The only category of asset leased is photocopiers.

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

	30 September 2018 R'000	31 March 2018 R'000
Up to 1 year	75	66
1 to 5 years	-	75
More than 5 years	-	-
	75	**141**

Total

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

	30 September 2018 R'000	31 March 2018 R'000
Up to 1 year	532	980
1 to 5 years	-	75
More than 5 years	-	-
	532	**1 055**

33. RELATED PARTIES

	30 September 2018 R'000	31 March 2018 R'000
Related party balances		
Development Bank of South Africa	(126 511)	(128 402)
South African Revenue Service	(409)	-
National Housing Finance Corporation	(368)	(513)
South African Reserve Bank	160 770	155 176
Related party transactions		
Interest earned/(paid)		
Development Bank of South Africa	(4 667)	(9 557)
South African Reserve Bank	6 514	11 771
Other expenses		
National Housing Finance Corporation	368	513
South African Airways	-	(197)

34.1 Taxation

	30 September 2018 R'000	31 March 2018 R'000
Opening balance	(409)	18 717
Refund relating to previous years	-	14 283
	(409)	33 000
Due/(from) to SARS	409	409
Received during the year	**-**	**33 409**

34.2 Taxation

Refund relating to previous years	-	14 283

34.3 Refund relating to previous years

During the 2014/15 financial year, SARS granted the company an income tax exemption

backdated to 2004. During the year under review, a settlement was reached with SARS that an amount of R33 million would be refunded in full and final settlement. This has been received.

Due to a system issue, SARS overpaid the amount due by R409 thousand and have asked RHLF not to pay it across until the system issue is resolved. Subsequent to the end of the period, the amount was refunded to SARS.

35. CASH FLOWS FROM OPERATING ACTIVITIES

	30 September 2018 R'000	31 March 2018 R'000
Surplus for the year	**5 859**	**25 135**
Adjustment for:	**9 061**	**20 579**
Depreciation	182	249
Amortisation	14	28
(Gain)/loss on sale of assets	(2)	(11)
Contribution to/(reversal of) provisions – current	(1 453)	(7)
Fair value adjustments	-	(1 796)
Impairment loss	10 320	22 116
Operating surplus before working capital changes	**14 916**	**45 714**
Working capital movements	**46 014**	**(22 039)**
(Increase)/decrease in trade and other receivables	57	330
(Increase) in loans receivable	46 737	(42 573)
Decrease in tax receivable	-	19 127
Increase/(decrease) in trade and other payables	(779)	1 077
Net cash flows from operating activities	**60 934**	**23 675**

Risk Management

36. MAXIMUM CREDIT RISK EXPOSURE

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

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

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

	30 September 2018 R'000	31 March 2018 R'000
Cash and cash equivalents	232 524	170 001
Trade and other receivables from exchange transactions	136 830	137 822
Non-current receivables from exchange transactions	282 307	338 329
Non-current investments	9 954	13 454

Cash is held on a short-term basis at the following institutions:	Amount	Short-term credit rating
Corporation for Public Deposits	160 770	
Standard Bank	71 754	F1+
Total	**232 524**	

37. COLLATERAL HELD AND OTHER CREDIT ENHANCEMENTS

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

Intermediaries

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

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

38. CONCENTRATION OF CREDIT RISK

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

39. LIQUIDITY RISK

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

Cash flow forecasts are prepared and commitments to intermediaries are monitored.

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

	R'000	R'000	R'000
30 September 2018	**Later than 3 months and not later than 1 year**	**Later than 1 year and not later than 5 years**	**Greater than 5 years**
Trade and other payables	1 177	-	-
Borrowings	5 915	31 839	88 757

31 March 2018	Not later than 1 month	Later than 1 month and not later than 3 months	Greater than 5 years
Trade and other payables	1 956	-	-
Borrowings	6 297	22 689	99 416

Concentration of credit risk

Credit risk is concentrated in the intermediary loans.

40. INTEREST RATE RISK

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

The long-term loan from the Development Bank of South Africa has a fixed rate of interest. Consequently, no sensitivity analysis has been performed.

Concentration of credit risk

Gives a description of the extent to which the interest rate risk is concentrated in a line item, balance or instrument.

Interest rate risk sensitivity analysis

	Gross impact R'000	Taxation effect R'000	Net impact R'000
The susceptability of the Entity's financial performance to changes in interest rates can be illustrated as follows:			
30 September 2018			
Interest income			
Interest rate increase of 75 basis points	3 715	-	3 715
Interest rate decrease of 50 basis points	(2 477)	-	(2 477)
31 March 2018			
Interest income			
Interest rate increase of 75 basis points	4 066	-	4 066
Interest rate decrease of 50 basis points	(2 710)	-	(2 710)

41. IMPAIRMENT AND RECONCILIATION DISCLOSURES RELATED TO FINANCIAL ASSETS

41.1 Impairment disclosures for non-current financial assets carried at amortised cost

Reconciliation between gross and net balances	**Gross Balances R'000**	**Provision for Doubtful Debts R'000**	**Net Balance R'000**
Long-term loans	495 375	(76 240)	419 135
Total	**495 375**	**(76 240)**	**419 135**

Reconciliation of the doubtful debt provision	**2018 R'000**	**2018 R'000**
Balance at beginning of the year	(65 920)	(44 278)
Contributions to provision	(10 320)	(22 116)
Doubtful debts written off against provision	-	474
Balance at end of year	**(76 240)**	**(65 920)**

42. FAIR VALUE DISCLOSURES

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

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

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

Level 3 – Fair value determined based on inputs for the asset or liability that are not based on observable market data (unobservable inputs). On a regular basis the Credit and Development Committee assesses the balance sheet and income statement of each borrower, and through use of a formula raises or reverses provisions as appropriate.

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

Assets measured at fair value – 30 September 2018	**Level 1 fair value R'000**	**Level 2 fair value R'000**	**Level 3 fair value R'000**	**Total R'000**
Cash at bank	-	232 524	-	232 524
Receivables	-	419 135	-	419 135
Investment in associates	-	-	9 954	9 954
Unlisted investments	-	-	3 835	3 835
Total	**-**	**651 659**	**13 789**	**665 448**

Assets measured at fair value – 31 March 2018	Level 1 fair value R'000	Level 2 fair value R'000	Level 3 fair value R'000	Total R'000
Cash at bank	-	170 001	-	170 001
Receivables	-	476 149	-	476 149
Investment in associates	-	-	13 454	13 454
Unlisted investments	-	-	3 994	3 994
Total	**-**	**646 150**	**17 448**	**663 598**

43. CONTRIBUTED CAPITAL

	30 September 2018 R'000	31 March 2018 R'000
The reserve consists of funds directly paid to the Entity for the purpose of funding the business of the Entity:		
Opening balance	335 738	285 738
Contributions	-	50 000
Closing balance	**335 738**	**335 738**

44. DIRECTORS

30 September 2018

Name	Date of first appointment	Number of Board/Committee meetings attended					Meeting fees
		Board	Audit / Risk	HRER	Credit	Other	R'000
T Chiliza	27/07/2006	1	NM	2	4	8	68
A Egbers	22/10/2010	2	4	NM	4	5	72
M Mathibe	22/10/2010	2	2	2	NM	12	86
R Haman	28/03/2013	2	3	NM	NM	3	41
J Fakazi (Executive director)	05/01/2009	2	4*	2*	4	12	-

31 March 2018

Name	Date of first appointment	Number of Board/Committee meetings attended (specify maximum number of board/committee meetings held in row 9)					Meeting fees
		Board	Audit / Risk	HRER	Credit	Other	R'000
T Chiliza	27/07/2006	5	NM	4	7	3	85
A Egbers	22/10/2010	5	6	NM	7	4	99
M Mathibe	22/10/2010	5	6	4	NM	15	135
R Haman	28/03/2013	5	5	NM	NM	2	54
J Fakazi (Executive director)	05/01/2009	5	6*	4*	6	-	-

NM: This indicates a director who is not a member of that particular committee.

* indicates attendance as an invitee, not as a member.

45. EXECUTIVE REMUNERATION

30 September 2018

Position	Basic salary R'000	Performance-related amounts R'000	Retention amount R'000	Employer contributions R'000	Other benefits R'000	Total R'000
Chief Executive Officer	1 077	466		267	5	1 815
Chief Financial Officer	823	227		134	5	1 189
	1 900	**693**	**-**	**401**	**10**	**3 004**

31 March 2018

Position	Basic salary R'000	Performance-related amounts R'000	Retention amount R'000	Employer contributions R'000	Other benefits R'000	Total R'000
Chief Executive Officer	1 968	617	-	513	11	3 109
Chief Financial Officer	1 616	393	-	237	11	2 257
	3 584	**1 010**	**-**	**750**	**22**	**5 366**

The performance-related amounts are accrued and only payable once the annual audit is completed.

46. FRUITLESS EXPENDITURE

	30 September 2018 R'000	31 March 2018 R'000
Fruitless expenditure incurred on late payment on the DBSA loan	-	10
The person responsible for the late payment of DBSA interest was issued a written warning.		
Fruitless expenditure incurred on incorrect calculation of increases and performance bonuses	-	13
Amount recovered	-	-13
The Chief Executive Officer and Chief FInancial Officer repaid the amounts relating to overpayments of employees and received written warnings		
Expensed through Statement of Financial Performance	**-**	**10**

47. IRREGULAR EXPENDITURE

No irregular expenditure was incurred during the six months under review, or for the preceding 12 months.

RHLF
RURAL HOUSING LOAN FUND

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