

Notes to the financial statements

For the year ended 31 March 2009

10. Instalment sale receivables

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Gross instalment sale receivables	81,650	-	-	-
Less: Unearned finance charges	(12,522)	-	-	-
Present value of minimum lease payments receivable	69,128	-	-	-
Less: Provision for impairment of receivables	(14,297)	-	-	-
	54,831	-	-	-
Non-current assets	32,085	-	-	-
Current assets	22,746	-	-	-
	54,831	-	-	-

The average term of the instalment sale receivables is five years. The interest rate in the agreement is fixed at the contract date for the full period. The average interest rate for the year was 12.01% per annum.

Management considers that the fair value of the instalment sale receivables does not differ materially from the carrying value.

The impairment of R14,297 is calculated by taking into account the recoverable amount of collateral. It is calculated as the present value of future estimated cash flows of the houses under instalment sale contracts, using the prime interest rate and a period of 20 years, based on the length of a home loan obtained in the market.

11. Investment property

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Opening balance	30,000	-	30,000	-
Additions	-	-	-	-
Fair-value gain	12,100	-	12,100	-
Closing balance	42,100	-	42,100	-

The following amounts have been recognised in the income statement:

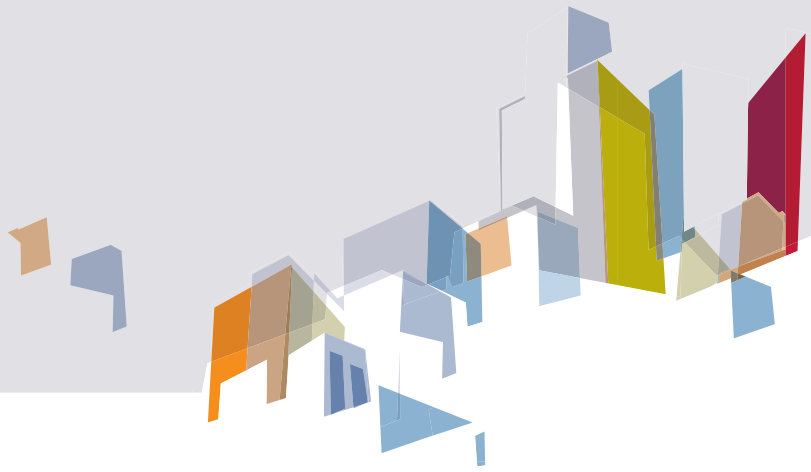
Fair-value gain	12,100	-	12,100	-
Rental income	4,647	-	4,647	-

Investment property is stated at fair value determined, based on a valuation performed by an accredited independent valuer, on 13 May 2009. The capitalisation of net income method of valuation was used, based on a capitalisation rate of 14.5%.

Details of property

- Description: Erven 300 and 585 West Germiston, Germiston, Gauteng, known as President Place
- Situated at the corner of President, Human, Clark and FH Odendaal Streets

The investment property was classified as an investment property held for sale in the previous year, refer note 17.



12. Intangible assets

Goodwill

Cost:

At 1 April 2008

Acquisition of a subsidiary

Write-off to income statement

At 31 March 2009

Group	
2009 R'000	2008 R'000
-	-
2,714	-
-	-
2,714	-

13. Properties developed for sale

Properties developed for sale

Repossessed properties

Group		Company	
2009 R'000	2008 R'000	2009 R'000	2008 R'000
57,627	-	-	-
224	-	-	-
57,851	-	-	-

14. Other receivables and prepayments

Deposits and prepayments

Related parties

Staff debtors

Other receivables

Value-added tax

Interest accrued

Group		Company	
2009 R'000	2008 R'000	2009 R'000	2008 R'000
303	2	6	2
754	899	754	899
199	338	196	338
12,598	-	2,228	-
752	-	-	-
10,588	9,981	10,588	9,981
25,194	11,220	13,772	11,220

Other receivables are non-interest bearing and are considered current and are not considered impaired.

Study loans included in staff debtors are non-interest bearing and are written off or recovered when studies are completed.

Other staff debtors are charged interest at prime.

Deposits and prepayments are settled when the services are no longer required.

Notes to the financial statements

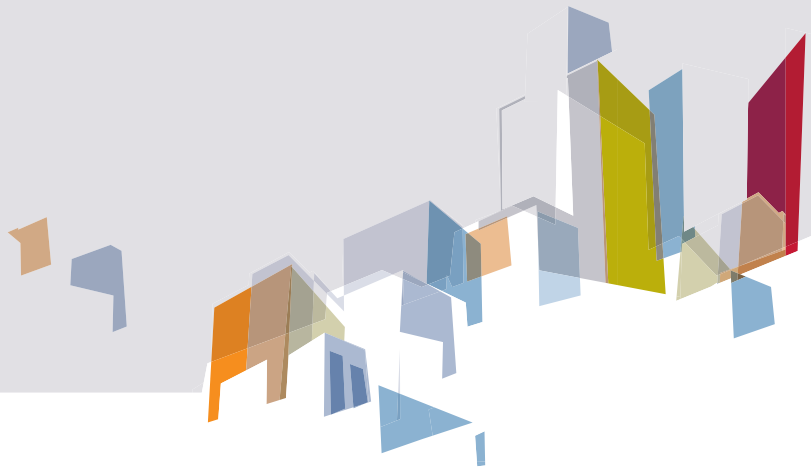
For the year ended 31 March 2009

15. Held to maturity investments

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Held to maturity money market investments – NHFC	808,801	992,402	794,254	976,154
ABSA Bank Limited	100,000	150,000	100,000	150,000
Investec Bank Limited	125,000	175,000	125,000	175,000
Standard Bank of South Africa Limited	125,000	150,000	125,000	150,000
Rand Merchant Bank a division of FirstRand Bank Limited	125,000	150,000	125,000	150,000
Nedbank Limited	125,000	175,000	125,000	175,000
Land Bank of South Africa Limited	39,014	39,627	39,014	39,627
Transnet Limited	-	19,444	-	19,444
Eskom Limited	71,948	97,284	71,948	97,284
Development Bank of South Africa Limited	20,001	-	20,001	-
Trans-Caledon Tunnel Authority (TCTA)	38,970	19,799	38,970	19,799
Telkom Limited	24,321	-	24,321	-
Funds managed by Centriq	14,547	16,248	-	-
Held to maturity money market investments – Job summit-related projects*	300,842	280,918	300,842	280,918
ABSA Bank Limited	42,657	40,126	42,657	40,126
Rand Merchant Bank a division of FirstRand Bank Limited	60,043	40,527	60,043	40,527
Standard Bank of South Africa Limited	40,000	40,287	40,000	40,287
Nedbank Limited	40,000	60,544	40,000	60,544
Investec Bank Limited	40,000	40,277	40,000	40,277
Land Bank of South Africa Limited	39,014	19,919	39,014	19,919
Eskom Limited	19,127	39,238	19,127	39,238
Development Bank of South Africa Limited	20,001	-	20,001	-
Held to maturity money market investments – Development Fund*	119,988	120,518	119,988	120,518
Eskom Limited	19,127	19,572	19,127	19,572
Land Bank of South Africa Limited	19,503	19,787	19,503	19,787
Investec Bank Limited	20,000	40,763	20,000	40,763
Nedbank Limited	20,000	20,093	20,000	20,093
Standard Bank of South Africa Limited	21,358	-	21,358	-
ABSA Bank Limited	20,000	20,303	20,000	20,303
Total held to maturity money market investments	1,229,631	1,393,838	1,215,084	1,377,590

* Funds under management are not available for use by the Group.

Held to maturity money market investments are made for varying periods up to twelve months in line with the cash flow requirements of the Corporation and earn interest at the respective money market rates.



16. Cash and short-term deposits

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Short-term deposits – NHFC	158,977	114,873	158,977	114,873
ABSA Bank Limited	32,233	21,181	32,233	21,181
Investec Bank Limited	19,513	13,578	19,513	13,578
Nedbank Limited	15,933	5,538	15,933	5,538
Rand Merchant Bank a division of FirstRand Bank Limited	12,738	17,459	12,738	17,459
Standard Bank of South Africa Limited	19,001	10,614	19,001	10,614
Standard Bank of South Africa Limited (Stanlib)	29,306	16,232	29,306	16,232
Trans-Caledon Tunnel Authority (TCTA)	30,253	30,271	30,253	30,271
Short-term deposits – Job summit-related projects *	70,611	73,704	70,611	73,704
ABSA Bank Limited	10,062	13,616	10,062	13,616
Investec Bank Limited	28,188	15,465	28,188	15,465
Nedbank Limited	13,522	12,135	13,522	12,135
Rand Merchant Bank a division of FirstRand Bank Limited	12,856	24,163	12,856	24,163
Standard Bank of South Africa Limited	5,933	2,799	5,933	2,799
Standard Bank of South Africa Limited (Stanlib)	50	5,526	50	5,526
Short-term deposits – Development Fund *	27,970	19,324	27,970	19,324
ABSA Bank Limited	5,381	8,856	5,381	8,856
Nedbank Limited	7,623	2,697	7,623	2,697
Standard Bank of South Africa Limited	4,706	1,704	4,706	1,704
Investec Bank Limited	10,260	6,067	10,260	6,067
Short-term deposits – Siyanda *	908	1,090	908	1,090
Standard Bank of South Africa Limited	908	1,090	908	1,090
Short-term deposits – Abahlali*	873	-	873	-
Standard Bank of South Africa Limited	873	-	873	-
Cash at bank and in hand	17,506	8,926	10,394	8,926
Standard Bank of South Africa Limited	17,486	8,923	10,391	8,923
Cash on Hand	19	3	3	3
Total cash and short-term deposits	276,845	217,917	269,733	217,917
Cash and short-term deposits earn interest at floating rates based on bank deposit rates. For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 March 2009:				
NHFC	176,483	123,799	169,371	123,799
Short-term deposits	158,977	114,873	158,977	114,873
Cash at bank	17,506	8,926	10,394	8,926
Job Summit *	70,611	73,704	70,611	73,704
Short-term deposits	70,611	73,704	70,611	73,704
Development fund *	27,970	19,324	27,970	19,324
Short-term deposits	27,970	19,324	27,970	19,324
Siyanda *	908	1,090	908	1,090
Short-term deposits	908	1,090	908	1,090
Abahlali*	873	-	873	-
Short-term deposits	873	-	873	-
Total	276,845	217,917	269,733	217,917

* Funds under management are not available for use by the Group.

Notes to the financial statements

For the year ended 31 March 2009

17. Investment property held for sale

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Sectional title building held for sale	-	34,000	-	34,000
Fair-value loss	-	(4,000)	-	(4,000)
	-	30,000	-	30,000

The following amounts have been recognised in the income statement:

Fair-value loss	-	(4,000)	-	(4,000)
Rental income	-	4,570	-	4,570

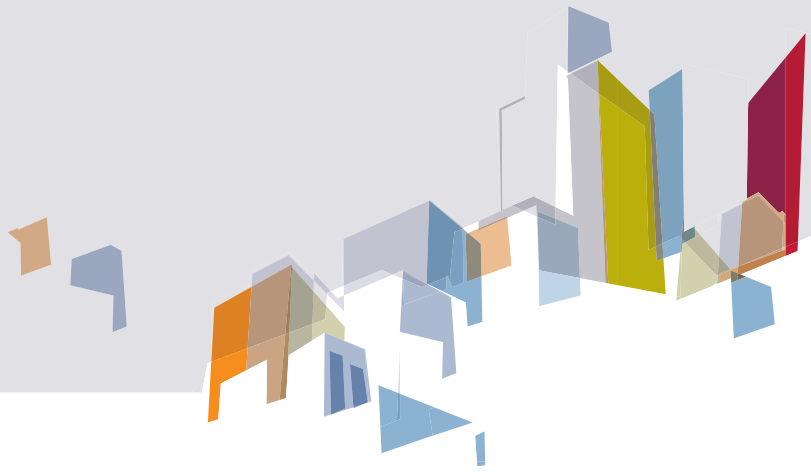
An offer to purchase the property was received in the previous financial year. The sale did not materialise and the property has therefore been reclassified as an investment property, refer note 11.

Details of property

- Description: Erven 300 and 585 West Germiston, Germiston, Gauteng, known as President Place
- Situated at: The corner of President, Human, Clark and FH Odendaal Streets

18. Income tax

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Income statement				
Current income tax				
Current income tax charge	40,280	30,221	38,777	27,734
Tax underprovision relating to previous years	-	17,112	-	17,112
Deferred tax	2,207	(1,915)	2,207	(1,837)
Rate change	-	79	-	79
Income tax expense	42,487	45,497	40,984	43,088
Deferred tax				
Description				
Balance at the beginning of the year	4,050	2,214	4,050	2,292
Rate change (29% –28%)	-	(79)	-	(79)
Recognised through the income statement	(2,207)	1,915	(2,207)	1,837
Balance at the end of the year	1,843	4,050	1,843	4,050
Deferred tax asset consists of				
– provision for leave pay	3,355	2,880	3,355	2,880
– provision for incentive bonus	8,376	7,000	8,376	7,000
– operating lease	900	585	900	585
– fair value (gain) / loss	(6,050)	4,000	(6,050)	4,000
Total	6,581	14,465	6,581	14,465
Tax rate of 28%	1,843	4,050	1,843	4,050



18. Income tax (continued)

A reconciliation between tax expense and the product of accounting profit multiplied by SA domestic tax rate for the years ended 31 March 2009 and 2008 is as follows:

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Accounting profit before tax from operations	150,497	106,097	148,498	97,520
At SA statutory income tax rate of 28%	43,082	30,768	41,579	28,281
Underprovision – previous years	-	17,112	-	17,112
Temporary difference	-	(1,394)	-	(1,315)
Non-taxable income	(44)	(8,752)	(44)	(8,752)
Non-deductible expenses	23	7,762	23	7,762
Capital profit	(574)	-	(574)	-
Income tax expense reported in the income statement	42,487	45,497	40,984	43,088
Taxation: Balance sheet				
Balance at the beginning of the year	(18,679)	17,882	(23,361)	10,688
Tax adjustment	(2,257)	(23,567)	-	(23,545)
Tax paid	66,905	34,341	64,080	34,341
Normal tax charge	(40,280)	(47,335)	(38,777)	(44,845)
Balance at the end of the year	5,689	(18,679)	1,942	(23,361)

19. Issued share capital and share premium

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Capital				
Ordinary shares				
Authorised				
100 000 000 ordinary shares of R0.01 each	1,000	1,000	1,000	1,000
Issued and fully paid				
84 187 332 ordinary shares of R 0.01 each	842	842	842	842
Share premium	879,158	879,158	879,158	879,158

20. Grant capital

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Grant	200,000	200,000	200,000	200,000

The grants arose as the result of the merger of HEF and HIDF in the 2002 financial year. They are considered to be permanent and are therefore included in Shareholder's Equity. There are no conditions attached to these grants.

Notes to the financial statements

For the year ended 31 March 2009

21. Funds under management

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Job summit (a)				
– Poverty Relief Funds	354,822	321,091	354,822	321,091
– Subsidies – KwaZulu-Natal	16,632	34,918	16,632	34,918
Development Fund (b)	147,958	139,239	147,958	139,239
Siyanda Project (c)	908	1,090	908	1,090
Abahlali (d)	872	-	872	-
Total funds under management	521,192	496,338	521,192	496,338

- a NHFC was appointed by the National Department of Housing to project manage the delivery of rental stock under the Presidential Job Summit housing project and tasked to manage funds allocated by National Treasury in terms of the Poverty Relief Fund and subsidy funds from KwaZulu-Natal Province.
- b The development fund is to provide capacitation and technical assistance into the low-income housing market.
- c Siyanda project is a housing development partnership between NHFC, Eastern Cape Provincial Department of Housing and Mquma Municipality. These funds are to be used for pre-project costs. The net income on these funds is capitalised.
- d The NHFC is managing funds on behalf of the Abahlali Housing Association relating to social housing rental units.
- Funds under management are invested in held to maturity investments (note 15) and short-term deposits (note 16).

22. Deferred income

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Balance at beginning of year	20,143	23,904	20,143	23,904
Write down of deferred income	(3,808)	-	(3,808)	-
Deferred gain amortised	(6,266)	(3,761)	(6,266)	(3,761)
Balance at end of year	10,069	20,143	10,069	20,143

The South African Housing Trust (SAHT) and the NHFC were established by the NDoH to provide finance for low-cost housing.

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

The advance book of SAHT was transferred to the NHFC for a consideration of R1. The fair value of the advances as at 31 March 2009 is R10 million (2008: R20 million).

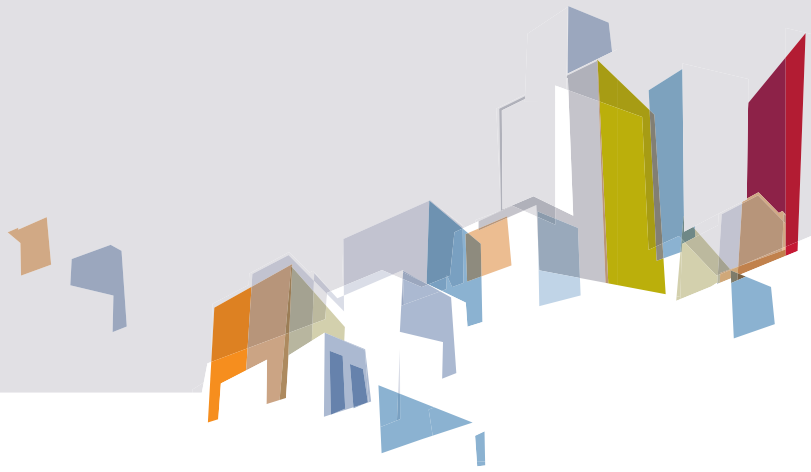
Deferred income is recognised as the difference between the initial purchase price and the fair value of advances at balance sheet date. Deferred income is amortised to the income statement as payments are received from borrowers. The balances outstanding from these debtors are included in advances.

During the year the advance to Mpumalanga Housing Finance Company was settled.

23. Debentures

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Authorised				
2,500,000 non-convertible debentures of R1 each carrying interest of 10% p.a.				
Issued				
2,500,000 non-convertible debentures of R1 each carrying interest of 10% p.a. (City of Cape Town)				
	4,788	-	-	-

The debentures are not secured and are repayable on 6 April 2011. The balance shown above includes accumulated interest of R2,288.



24. Other financial liabilities

Held at amortised cost

Dutch International Guarantees for Housing (DIGH) loan 1

This loan bears interest at a fixed rate of 9.08% per annum and is repayable in annual instalments of R471,731 inclusive of interest. The final instalment is payable on 1 July 2016.

Dutch International Guarantees for Housing (DIGH) loan 2

This loan bears interest at a fixed rate of 6.3% per annum and is repayable in annual instalments of R1,022,083 inclusive of interest. The final instalment is payable on 3 January 2016.

Development Fund

This facility bears interest at a rate of between 13-15.5% per annum and is repayable once project income is received.

Non-current liabilities

At amortised cost

Current liabilities

At amortised cost

Group		Company	
2009 R'000	2008 R'000	2009 R'000	2008 R'000
2,575	-	-	-
6,661	-	-	-
2,864	-	-	-
12,100	-	-	-
11,238	-	-	-
862	-	-	-
12,100	-	-	-

25. Provisions

Total provisions

Provision for leave pay

Opening balance as at 01 April

Acquisition

Provision utilised for the year

Additional provision raised

Closing balance as at 31 March

Provision for incentive bonus

Opening balance as at 01 April

Provision utilised for the year

Additional provision raised

Closing balance as at 31 March

Provision for municipal rates

Opening balance as at 01 April

Provision utilised for the year

Additional provision raised

Closing balance as at 31 March

Group		Company	
2009 R'000	2008 R'000	2009 R'000	2008 R'000
14,506	9,880	11,731	9,880
14,506	9,880	11,731	9,880
2,880	2,063	2,880	2,063
235	-	-	-
(515)	(183)	(515)	(183)
1,060	1,000	990	1,000
3,660	2,880	3,355	2,880
7,000	5,929	7,000	5,929
(5,860)	(4,863)	(5,860)	(4,863)
7,236	5,934	7,236	5,934
8,376	7,000	8,376	7,000
2,470	-	-	-
-	-	-	-
-	-	-	-
2,470	-	-	-

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

Provision for incentive bonus is expected to be realised when bonuses are paid in the 2010 financial year.

Provision for municipal rates covers the rates that will become due when certain erven are transferred into the name of Cape Town Community Housing Company (Pty) Ltd.

Notes to the financial statements

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26. Trade and other payables

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Trade payables	14,679	2,026	2,606	2,676
Land accrual	5,084	-	-	-
Accrued expenses	1,566	-	-	-
Accrual for lease payments	900	586	900	586
Deferred revenue	15,086	-	-	-
	37,315	2,612	3,506	3,262

Trade payables are non-interest bearing and are settled on 30-day terms.

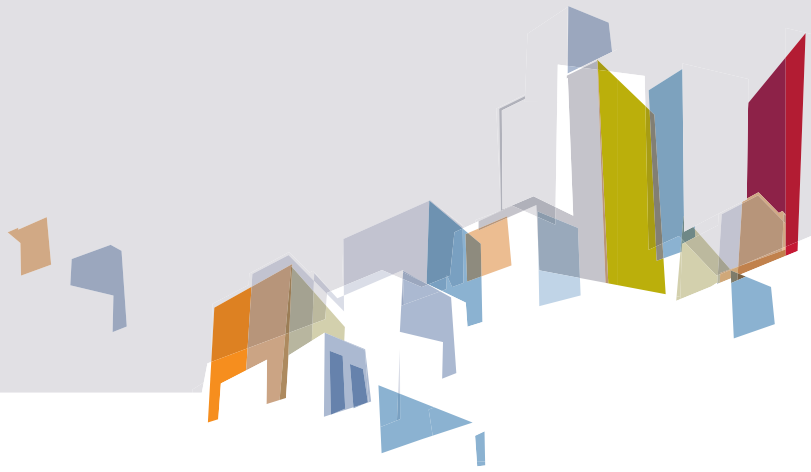
Land accruals are paid when transfer to the end-user takes place.

Accrual for lease payments is as a result of straight-lining over the term of the lease. Refer to note 32.

Deferred revenue relates to subsidy received in advance and are utilised when the building expense is booked.

27. Profit before taxation

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Profit before tax is stated after taking the following into account:				
Interest on advances	105,928	96,474	110,649	96,474
Interest on performing advances	101,694	90,130	106,415	90,130
Interest on impaired advances	4,234	6,344	4,234	6,344
Administrative expenses	88,227	71,435	81,643	79,527
- Staff costs	41,290	34,926	37,118	34,926
- Salaries	36,987	31,558	33,514	31,558
- Medical aid contributions	1,510	1,189	1,287	1,189
- Provident fund contributions	2,793	2,179	2,317	2,179
- Management costs (refer note 29)	14,064	10,282	13,176	10,282
- Administration	2,384	9,422	1,633	17,514
- Marketing	4,763	2,505	4,703	2,505
- Consultancy and advisory services	19,756	8,866	19,689	8,866
- Directors' fees	355	232	301	232
- Legal fees	1,727	2,420	1,574	2,420
- Auditors' remuneration	1,865	1,092	1,745	1,092
- Audit fees	1,865	1,089	1,745	1,089
- Other fees	-	3	-	3
- Travel and entertainment	2,023	1,690	1,705	1,690
Other expenses	11,504	40,394	10,362	40,394
- Donations	83	60	83	60
- Communication	1,998	1,617	1,759	1,617
- Impairment of property held for sale	-	4,000	-	4,000
- Loss on revaluation of bonds	-	7,871	-	7,871
- Impairment of investment	-	-	57	-
- Training and development	1,124	622	1,124	622
- Office expenses	2,198	2,091	1,861	2,091
- Depreciation	842	614	764	614
- Sundry expenses	646	19,200	448	19,200
- Operating lease payments	4,613	4,319	4,266	4,319



28. Other income

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Other income is made up as follows:				
SA Housing Trust (refer note 22)	6,266	3,761	6,266	3,761
Management fees	134	134	243	300
Bad debts recovered	1,172	495	1,172	495
Interest (reversal)/received from instalment sales	5,338	-	-	-
Adjustment for provision of impairment receivables	2,769	-	-	-
Recoveries in respect of services	1,228	-	-	-
Other rental income	948	-	-	-
Interest received on tax	-	11,815	-	11,815
Fair-value gain on investment property	12,100	-	12,100	-
Profit on dilution of investment in associate	566	-	566	-
Premiums earned	4,243	-	-	-
Sundry income	2,167	30	181	30
Other income	36,931	16,235	20,528	16,401

29. Directors and senior management emoluments

	Fees R'000	Salaries R'000	Bonuses R'000	Company contri- butions R'000	Other R'000	Total 2009 R'000	Total 2008 R'000
Directors – Non-executives	276	-	-	-	25	301	232
S Tati	66	-	-	-	-	66	53
N Makiwane	25	-	-	-	-	25	45
S Ntsaluba	53	-	-	-	-	53	22
A Canter – Future Growth Asset Management	-	-	-	-	16	16	54
T Middleton	61	-	-	-	-	61	38
C Ball	20	-	-	-	9	29	5
S Khoza	35	-	-	-	-	35	5
T Ndziba-Dikgole	8	-	-	-	-	8	5
E Godongwana	8	-	-	-	-	8	5
Chief Executive Officer and Executive Director							
S Moraba		2,052	1,328	249	7	3,636	3,189
Executive Members		6,805	1,635	1,039	61	9,540	7,093
A Egbers	1,079	357	209	7	7	1,652	1,521
S Sengani	79	-	7	1	1	87	1,373
N Ntshingila	687	137	72	7	7	903	875
S Mutepe	667	-	73	-	-	740	-
A Chimpondah	656	-	63	-	-	719	-
L Lehabe	795	240	111	9	9	1,155	1,014
S Mogane	634	213	131	8	8	986	-
S Madikizela	638	134	93	8	8	873	-
G Long	253	141	42	4	4	440	765
Z Adams	650	225	151	9	9	1,035	737
B Kgosi	667	188	87	8	8	950	807
Total	276	8,857	2,963	1,288	93	13,477	10,514

Note: Prof Katz agreed not to charge fees.

Notes to the financial statements

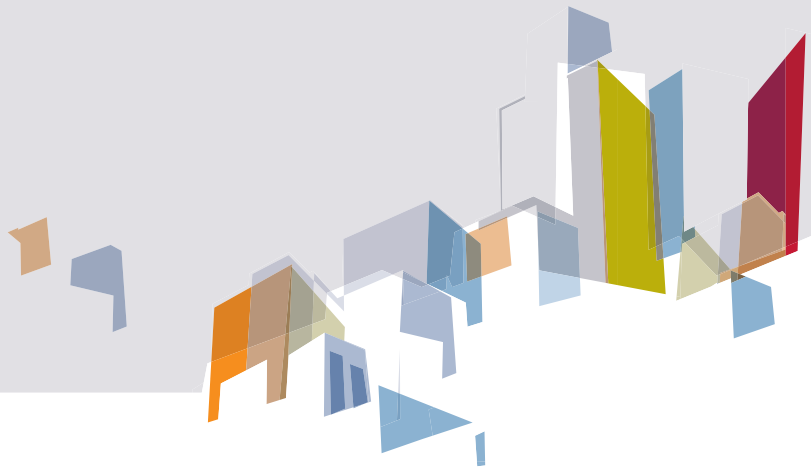
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30. Reconciliation of cash utilised in operations

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
30.1 Net income before taxation	150,497	106,097	148,498	97,520
Adjustments for the following items:	(218,805)	(182,558)	(225,586)	(181,907)
Revaluation of investments held for trading	-	7,871	-	7,871
Depreciation	842	614	764	614
Impairments	3,366	(7,141)	3,366	(7,141)
Impairment of investment in subsidiary	-	-	57	-
Profit on dilution of investment in associate	(566)	-	(566)	-
Share loss of an associate	1,262	-	-	-
Fair-value adjustment on investment property	(12,100)	4,000	(12,100)	4,000
Premium paid	1,587	2,077	1,587	2,077
Dividends received	(158)	(236)	(158)	(236)
Bad debts written off	14,373	20,857	14,373	20,857
Loss on sale of assets	2	-	-	-
CTCHC at acquisition adjustment	442	-	-	-
Finance costs	2,059	-	-	-
Interest received	(229,914)	(210,600)	(232,909)	(209,949)
Operating loss before changes in working capital	(68,308)	(76,461)	(77,088)	(84,387)
Net increase in working capital	(226,243)	(73,185)	(227,194)	(58,357)
Increase in advances	(182,817)	(80,205)	(216,149)	(80,205)
Increase in properties developed for sale	(29,911)	-	-	-
Increase in instalment sale receivable	(5,060)	-	-	-
Increase in accounts receivable	(17,026)	9,818	(13,140)	23,921
Increase in accounts payable	3,945	(5,271)	244	(4,546)
Increase in provisions	4,626	2,473	1,851	2,473
Cash utilised in operations	(294,551)	(149,646)	(304,282)	(142,744)
30.2 Tax paid				
Amounts payable/receivable 01 April	(18,679)	17,882	(23,361)	10,688
Tax charges for the year	(40,280)	(47,335)	(38,777)	(44,845)
Tax adjustments	(2,257)	(23,567)	-	(23,545)
Amounts (receivable) / payable 31 March	(5,689)	18,679	(1,942)	23,361
Tax paid	(66,905)	(34,341)	(64,080)	(34,341)

31. Held for trade investments – bonds

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Fair value at the beginning of the year	-	233,499	-	233,499
Disposals for the year at fair value	-	(225,628)	-	(225,628)
Fair-value adjustment	-	(7,871)	-	(7,871)
	-	-	-	-
Comprising				
RSA stock – R153 at fair value	-	136,817	-	136,817
Proceeds on sale	-	(132,334)	-	(132,334)
Fair-value adjustments	-	(4,483)	-	(4,483)
	-	-	-	-
City of Johannesburg Bonds at fair value	-	96,682	-	96,682
Proceeds on sale	-	(93,294)	-	(93,294)
Fair-value adjustments	-	(3,388)	-	(3,388)
	-	-	-	-



32. Commitments and contingencies

Operating lease commitments – Group as lessee

The Group entered into a commercial lease on the property from which it operates. The lease is effective from 1 April 2007 to 31 March 2012. The lease has an escalation clause of 8% per annum.

A deposit guarantee to the lessor of R533 (2008: R533) is in place.

Future minimum rentals payable under current operating lease as at 31 March 2009:

Within one year
After one year but not more than five years

Equipment lease commitments – Group as lessee

The Group entered into an operating lease for photocopiers. The lease commenced on 1 May 2008 and runs until 1 April 2011.

Future minimum rentals payable under the lease as at 31 March 2009:

Within one year
After one year but not more than five years

Operating lease commitments – Group as lessee

Lease commitments relate to the rental of the two offices of the subsidiary. Both commenced in 2009 and runs until 2011. The annual escalation rate is 10%.

The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

Within one year
After one year but not more than five years

Group		Company	
2009 R'000	2008 R'000	2009 R'000	2008 R'000
3,498	3,239	3,498	3,239
7,858	11,356	7,858	11,356
11,356	14,595	11,356	14,595
101	88	101	88
75	107	75	107
176	195	176	195
531	-	-	-
581	-	-	-
1,112	-	-	-

33. Retirement benefits

The National Housing Finance Corporation Provident Fund is a defined contribution fund administered by Robson Savage, and subject to the Pensions Fund Act of 1956. All 81 employees of the company participate in the fund and the Company makes all contributions.

The Corporation is not liable for post-retirement benefits.

Provident fund contributions

Group		Company	
2009 R'000	2008 R'000	2009 R'000	2008 R'000
3,323	2,961	3,323	2,961

Notes to the financial statements

For the year ended 31 March 2009

34. Financial risk management

The Group has various financial assets such as loans and receivables, cash and short-term deposits and held to maturity investments, which arise directly from its operations.

The Group's principal financial liabilities comprise funds under management, borrowings and other payables.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk and liquidity risk.

Credit risk

Financial assets, which potentially subject the Corporation to concentrations of high credit risk, consist principally of advances. Short-term deposits and money market investments are placed with financial institutions rated at least A1 or better in terms of short-term credit ratings by at least two recognised rating agencies. Credit and concentration risk on advances and investments are limited in terms of the Credit and Treasury policies, which provide for prudent single counterparty limits in respect of individual clients as a percentage of the total of each portfolio. The credit policy also provides for comprehensive sanctioning structures and assessment criteria. Advances are presented net of the allowance for impairment. The advances at year-end reflect that the Corporation has exposure within approved counterparty limits.

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Loans and receivables – advances	1,053,790	929,485	1,116,234	929,485
Instalment sale receivables	69,128	-	-	-
Held to maturity investments	1,229,631	1,393,838	1,215,084	1,377,590
Cash and short-term deposits	276,845	217,917	269,733	217,917
Other receivables and prepayments	25,194	11,220	13,772	11,220

Collateral and other credit enhancements – loans and receivables advances

The Corporation endeavours to obtain collateral or other security against all advances made, dependent on the assessed risk inherent in the particular advance and in line with the NHFC's approved credit policy.

The following types of collateral are currently held against loans and receivables – advances subject to credit risk:

- Bonds over properties
- Debtors book
- Cession of income
- Personal guarantees
- Governmental guarantees

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairments losses.

34. Financial risk management (continued)

Credit quality of loans and receivables – advances

The credit quality of loans and receivables advances that are neither past due nor impaired can be assessed by reference to internal credit ratings.

Neither past due nor impaired
Past due but not impaired
Impaired*

Less: Specific impairments
Net advances

Group	
2009 R'000	2008 R'000
840,286	869,315
128,008	19,167
145,505	97,645
1,113,799	986,127
(60,009)	(56,642)
1,053,790	929,485

* Impaired balance is not equal to specific impairments as some advances are not fully impaired considering the value of security.

Ageing analysis of advances that are past due, but not impaired:

	Total R'000	30 days R'000	30-60 days R'000	60-90 days R'000	90-120 days R'000	>120 days R'000
2009	128,008	34,701	7,234	685	36,941	48,447
2008	19,167	968	802	764	4,376	12,257

The Group's credit process considers the following to be key indicators of default:

- Evidence of financial distress when it is considered that the borrower is unlikely to pay its credit obligation in full.
- The debt is overdue.
- Evidence that the value of the collateral is lower than the carrying value of the loan.

The fair value of collateral that the Group holds relating to past due or impaired loans and receivables at 31 March 2009 amounts to R567 million (2008: R953 million).

During the year the Group took possession of guarantees and debtors book with a carrying value of R1.6 million.

The carrying amount of advances that would otherwise be past due whose terms have been renegotiated amounts to R124 million.

Credit quality of instalment sale receivables

The credit quality of instalment sale receivables that are neither past due nor impaired can be assessed by reference to external credit ratings.

Counterparties with external ratings

69,128

As at 31 March 2009, R14,297 of the R69,128 instalment sale receivables was provided for. The individual amounts provided for relate mainly to arrear balances between the company and the customers.

Notes to the financial statements

For the year ended 31 March 2009

34. Financial risk management (continued)

Management's assessment of the ageing of the instalment sale debtors is as follows:

Up to 1 year	36,508
1 to 2 years	6,783
3 to 5 years	25,837
Over 5 years	-
	69,128

Credit quality and concentration of other financial assets

Counterparties with external ratings	
– Held to maturity investments – Money Market	1,229,631
– Cash and short-term deposits	276,825

Other receivables are considered current and are not considered impaired.

Concentration risk of loans and receivables by operations

Commercial – 33.6%
Projects – 66.1%
Retail – 0.3%

Interest rate risk

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

Assets

Loan and receivables – advances rates vary between 9% and 15.5% p.a.

Instalment sale receivables average interest rate of 12.01% p.a.

Held to maturity investments rates vary between 8.10% and 11.946% p.a.

Cash and short-term deposits rates vary between 7% and 11.27% p.a.

Liabilities

Funds under management – rates are linked to short-term investment rates

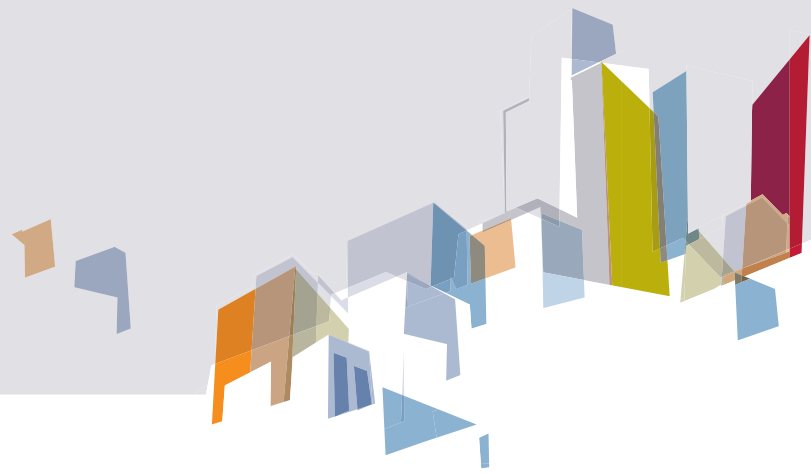
Strategy	Group 2009		Group 2008	
	Fixed rate R'000	Linked rate R'000	Fixed rate R'000	Linked rate R'000
1	385,554	668,236	230,554	698,931
1	69,128	-	-	-
2	-	1,229,631	-	1,393,838
2	-	276,845	-	217,917
	-	521,192	-	496,338

Interest rate risk management strategy is as follows:

1. Clients who enjoy variable interest rate facilities are subject to interest rates that reset on a change in prime interest rate or on a quarterly basis in accordance with various market indices.

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

2. Investments are aligned to the cash flow requirements and strategy of the core business. The portfolio is diversified utilising a mix of fixed and floating rate instruments within the policy framework and is continually monitored to adapt to changing dynamics.



34. Financial risk management (continued)

Interest rate sensitivity

The impact of 1% move in interest rates, with all other variables held constant is reflected below.

	Increase / decrease %	2009 Effect on profit before tax R'000	2008 Effect on profit before tax R'000
Loans and receivables – advances	1%	14,349	9,295
	-1%	(14,349)	(9,295)
Held to maturity investments	1%	12,296	13,938
	-1%	(12,296)	(13,938)
Cash and short-term deposits	1%	2,768	2,179
	-1%	(2,768)	(2,179)
Funds under management	1%	5,211	4,963
	-1%	(5,211)	(4,963)

Liquidity risk

To ensure that the Group is able to meet its financial commitments the liquidity management process includes:

- short- and long-term cash flow management;
- diversification of investment activities with appropriate levels of short-term instruments and maturities in line with the Treasury policy;
- at least 60 % of Money Market portfolio to mature within six months, and
- limiting Capital Market investments to 30% of the portfolio.

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2009 based on contractual undiscounted payments.

As at 31 March 2009

	On demand R'000	Less than 3 months R'000	3 to 12 months R'000	>1 year R'000	Total R'000
Trade and other payables	368	21,522	14,526	900	37,316
Deferred income				10,069	10,069
Funds under management				521,192	521,192
Debentures				4,788	4,788
Other financial liabilities			862	11,238	12,100
	368	21,522	15,388	548,187	585,465

As at 31 March 2008

	On demand R'000	Less than 3 months R'000	3 to 12 months R'000	>1 year R'000	Total R'000
Trade and other payables	289	1,538	199	-	2,026
Deferred income	-	-	-	20,143	20,143
Funds under management	-	-	-	496,339	496,339
	289	1,538	199	516,482	518,508

Fair value of financial instruments

The carrying value of financial assets and financial liabilities for both years approximated their fair values.

Capital management

The objective of the Group's capital management is to ensure that it maintains a strong credit rating, healthy capital ratios and generates sufficient capital to support its business objectives and maximise shareholder value.

NHFC Credit rating

Global Credit Rating Co
National
Long term AA-
Short term A1+

Notes to the financial statements

For the year ended 31 March 2009

35. Related parties disclosure

The consolidated financial statements include the financial statements of National Housing Finance Corporation Limited and subsidiaries as listed below.

Subsidiary	Country of incorporation	2009 % equity interest	2008 % equity interest
Gateway Homeloans (Proprietary) Limited	RSA	100	100
Gateway Homeloans 001 (Proprietary) Limited	RSA	100	100
Centriq Cellcaptive	RSA	100	100
Cape Town Community Housing Company (Pty) Limited	RSA	100	50

The following table provides the total amounts of transactions and outstanding balances which have been entered into with related parties for the relevant financial year.

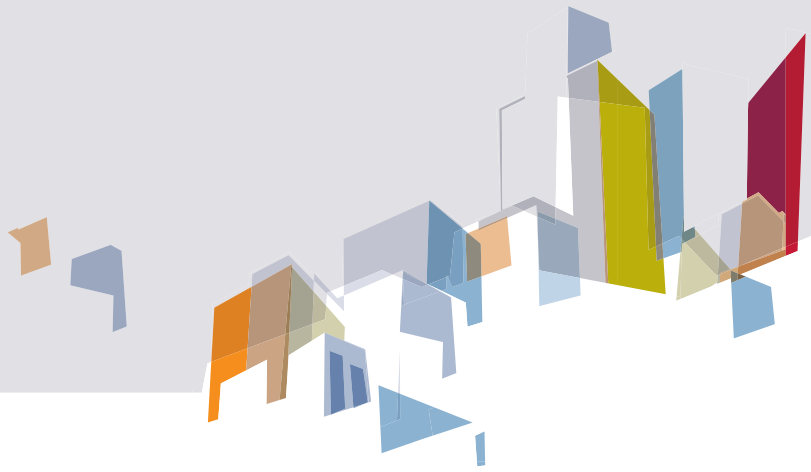
Related party	Group 2009		Group 2008	
	Amounts owed by/to related parties R'000	Transactions with related parties R'000	Amounts owed by/to related parties R'000	Transactions with related parties R'000
Transactions with other public entities				
Social Housing Foundation				
- accounts receivable (refer to note 14)	754	-	747	-
- management fees received	-	243	-	243
Thubelisha/NDoH				
Advances				
- disbursements	113,214	-	107,704	-
Telkom SA				
- Telecommunication services	-	665	-	661
SA Post Office				
- Postal services	-	1	-	2
- Retail pilot project	-	232	-	-

Terms and conditions with related parties

Transactions with related parties are done on terms equivalent to those that prevail in arm's length transactions.

Except for advances the loans are interest free and settlement occurs in cash. There have been no guarantees provided or received for any related receivables.

For the year ended 31 March 2009, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2008: Nil).



35. Related parties disclosure (continued)

	Company 2009		Company 2008	
	Amounts owed by/to related parties R'000	Transactions with related parties R'000	Amounts owed by/to related parties R'000	Transactions with related parties R'000
Transactions with subsidiaries				
Gateway Homeloans (Proprietary) Limited				
– intercompany (receivables)/payables	–	–	(67)	–
– management fees paid to National Housing Finance Corporation Limited	–	–	–	57
Guardrisk Cellcaptive				
– sale of shares	–	–	–	7,000
– interest received	–	–	–	1,685
Centriq Cellcaptive				
– shares at cost	–	–	–	7,000
– insurance paid	–	–	–	10,000
– interest received	–	1,300	–	–
Cape Town Community Housing Company (Pty) Limited				
– shares at cost	4,000	–	–	–
– debentures	15,856	–	3,197	–
– advances	62,444	–	26,634	–
– disbursements	–	41,263	–	17,642
– interest received	–	4,655	–	–
Transactions with other public entities				
Social Housing Foundation				
– accounts receivable (refer note 14)	754	–	747	–
– management fees received	–	243	–	243
Thubelisha/NDoH				
Advances	113,214	–	107,704	–
– disbursements	–	–	–	–
Telkom SA				
– Telecommunication services	–	665	–	661
SA Post Office				
– Postal services	–	1	–	2
– Retail pilot project	–	232	–	–

Independent Auditor's report on the performance report of the Corporation

in terms of Section 28 of the Public Audit Act 2005

Reporting on performance information

We have reviewed the performance information as set out on pages 79 to 80.

Responsibility of the Board of Directors for the performance information

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

Responsibility of the Auditors

We conducted our engagement in accordance with section 13 of the PAA read with General Notice 516 of 2008, issued in Government Gazette No. 21021 of 9 May 2008.

In terms of the foregoing our engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

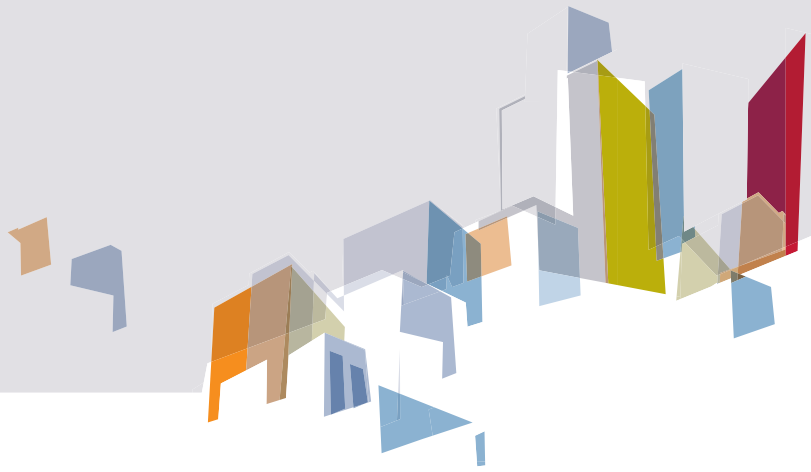
We believe that the evidence we have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of our audit.

Ernst & Young Inc.

Registered auditor

20 July 2009

Johannesburg



Performance Report for the year ended 31 March 2009 in terms of Section 55(2) of PFMA

Budgeted and audited results for the year ended 31 March 2009

	Actual R'000	Budget R'000
Income		
Lending activities	110,649	116,015
Investment activities	122,260	80,700
Other income	25,333	11,113
Total Income	258,242	207,828
Impairments	(17,739)	(12,564)
Operating expenses	(92,005)	(113,751)
Profit before tax	148,498	81,513
Tax	(40,984)	(23,639)
Profit after tax	107,514	57,874

Explanation of variances:

Investment income

Investment income is higher than budget as a result of higher than budgeted interest rates for most part of the year.

Other income

Other income includes management fees and rental income. Other income is higher than budget mainly as a result fair value gain on investment property.

Impairments

Increased level of impairments and write off on Protea Financial Services Group book sold.

Expenses

Expenses are below budget mainly due to under expenditure in employee, marketing, travel, office and computer cost relating to the delayed roll out of Retail.

Independent Auditor's report on the performance report of the Corporation

in terms of Section 28 of the Public Audit Act 2005 (continued)

Key performance indicators

The Project Division exceeded their targets for both impact and disbursements.

Commercial mortgage loans were above budget but microloans lagged for the whole year.

Impact for Commercial was below budget for two main reasons:

1. Disbursement mix favoured mortgage loans rather than incremental housing loans; and
2. The average size of the incremental loans has increased from the expected R5 000 in the budget to between R6 500 and R10 000 in practice due to the increases in material prices. This resulted in fewer loans being provided.

The rollout of the Retail offering was delayed to October 2008. The fourth quarter saw an increase in the number of applications mainly from bond originators and employers. The disbursements are however below budget due to the lag in registering the bonds.

Wholesale operations

Projects

	Actual	Budget
Number of loans approved	14	18
Value of loans disbursed (R'000)	435,388	340,353
Number of units financed	11,718	7,649
Number of beneficiaries benefitting	58,590	38,245

Commercial

Number of new facilities	3	4
Number of incremental loans provided	2,924	11,812
Number of beneficiaries benefitting	14,620	59,060
Number of mortgage bonds disbursed	221	155
Number of beneficiaries benefitting	1,105	775
Value of loans disbursed (R'000)	75,701	83,455
Value of incremental housing loans disbursed	40,204	63,055
Value of mortgage bonds disbursed	35,497	20,400

Summary of disbursements and impact for wholesale operation

Housing opportunities funded	14,863	19,616
Incremental housing loans	2,924	11,812
Housing units provided	11,939	7,804
Value of loans disbursed (R'000)	511,089	423,808

Retail operations

Number of loans approved	2,238	1,500
Number of housing units financed	20	300
Number of beneficiaries benefitting	100	1,500
Value of loans disbursed (R'000)	3	28