



UNITED THROUGH COLLABORATION

We are committed to addressing the housing needs of South Africans by channeling our collective efforts toward sustainable, impactful improvements that uplift communities nationwide.



**INTEGRATED
ANNUAL REPORT**
2023/2024



1. GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The NHFC provides housing finance to retail intermediaries, property developers and social housing institutions; as well as supports and capacitates emerging housing intermediaries through strategic partnerships.
Directors	Mr L Vutula (Board Chairperson) Mr T Bonakele Ms T Chiliza Ms P Mthethwa Mr P Heeger Ms A Seedat Ms S Bolipombo Mr V Dube Mr T Mabaso Ms P Kadi Ms T Kobile Ms A Mayekiso (Executive Director)
Registered office	90 Grayston Drive Sandton 2196
Postal address	PO Box 31376 Braamfontein Johannesburg 2017
Bankers	Standard Bank of South Africa Limited First National Bank Limited
Auditors	Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors
Company registration number	1996/005577/30
Level of assurance	These consolidated Annual Financial Statements have been audited in compliance with the applicable requirements of the Companies Act No. 71 of 2008.

CONNECT WITH US



PERFORMANCE HIGHLIGHTS



OPERATIONAL PERFORMANCE

19 439

Housing opportunities for the year.

R604 million

Value of loans **approved** during the year.

R413 million

Value of funds **disbursed** during the year.



DEVELOPMENTAL IMPACT

R82 million

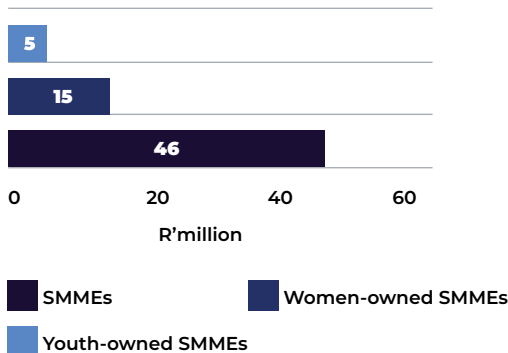
Disbursements to **designated groups** including women and the youth.

ENTERPRISE DEVELOPMENT

128

Local Black-owned contractors with whom the NHFC contracted with.

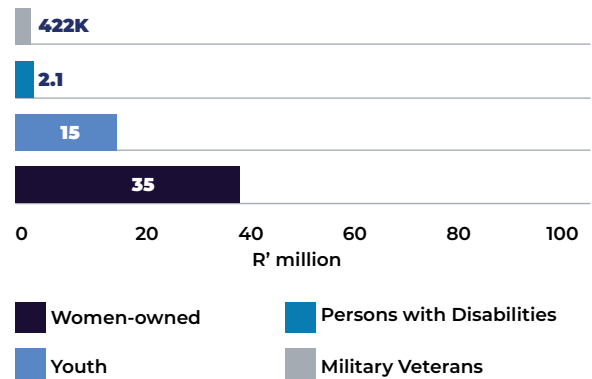
ENTERPRISE DEVELOPMENT (R VALUE EXPENDITURE)



R66 million

Disbursements to **Black-owned entities**.

PROCUREMENT EXPENDITURE DESIGNATED GROUPS



FIRST HOME FINANCE

4 391

Number of subsidies **approved** during the year.

R415 million

Value of subsidies **approved** during the year.



4 623

Number of subsidies **disbursed** during the year.

R315 million

Value of subsidies **disbursed** during the year.

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Roodepoort Project



LIST OF ABBREVIATIONS/ACRONYMS

AGM	Annual General Meeting	MTSF	Medium-Term Strategic Framework
AGSA	Auditor-General of South Africa	NDoHS	National Department of Human Settlements
APP	Annual Performance Plan	NHBRC	National Home Builders Registration Council
B-BBEE	Broad-Based Black Economic Empowerment	NHFC	National Housing Finance Corporation
BNG	Breaking New Ground	ODA	Other Delivery Agent
CEO	Chief Executive Officer	PAIA	Promotion of Access to Information Act
CFO	Chief Financial Officer	PFMA	Public Finance Management Act
CLA	Corporate Lan Advertising	POC	Proof-of-concept
CRM	Customer Relationship Management	PMO	Project Management Office
CSD	Central Supplier Database	POPIA	Protection of Personal Information Act
CSI	Corporate Social Investment	PPRA	Property Practitioners Regulatory Authority
DFI	Development Finance Institution	SAICA	South African Institute for Chartered Accountants
DPSA	Department of Public Service and Administration	SALGA	South African Local Government Association
ERP	Enterprise Resource Planning	SARS	South African Revenue Service
ECM	Enterprise Content Management	SCM	Supply Chain Management
FHF	First Home Finance	SHI	Social Housing Institution
GEHS	Government Employees Housing Scheme	SHRA	Social Housing Regulatory Authority
GPF	Gauteng Partnership Fund	SLA	Service Level Agreement
GRAP	Generally Recognised Accounting Practice	SMME	Small, Medium and Micro Enterprise
GTAC	Government Technical Advisory Centre	SOC	State-Owned Company
HSDB	Human Settlements Development Bank	SPV	Special Purpose Vehicle
ICT	Information and Communications Technology	TOPP	Training Out of Public Practice
IHS	International Housing Solutions		
IT	Information Technology		
LMS	Learning Management System		
King IV®	King IV Report on Corporate Governance®		
MOU	Memorandum of Understanding		



2. FOREWORD BY THE MINISTER

THE NHFC IS CENTRAL TO THE CREATION OF STOCK OF AFFORDABLE HOUSING UNITS FOR THE GAP MARKET.

Currently the demand for affordable housing far outstrips the supply. It is for this reason that the NHFC needs not only to improve its performance across all its offerings, but also to introduce innovative approaches to partnerships and product design. This essentially means that it cannot be business as usual at the NHFC.

The tough economic environment characterised by low economic growth has worsened unemployment levels and inequality. This combined with the rising cost of living has had a negative impact on the occupancy and sustainability of Social Housing as evidenced by the NHFC's non-performing book. Other systemic factors that is impacting the performance of the social housing portfolio include commercial viability of projects, limited experience and technical expertise of SHIs, poor maintenance of projects, and delays in Capital Grant approvals. There is an average 18-month lag between debt approval and disbursement, therefore the approvals

of R91 million in the year under review will only be disbursed from 2025/26 onwards. Amongst these factors the debt approval lag and capital grants are within the control of NHFC and SHRA respectively, and therefore, need to be reviewed so that there is improved performance.

The collaborative work between NHFC and its stakeholders especially with SHRA needs to be seamless and I expect both entities to work towards better coordination. With regards to strengthening partnerships with the private sector, it is encouraging to note that the NHFC's leveraging strategy, central to its value proposition, has been instrumental in attracting private sector investment into the affordable housing market. This crowding-in effect has been a cornerstone of NHFC's operations throughout its existence. To date, these efforts have mobilized R37 million in funding, resulting in the delivery of 830,302 housing opportunities across the country.

The Subsidy Housing product met and exceeded the yearly approvals target of R58 million by R31 million for a total approval of R89 million (153%). The spread of approvals was in the Free State, Gauteng and KwaZulu-Natal provinces, with the Free State transaction a key highlight as it is expected to yield 2 000 units in 15 different locations. However, I expect that the NHFC will put effort to ensure that the footprint of this programme is expanded so that it covers all nine provinces.

I also welcome the reduction in the concentration of First Home Finance in the Gauteng province from 82% of subsidies approved were for households in Gauteng in 2022/23 financial year, to 69% in the year under review.

With regards to transformation, I am pleased that Of the R413m disbursed, R82m went to designated group developers and R66m to majority black owned entities. However, I am displeased with NHFC's efforts to drive transformation in the affordable housing ecosystem, by disbursing to transformed entities has been hindered by the fact that these entities need support in order to get projects sponsored by emerging developers to a bankable stage. Thus I expect the NHFC to hasten the launch an emerging developer incubation programme in the FY2024/25 which will provide technical assistance pre-investment, as well as ensure that the projects are properly supported post-investment to ensure that execution risk is minimised and operational risk is minimised, post the construction phase.

It is regrettable that there was a regression in the audit outcome in the year under review compared to financial year 2023/24. Of great concern is the fact that the auditors were unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure. This means that consequence management is not being implement where it is warranted. I expect the leadership of the NHFC to take the necessary steps to ensure that corrective action is implemented.

I wish to express my gratitude to the Board led by Mr Luthando Vuthula, CEO Ms Azola Mayekiso and the rest NHFC staff for their hard work.



Mmamoloko Kubayi, MP
Minister For Human Settlements



Cape Town — Anchorage Glenhaven Bellville



3. CHAIRPERSON'S OVERVIEW



AS WE ENTER OUR SECOND YEAR IN OFFICE, WE REFLECT ON THE CHALLENGING ECONOMIC LANDSCAPE WE HAVE FACED. THE AFTERMATH OF COVID-19, COMPOUNDED GLOBAL UNCERTAINTIES, HAVE IMPACTED THE NHFC'S MISSION TO ENABLE THE LOW- TO MIDDLE-INCOME HOUSEHOLDS TO ACCESS THE AFFORDABLE HOUSING MARKET.



We remain concerned about both global and local economic conditions and their effects on the decisions prospective homeowners or tenants must make. The domestic housing market remains challenged because of many business environment factors that prevailed in the market. The NHFC recognises the need for a business-unusual approach to fulfill its mandate effectively.

OUR END-USER ENVIRONMENT

Affordability remains a significant challenge for low- to middle-income households as they face rising costs of living driven by inflation in food, fuel, and electricity prices. Regulatory factors such as rent control regulations, property standards, and tenant rights also influence market dynamics, affecting both landlords and tenants. The NHFC plays a crucial role in expanding the affordable housing stock in line with the strategic objectives of the National Department of Human Settlements.

The market served by the NHFC is negatively impacted by modest GDP growth, persistent inflation, and high unemployment rates. Over the past two financial years, our loans and investments have faced numerous challenges, yet the non-performing book has marginally stabilised. While the growth of loans and advances was moderate, the affordable housing bridging product continued to see high disbursements compared to other products. Exposures remained liquid, with collections of approximately R820 million in the current year at company level, and most average weighted terms ranging between 8 and 12 years.

STRATEGIC RELATIONSHIPS

To achieve significant impact in delivering much-needed housing opportunities, the NHFC is forging strong partnerships with key stakeholders. We are collaborating with the Infrastructure Fund (IF), multinational financiers, and philanthropists. The IF MOU signed last financial year is gaining traction, with the Fund completing the procurement and appointment of transaction advisors to establish a social housing financing special purpose vehicle (SPV). This SPV aims to attract private sector financiers, manage risk effectively, and facilitate scaled funding to catalyse delivery of social housing.

Additionally, the NHFC is actively discussing innovative ways to deliver green homes using EDGE technology with the International Finance Corporation (IFC). This collaboration will enable us to fund green projects, crucial for South Africa's future. By focusing on environmentally friendly housing solutions, we address the current housing shortage while ensuring sustainable, energy-efficient homes for generations to come.

In the 2023/24 financial year, we signed a significant number of MOUs with partners for the First Home Finance subsidy origination, including with major banks, non-bank lenders, contractors, and a JSE-listed building merchant with a national footprint. The increasing interest from private sector employers with Employer Assisted Housing Schemes to help their employees access their first homes is highly anticipated.

We are also discussing initiatives to unlock funding opportunities for developers and accelerate housing solutions for government employees. Our partnership with the DPSA to support the government employees to access homeownership remains important. It is envisaged that the partnership will go beyond assisting state employees to access First Home Finance, but the NHFC will also offer services that are designed to enhance access to homeownership for all government employees. This strategic move will enable us to provide an estimated 6 250 additional housing units per annum, directly benefiting our hardworking government employees and contributing to their stability and well-being.

PERFORMANCE OVER THE MEDIUM-TERM STRATEGIC FRAMEWORK PERIOD 2020 - 2024

The year under review marks the final year of the MTSF 2020/24. Despite the challenges posed by COVID-19, the NHFC achieved 72% of its targeted impact. Notably, the First Home Finance programme saw significant improvement, leveraging R7.7 billion from the private sector against R1.1 billion in government subsidies over the MTSF period, demonstrating the importance of collaboration.

OVERALL FINANCIAL OUTLOOK

The NHFC's financial performance has benefited from the high interest environment, with 90% of our lending book linked to Prime. However, high interest



To achieve significant impact in delivering much-needed housing opportunities, the NHFC is forging strong partnerships with key stakeholders.

rates also affect the affordability of our target market, resulting in fewer bankable projects and potential high credit losses. Despite these challenges, the NHFC's 2023/24 profit for both company and group exceeded budget and prior year performance. As of March 2024, our going concern assessment indicates continued liquidity and solvency in the foreseeable future, even with projected interest rate declines.

APPRECIATION

I extend my sincere appreciation to Hon. Mmamoloko Kubayi, Minister of Human Settlements, and her department for their ongoing support and counsel. We welcome the Minister back and warmly welcome Deputy Minister Ms. Tandi Mahambehlala as we embark on the new MTSF period, 2025 - 2029.

My gratitude also goes to my fellow Board members, Board Secretary and the CEO, Ms Azola Mayekiso. Your combined experiences and knowledge have led to many beneficial outcomes. To Ms Mayekiso, the NHFC executive management team, and staff, I offer my heartfelt thanks for your hard work and commitment.



Mr Luthando Vutula
Board Chairperson: National Housing Finance Corporation





4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

IT IS A GREAT PRIVILEGE TO LEAD AN ORGANISATION THAT IS TRANSFORMING ITSELF TO BECOME EFFECTIVE IN THE DELIVERY OF ITS MANDATE TO ENSURE THE REALISATION OF THE BASIC HUMAN RIGHT OF DECENT HOUSING FOR MANY SOUTH AFRICANS.

NAVIGATING ECONOMIC CHALLENGES

The prime lending rate in South Africa is the highest it has ever been since 2008, sitting at 11.75%. This has translated into an extremely difficult environment to navigate, not only for our contractor and developer clients but also for the end-users of the housing stock they help us deliver. In order to help enhance the financial viability of transactions brought to us by developers, during the financial year, we reviewed our modelling parameters to align them more with market benchmarks, we introduced innovation to our structuring methodologies to achieve the same ends and we developed BEE guidelines to bolster assistance provided to emerging developers.

During the reporting period, the NHFC disbursed R413 million yielding 19 439 housing opportunities. Of this, 13 101 were incremental housing loans disbursed for incremental building and home-improvement purposes, 4 623 were first home finance housing units, 233 were serviced stands and 1 482 were units split across our social housing, subsidy housing, student accommodation and affordable housing for sale housing segments. Of the R413 million disbursed, R82 million went to designated group developers and R66 million to majority black-owned entities. Whilst the NHFC recognises that it has a mandate to drive transformation in the affordable housing ecosystem, disbursing to transformed entities has been a challenge due to more support being required in order to get projects sponsored

by emerging developers to a bankable stage. This is the primary motivation behind the NHFC's plan to launch an emerging developer incubation programme in the 2024/25 financial year. This programme will provide technical assistance pre-investment, as well as ensure that the projects are properly supported post-investment to ensure that execution and operational risks are minimised, post the construction phase.

HIGH PERFORMANCE CULTURE

The first quarter of 2023/24 was marked by an industrial action at the NHFC, causing delays in application processing and disbursements, and leading to a backlog in the resolution of First Home Finance customer complaints. In spite of the industrial action being resolved during the first quarter of the reporting year, it did have a negative impact in the overall performance of the organisation for the financial year. During the year, the Board of the NHFC approved a proposal to introduce a high-performance culture intervention into the organisation. This was on the back of the organisation having closed the previous financial year, as stated above, with only marginal improvement to performance. There are numerous enhancements that have been introduced in different parts of our operations during the year, in order to enhance efficiencies in our core processes so as to better serve our clients, however an organisation-wide mindset shift is required in order to turn the NHFC into an effective operation.

Our supply chain management continues to be a challenge for the organisation and a source of inefficiency. In order to address this, we are soliciting advice from procurement expertise that sits within the DFI environment such that we can review our processes and procedures basing them on existing best practice. This intervention will also help in the efforts to unlock high performance and effectiveness of our organisation.

DIGITAL TRANSFORMATION

In the upcoming financial year, we plan to launch a new enterprise resource planning (ERP) system that will ease the administrative burden on staff overall. Apart from automating our processes and digitising our organisation, this solution will be the beginning of a journey to prepare for the transition of the NHFC into the catalytic Human Settlements Development Bank (HSDB). The intention of the ERP solution is to also help digitise operations of the developers that we fund, create seamless integration with our systems in order to ease the reporting burden and

to provide the NHFC/HSDB with live data such that we are able to intervene timeously with our post-investment monitoring solutions when projects run into problems.

HUMAN SETTLEMENTS DEVELOPMENT BANK

Together with our shareholder, we are committed to the creation of the HSDB through the necessary legislative and statutory processes. While awaiting the finalisation of the approach that will lead to the establishment of the bank, we are working to position the HSDB as a sustainable, apex development finance institution in the human settlements sector. Key efforts include shedding non-core assets (subject to the necessary approvals), such as President Place and the retail mortgage book, and deregistering inactive subsidiaries. Additionally, we are recovering R37 million in provisional income tax paid to the South African Revenue Service (SARS), with interest.

A notable milestone was the establishment of the Programme Management Office (PMO) in the third quarter of the financial year. The PMO is responsible for managing the transition to the HSDB, implementing revised strategic priorities, developing an optimal funding model and ensuring a smooth change management process. It will also oversee a high-level review of the optimal organisational structure, ensuring that the NHFC is positioned for its future extended scope and that we have the key skills and information systems in place to support the HSDB.

EVENTS AFTER THE REPORTING DATE

The Chief Financial Officer (CFO) resigned effective April 2024. We have appointed an Acting CFO and extend our sincere thanks to Mr Bruce Gordon for his many years of dedicated service. Following the National Elections in May 2024, which resulted in the establishment of a Government of National Unity, we remain confident and assured that the NHFC's mandate continues to be both critical and essential for the people of South Africa.

ECONOMIC VIABILITY AND FUTURE OUTLOOK

The NHFC remains financially independent, relying on interest income and efficiency in our debtors' book collections. Our governance systems are designed to maintain best practices and ensure the organisation's long term sustainability. To reinforce the investment processes and in response to the establishment of the HSDB, during the financial year, management undertook an exercise of reviewing, developing, and redesigning the Credit, Lending and Investment Policies and Procedures, Pricing

Policy and Procedures as well as our Risk Appetite Statement. This initiative is aimed at standardising the investment process, whilst ensuring agility in risk management. Improved processes are vital in the current dynamic nature of the market and current economic conditions. This will enable the NHFC to adapt to changing market trends, regulatory requirements and ensure responsiveness. The new policies facilitate effective risk management by setting clear guidelines on risk exposure and mitigation strategies, promoting stability and resilience, responsiveness to best practice frameworks and optimisation of pricing strategies for continued sustainability.

APPRECIATION

This has been my first full year as the CEO of the NHFC and I would like to extend my deepest gratitude for the enormous opportunity granted to me by the shareholder who has displayed immense commitment and passion for the portfolio. Minister Kubayi's leadership fuels our fire in wanting to make a positive contribution towards housing the nation. I equally extend my gratitude to the Board who have been immensely supportive in helping me navigate the public sector environment; having received my training in the private sector. Your support has been invaluable and highly appreciated. And lastly, I would like to thank the Executive Committee and NHFC staff who have embraced me as their leader and brought their full selves to deliver on the results we managed to deliver for the year. Together, we are contributing to something much larger than ourselves by helping make the constitutional right to housing a reality for thousands of South Africans.



Ms Azola Mayekiso
Chief Executive Officer: National Housing Finance Corporation



Benedict Nthoba — Kanga

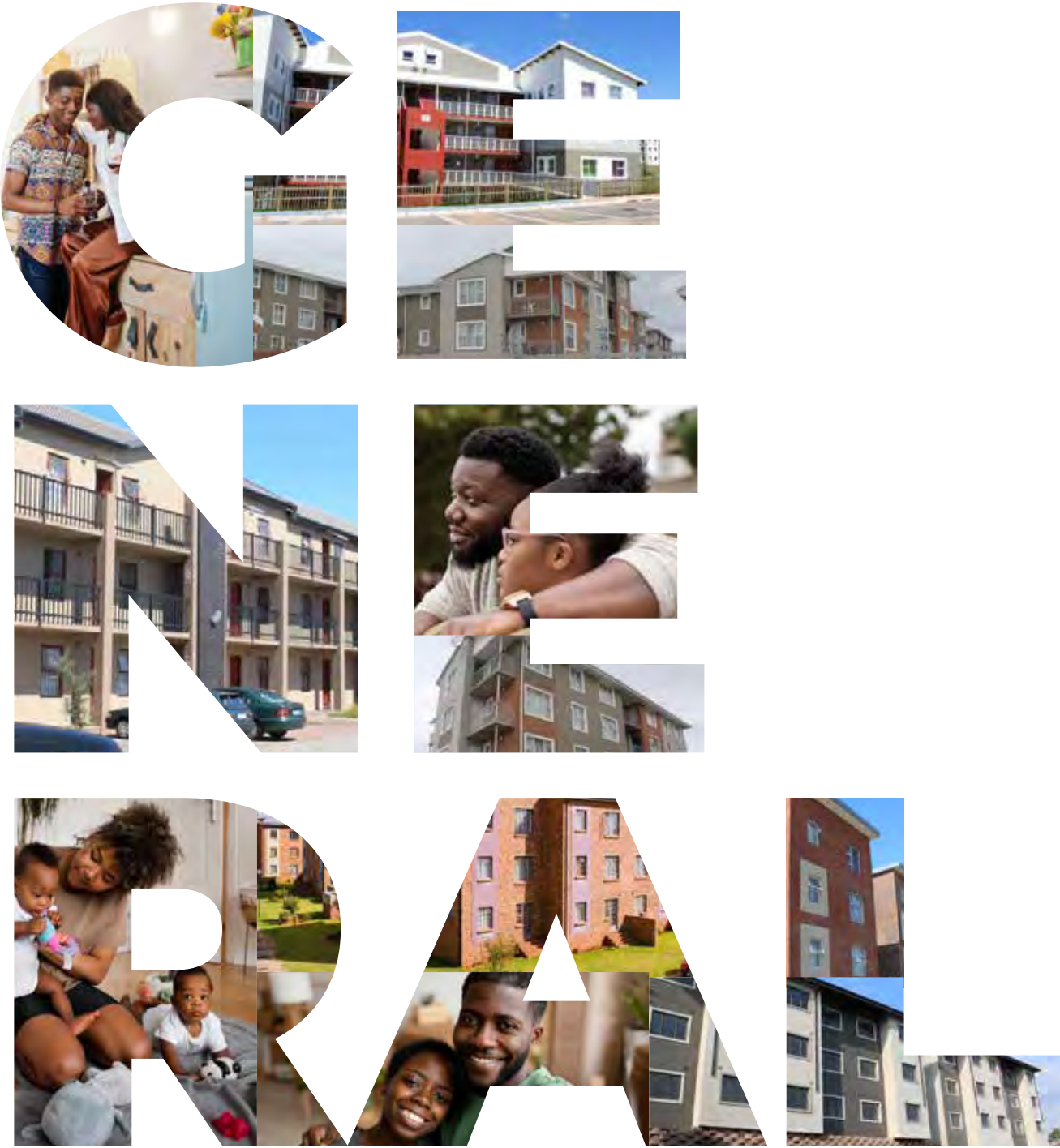


Kenneth Mathonsi — Thuthukani



George Dreyer — Kanga

PART A:



INFORMATION



1. ABOUT THIS REPORT

THIS REPORT PROVIDES INFORMATION ABOUT THE PERFORMANCE OF THE NATIONAL HOUSING FINANCE CORPORATION (NHFC) FOR THE PERIOD **01 APRIL 2023 TO 31 MARCH 2024.**



The National Department of Human Settlements (NDoHS) established the entity as a Development Finance Institution (DFI) in 1996, when it was mandated to broaden access to affordable housing finance for low- to middle-income households in South Africa. The NHFC is registered in terms of the Companies Act of 2008 and is listed as a Schedule 3A public entity according to the Public Finance Management Act (No. 1 of 1999) (PFMA).

This Integrated Annual Report is produced in good faith and provides insight into the effects of the company's business on its internal and external environments. The report includes financial performance information relevant to all stakeholders and the shareholder.

1.1 SCOPE AND BOUNDARY

This Integrated Annual Report provides strategic, operational, governance and financial overviews of the activities of the NHFC for the period 1 April 2023

to 31 March 2024. The information in this report refers to the performance of the core business functionality of the NHFC, operating in South Africa, and its major operating subsidiaries, unless stated otherwise.

1.2 REPORTING FRAMEWORK

As a Schedule 3A public entity, wholly owned by the Government of South Africa, the NHFC is represented by the Minister of Human Settlements. The NHFC was incorporated under the Companies Act (No. 61 of 1973), which was replaced by the Companies Act (No. 71 of 2008) and is thus subject to its tenets. The report is thus compiled in compliance with:

- The Public Finance Management Act (No. 1 of 1999);
- The Companies Act (No. 71 of 2008);
- The principles of the King IV Report on Corporate Governance® (King IV®);

- The International Integrated Reporting Council's International <IIRC> Framework;
- National Treasury Regulations; and
- Standards of Generally Recognised Accounting Practice (GRAP).

1.3 BASIS OF PREPARATION

This report reflects the adoption by the NHFC of integrated thinking and the application of the process. In determining the content provided, issues that materially affect the company's ability to create and maintain value for its stakeholders are considered. Such information is drawn from the company's records, and includes details of the operating context, strategic performance, risks and associated mitigation measures, stakeholder engagement and identified business opportunities. Inputs from the executive management team are included in this report, and all information has been approved by the NHFC's various committees and ultimately by its Board of Directors (the Board). To the best of its ability, the NHFC provides an accurate and transparent account of the company's performance for the reporting period, as expanded upon by the recommendations of the King IV® Code and International <IR> Framework.

1.4 RISK TAKING

The NHFC is not a particularly risk-averse corporation, however, the company does not undertake reckless lending and investment behaviour. This report is presented in the light that the risks encountered often occur as we bring new opportunities into the affordable housing market, and our pricing is set in accordance with our mandate to be a sustainable company, while balancing our role as a DFI. As a DFI,

the NHFC needs to strike the right balance, constantly and consistently, between its developmental mandate and its financial sustainability.

Some of the increased risk measures we undertake as a lender, to support the financial viability of transactions include, cash sweeping mechanisms where project cashflows are constrained, step-up pricing and extended moratoria to provide developers with some breathing room as they build up cashflows following construction, lower equity and security requirements where applicable.

1.5 FORWARD-LOOKING STATEMENTS

Contained in this report are various forward-looking statements. Such statements may relate to the possible future financial position, business operation and strategy, or management plans. Forward-looking statements are not based on historical facts, but rather on current estimations, assumptions, and expectations for the company, and are dependent on circumstances that may or may not be realised in the future.

1.6 ASSURANCE

The NHFC's Integrated Annual Report for 2023/24 is compiled in accordance with the ethical values of the company, statutory legislative frameworks, and reporting best practices. The Board has reviewed the report and is satisfied that the information it contains is, to the best of its knowledge, an accurate and true representation of the NHFC's position. The financial statements contained herein have been assured via an audit conducted by the Auditor-General of South Africa (AGSA).



.....

This Integrated Annual Report is **produced in good faith and provides insight** into the effects of the company's business on its internal and external environments.

.....

2. WHO WE ARE

2.1 STRATEGIC PILLARS

The strategic pillars of our organisation serve as the foundation for driving sustainable growth, operational excellence, and value creation. They are the guiding principles that align our vision, mission, and objectives, ensuring that every aspect of our operations contribute to the long-term success of the company. These pillars represent our commitment to delivering consistent stakeholder value while adapting to a rapidly evolving business environment. As we navigate challenges and seize opportunities, these strategic pillars remain central to our integrated approach, driving our performance, enhancing resilience, and positioning us for continued success.



MAXIMISE DEVELOPMENT IMPACT

Facilitate the increased and sustained private sector investments and participation in the underserved segment of the housing market.



CATALYSE THE MARKET

NHFC to act as a catalyst for a thriving human settlements eco system.



TRANSFORM HUMAN SETTLEMENTS SECTOR

Facilitate market participation that enables the prioritisation of inclusivity, taking into account size, women and the youth in the development of sustainable development of integrated human settlements.



ACHIEVE SUSTAINABILITY

Delicate balancing of the twin challenges of the NHFC as a development finance institution, namely the achievement of greater developmental impact whilst ensuring that it is done in a sustainable manner.

Figure 1: Strategic pillars of the NHFC

2.2 STAKEHOLDERS

The housing finance value chain is complex and dependant on a variety of stakeholders from both the public and private sector. Each stakeholder plays a critical role in executing, co-ordinating and facilitating the core functions of the value chain to ensure that value is transferred to the consumer.

INTERNAL STAKEHOLDERS

Internal stakeholders are groups or individuals who work within the organisation. These stakeholders are directly involved in the actions of the entity in either a strategic or operational manner.

TABLE 1: NHFC INTERNAL STAKEHOLDERS

INTERNAL/CORE STAKEHOLDERS	FUNCTION IN THE VALUE CHAIN	INTEREST
Board of Directors	Governance	Strategic direction and oversight of the entity
Executive Committee	Management	Implement strategy and oversee operations
Employees	Disbursement, collection, management, service provision and operations	Source of income and career development; carry out the work of the company

EXTERNAL STAKEHOLDERS/STRATEGIC PARTNERS

External stakeholders are individuals, groups and entities from the external environment that can either have a significant impact on the operations of the entity or be impacted significantly by the operations of the entity.

TABLE 2: NHFC EXTERNAL STAKEHOLDERS

EXTERNAL STAKEHOLDERS	FUNCTION IN THE VALUE CHAIN	ROLE
National Credit Regulator	Financial oversight	Regulator
Financial Sector Conduct Authority		
Financial Intelligence Centre (FIC)		
Property Practitioners Regulatory Authority (PPRA)	Collaboration	Regulator
National Treasury	Capital provision and approval of fund-raising applications	Ensures capital provided is used in accordance with mandate
National Department of Human Settlements (NDoHS)	Capital provision/management	Advocacy and oversight
National Home Builders Registration Council (NHBRC)	Planning, land and tenure, and essential infrastructure	Regulator
Provincial government	Planning, land, tenure, and essential infrastructure	Partner and customer
Private sector financial institutions	Co-funding	Supplier
Multilateral funders	Funding	Supplier
Private rental developers	All functions other than financing	Intermediary customer
Social housing institutions (SHIs)	All functions other than financing	Intermediary customer
Short-term financiers	Financing	Intermediary customer
Provincial development financial institutions	Financing	Intermediary customer
Department of Public Services and Administration	Policy guidance	Ensures entity maintains a compliant and functioning public service
Housing finance institutions	All functions other than financing	Intermediary customer
Low-income households	Property management and community development	Beneficiary
Housing Development Agency	Planning, land and tenure, and essential infrastructure	Partner
Social Housing Regulation Authority	Planning, land and tenure, and financing for delivery of social housing	Partner and regulator
Research institutions	Across the value chain	Partner

CURRENT INTERMEDIARIES – FUTURE CUSTOMERS

Intermediaries represent the strategic partners that will obtain funding from the NHFC to service the demand of the target customer. The NHFC uses the established infrastructure and implicit resources of the intermediaries to facilitate the flow of supply into the market. Given the different needs of the consumer, a multitude of intermediaries are required to supply services to satisfy demand.

TABLE 3: NHFC INTERMEDIARY STAKEHOLDERS

INTERMEDIARY	DESCRIPTION	NEEDS	END CONSUMER SERVICED
Retail finance intermediaries	Lending businesses that provide loans to low-income households that build on an incremental basis	Access to affordable funding	Rural and urban households
Social housing institutions (SHIs)	Non-profit institutions that develop and manage social housing developments	Access to affordable funding Government-funded subsidies for development costs	Social housing market
Other delivery agents (ODAs)	For-profit institutions that develop and manage social housing developments	Access to affordable funding Government-funded subsidies for development costs	Social housing market
Private developers/contractors	Property developers and contractors who develop and sell/rent/transfer housing	Access to affordable funding	Affordable housing market Private rental market Subsidy market
Contractors	Contractors appointed to build Breaking New Ground (BNG) housing	Access to funding	Those earmarked to receive BNG housing
Private financial institutions	Financial institutions such as banks and non-bank lenders that provide home loans and other lending services for households	Guarantees for possible loan defaults granted to low-income households Initial loan deposits from low-income households (e.g. via First Home Finance)	Affordable housing

END CONSUMERS

The NHFC is focused on serving the gap market for affordable housing. As a wholesale financier, the NHFC provides suitable financing for retail financiers. These, in turn, provide affordable financing solutions to end consumers in need of affordable housing. End consumers are the ultimate beneficiaries of the NHFC's product offering through which they can either build, buy or rent formal accommodation. The gap market consists of the following segments:

TABLE 4: NHFC SEGMENTATION OF THE GAP MARKET

END CONSUMER SEGMENT	COMBINED HOUSEHOLD INCOME PER MONTH	DESCRIPTION	NEED
Incremental housing	R800–R22 000	Households that do not qualify for government housing and need financing for incremental building Households that currently reside in informal dwellings (in both rural and urban areas) and are building a house Households that have previously received a BNG house, but because of changing income circumstances want to extend/improve their BNG house and possibly trade up, thereby supporting the secondary housing market	Funding for incremental housing solutions Building materials for renovations and building houses incrementally
Social housing	R1 850–R22 000	Households that fall outside the scope of the government full housing subsidy and are unable to obtain a mortgage loan from a bank	Affordable social rental housing Subsidised accommodation
Affordable housing	R3 501–R22 000	Households that fall outside the scope of the government full housing subsidy and require a deposit to obtain a home loan from a financial institution	Affordable private rental and ownership solutions Capital deposits for mortgage loans and other home loans
BNG housing	R0 – R3 500	BNG provides subsidised houses to low-income families. These houses are owned, not rented, by the beneficiaries	Funding provided to contractors appointed by local authorities to build BNG housing

2.3 OUR STRATEGIC FOCUS

Although the NHFC is primarily anchored as a DFI, with a predominant wholesale offering, it is flexible enough to adopt a hybrid model through its strategic partnerships to make markets more inclusive while leveraging its partners' funding, infrastructure, skills, competencies, systems, innovation and entrepreneurial process. The choice of strategic partners in each instance is determined critically by both the desired results and the development objectives.

THE NHFC'S OFFERING

Financial solutions in aid of transforming the human settlements sector, the spatial economy and the quality of household life in South Africa include:



FIRST HOME FINANCE

This once-off housing finance subsidy enables qualifying beneficiaries to buy or build their first homes on an affordable basis. It was developed by the NDoHS to enable sustainable and affordable first-time home-ownership opportunities to South African citizens and legal permanent residents whose household income ranges from R3 501 to R22 000 per month.

This market segment is generally referred to as (the 'affordable' or 'gap' market). Households in this income band generally find it hard to qualify for housing finance to access their first homes because their income is regarded as too low for mortgage finance but too high to qualify for a government 'free-basic house', the BNG house.

INCREMENTAL HOUSING FINANCE

The NHFC offers wholesale funding in the form of structured loans to retail finance intermediaries who are on-lending to qualifying low- and middle-income homeowners to improve their housing conditions on an incremental/gradual basis. Acceptable end user loan usage includes building a new house, house extension, fixed improvement to a house, connecting to utilities (water, sewerage and electricity), energy efficient retrofits (including solar energy, insulation and other energy innovations), water harvesting, fencing and productive housing. This solution empowers rural and urban low-income earners to improve their living conditions.



PRIVATE RENTAL HOUSING FINANCE

This is a project/development finance programme that enables properties owned by landlords to be developed or refurbished for purposes of leasing to tenants. The NHFC provides medium- to long-term debt funding to such property practitioners (developers or landlords) to refurbish existing buildings or for greenfield housing developments. This solution also covers provision of student accommodation.



PROGRAMME AND FUND MANAGEMENT

The NHFC provides project and programme management services to provincial and local authorities to enhance service delivery in the human settlements sector. It acts as an implementing agent for transformative programmes (e.g. planning and executing enterprise development and incubation programmes); planning and executing targeted set-aside programmes for designated groups; and implementation of the Enhanced People's Housing Process. The NHFC also provides grant/fund management services for the latter as well as for hosting and management of programme related capital budgets.

EQUITY FINANCE

The primary instrument of investing by the NHFC remains debt funding with risk-based loan pricing. However, over time, the NHFC has identified opportunities to take equity (and quasi-equity) risk in investment opportunities aligned to its strategy. Typical equity and quasi-equity instruments include ordinary share capital, preference share capital, junior debt, mezzanine debt, and convertible debt.

SOCIAL HOUSING FINANCE

Subsidised rental accommodation that is driven by the Social Housing Regulatory Authority (SHRA), SHIs, ODAs and provincial Human Settlement Departments in conjunction with local municipalities. The NHFC provides top-up funding of up to 30% as secured debt, the balance of which is provided for by the SHRA to accredited SHIs and ODAs that qualify for Consolidated Capital Grants to complete the projects.



AFFORDABLE AND SUBSIDY HOUSING – BRIDGING FINANCE

The NHFC provides bridging development finance to contractors and developers involved in the development of subsidy and affordable housing.

Funding is provided to contractors who have been awarded contracts by public and private sector entities for the construction of subsidy housing and related community facilities. For affordable home ownership, the NHFC invests in developments where individuals purchase completed units through mortgages. These bridging finance products are typically short-to medium-term and assist contractors and developers with a revolving facility throughout the duration of construction.

IMPACT STATEMENT

Sustainable human settlements and improved quality of household life.

ALIGNMENT WITH NATIONAL DEVELOPMENT PLAN OUTCOMES

Outcome 8 of the National Development Plan (NDP) aligns with the NHFC's objectives and highlights the following:

- A strong and efficient spatial planning system that is well integrated across the spheres of government;
- The upgrade of all informal settlements on suitable, well-located land by 2030;
- More people living closer to their places of work;
- Better quality public transport; and
- More jobs in or close to dense, urban townships.

OUTCOMES

1. Functional, efficient, and integrated government.
2. Improved delivery of affordable housing.
3. Increased access to affordable finance to enable end-users to have appropriate, spatially just, and adequate housing.
4. Increased penetration and participation of low- to middle-income households and black-owned businesses in the housing market.

STRATEGIC ENABLERS

- Sound corporate governance;
- Efficient and effective systems and processes;
- Competent and adequately skilled staff;
- Stable economic climate;
- Functioning housing market; and
- Co-operation with all spheres of government and provinces.

HOW WE ACHIEVE OUR MANDATE

The NHFC's principal mandate is to broaden and deepen access to the financing and development of sustainable human settlements in the low- to middle-income South African households.

The NHFC achieves its mandate through various strategies and approaches:

1. **The DFI Model:** The NHFC operates primarily as a DFI, providing wholesale funding to the affordable housing market. It adopts a flexible hybrid model by forming strategic partnerships to make markets more inclusive and leverage partner resources, skills, and competencies.

2. **Risk appetite and market gap:** The NHFC's risk appetite threshold is higher than that of traditional banks. It invests or provides finance in areas where banks would typically not participate, addressing the missing or under-served segments of the housing market.
3. **Market expansion:** The NHFC identifies and enters new markets to unlock opportunities. This includes areas such as township residential property markets, student accommodation, backyard rentals by small-scale landlords, and micro living solutions. By entering these markets, the NHFC aims to address liquidity constraints and perceived commercial risks.
4. **Financial closure and equity stakes:** The NHFC plays a role in facilitating financial closure for projects. It provides longer tenures to improve project viability and may also take equity stakes in projects to support their development.
5. **Project preparation:** The NHFC supports project preparation activities, including scoping, pre-feasibility, and feasibility work. By assisting in the preparation of bankable projects, the NHFC aims to attract private sector involvement and financing.
6. **Catalysing private sector involvement:** The NHFC's role is to catalyse, attract, and mobilise

private sector participation in the affordable housing sector. It collaborates with like-minded partners as well, such as the European Investment Bank, Agence Française de Développement (a French funding agency), and the African Development Bank. The NHFC also encourages reluctant partners to actively engage in housing financing.

7. **Lead arranger:** The NHFC positions itself as the 'bank of first choice in human settlements financing'. It takes the lead in arranging and coordinating financing for projects, bringing together various stakeholders and funding sources to support the development of sustainable human settlements.
8. **Blended finance solutions:** The NHFC utilises blended finance solutions to bridge gaps and address market barriers in areas with strategic importance and high development impact. By combining public and private funds, the NHFC aims to overcome financing challenges and promote sustainable housing development.

Through these approaches, the NHFC strives to fulfil its mandate of providing affordable housing finance, mobilising private sector involvement, and facilitating the development of sustainable human settlements.



Nelson & Jacobeth Mbalo — Thuthukani Housing Finance

PRIORITIES FOR THE YEAR UNDER REVIEW:

- Reviewing and enhancing our Risk Appetite framework.
- Established the PMO office to oversee and conclude the finalisation of all critical processes towards establishing the HSDB, in collaboration with the Government Technical Advisory Centre (GTAC).
- The First Home Finance product offering extension to include non-mortgage products, which saw performance of the product offering scale up.
- Created a portal to automate, and modernise the First Home Finance application process, which created easy access and usability.
- Cybersecurity and privacy were prioritised to ensure data availability and protection in all deployed applications.
- Internal communication improved through the introduction of Corporate Lan Advertising (CLA) Application.
- For human capital skill development, the NHFC has been accredited by the South African Institute for Chartered Accountants (SAICA) to provide Training Out of Public Practice (TOPP); NHFC established a Graduate Trainee Programme, and the Quality Council for Trades and Occupations is evaluating the learnership programme for accreditation. These learners will be placed with developers for experiential learning.

OUR CUMULATIVE DEVELOPMENT IMPACT

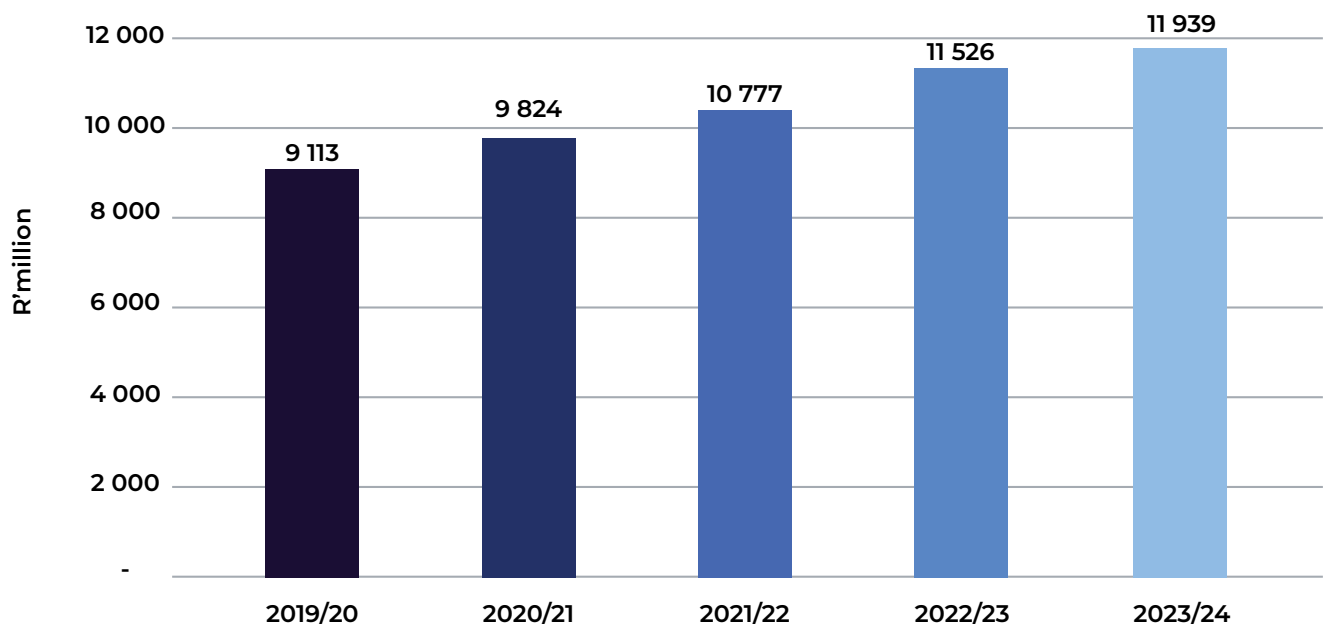


Figure 2: Cumulative funds disbursed directly by the NHFC



Impact statement:

Sustainable human settlements and **improved quality of household life.**

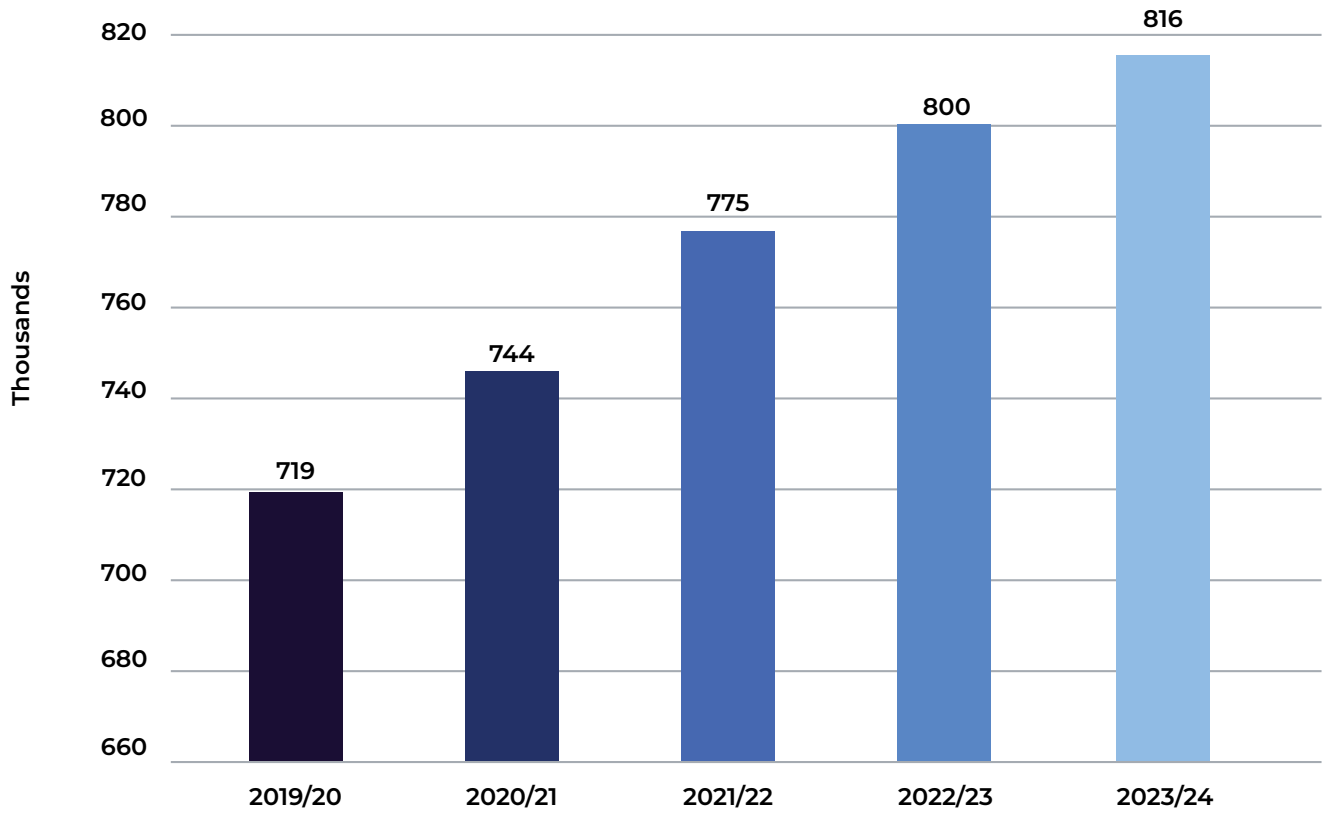


Figure 3: Cumulative housing opportunities facilitated through funding, interventions and partnerships

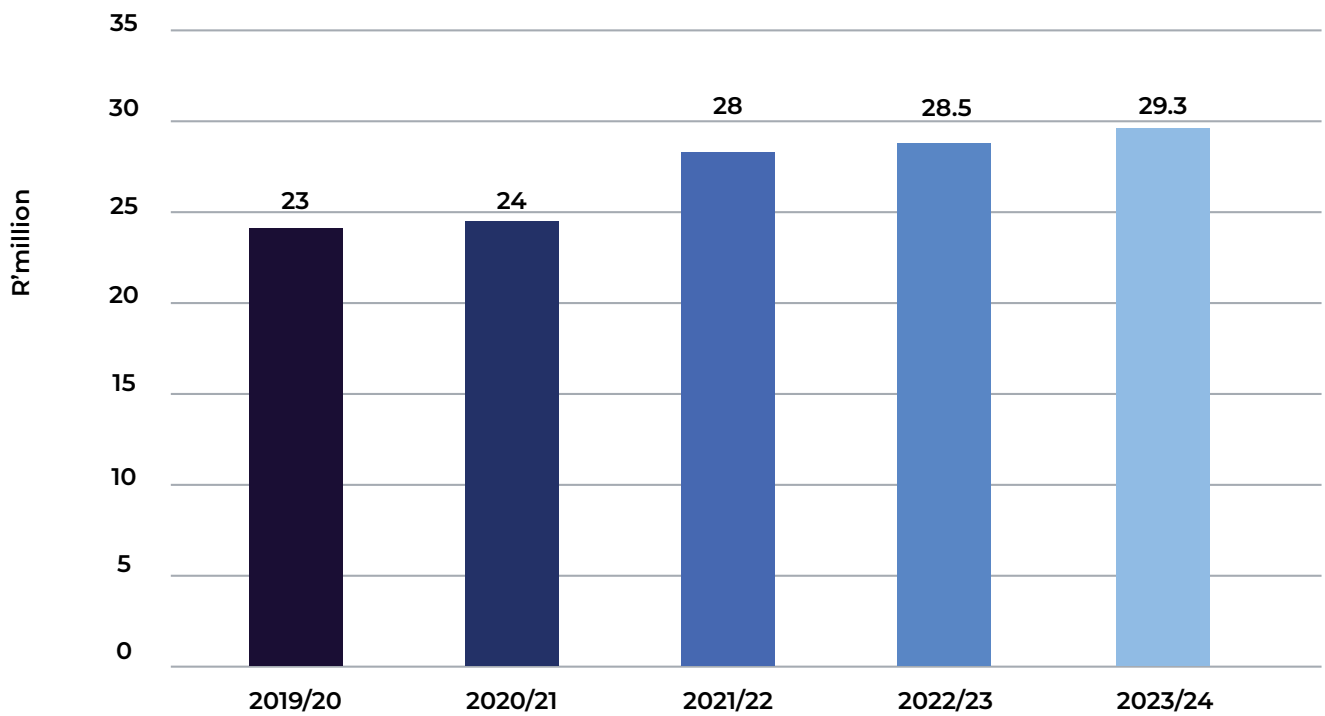


Figure 4: Cumulative private-sector funds leveraged through funding, interventions and partnerships (excl. First Home Finance)

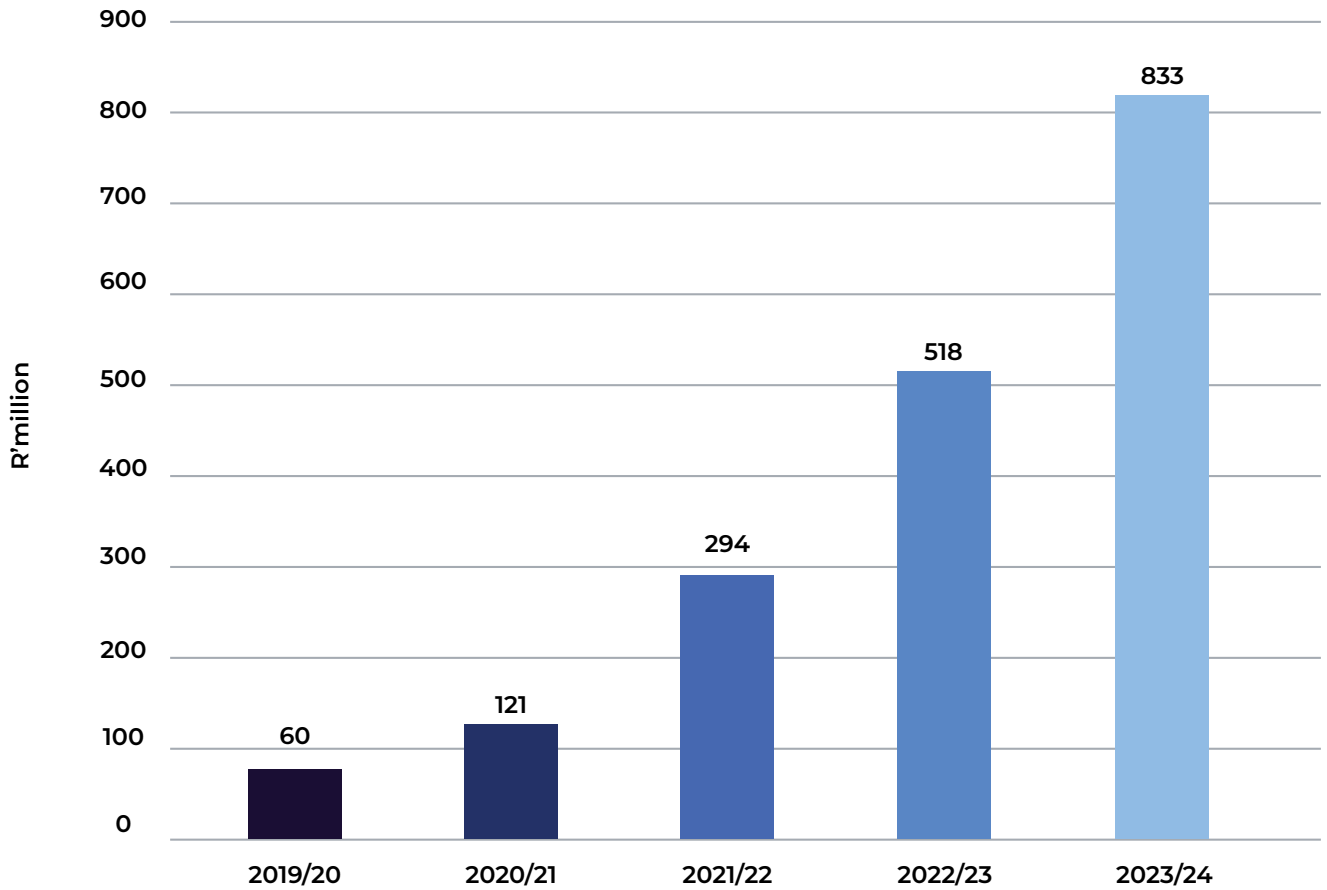


Figure 5: Cumulative First Home Finance subsidies disbursed

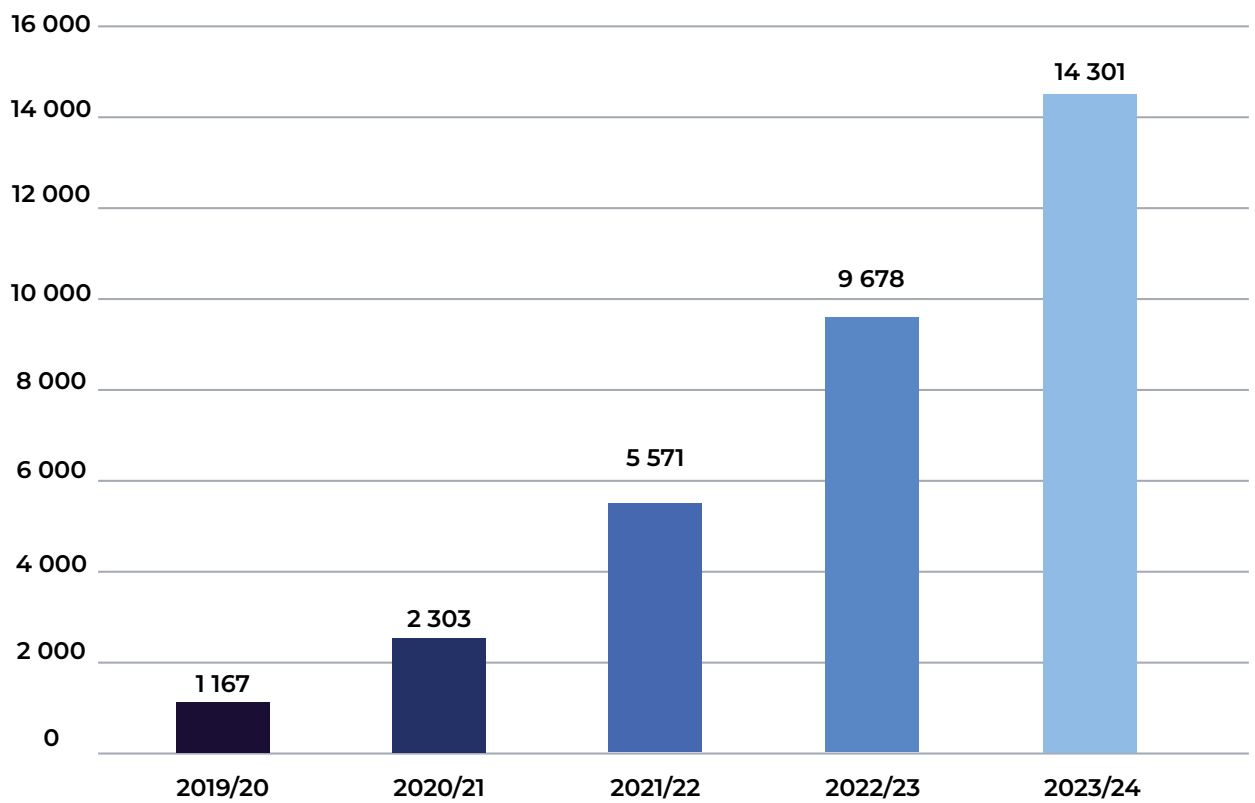


Figure 6: Cumulative housing opportunities facilitated through First Home Finance



2.4 OUR BUSINESS MODEL AND VALUE CREATION

The NHFC creates value for various stakeholders through the execution of its mandate, by transforming the human settlements sector, spatial economy and the quality of household life. We collaborate through various partnerships to maximise value creation.

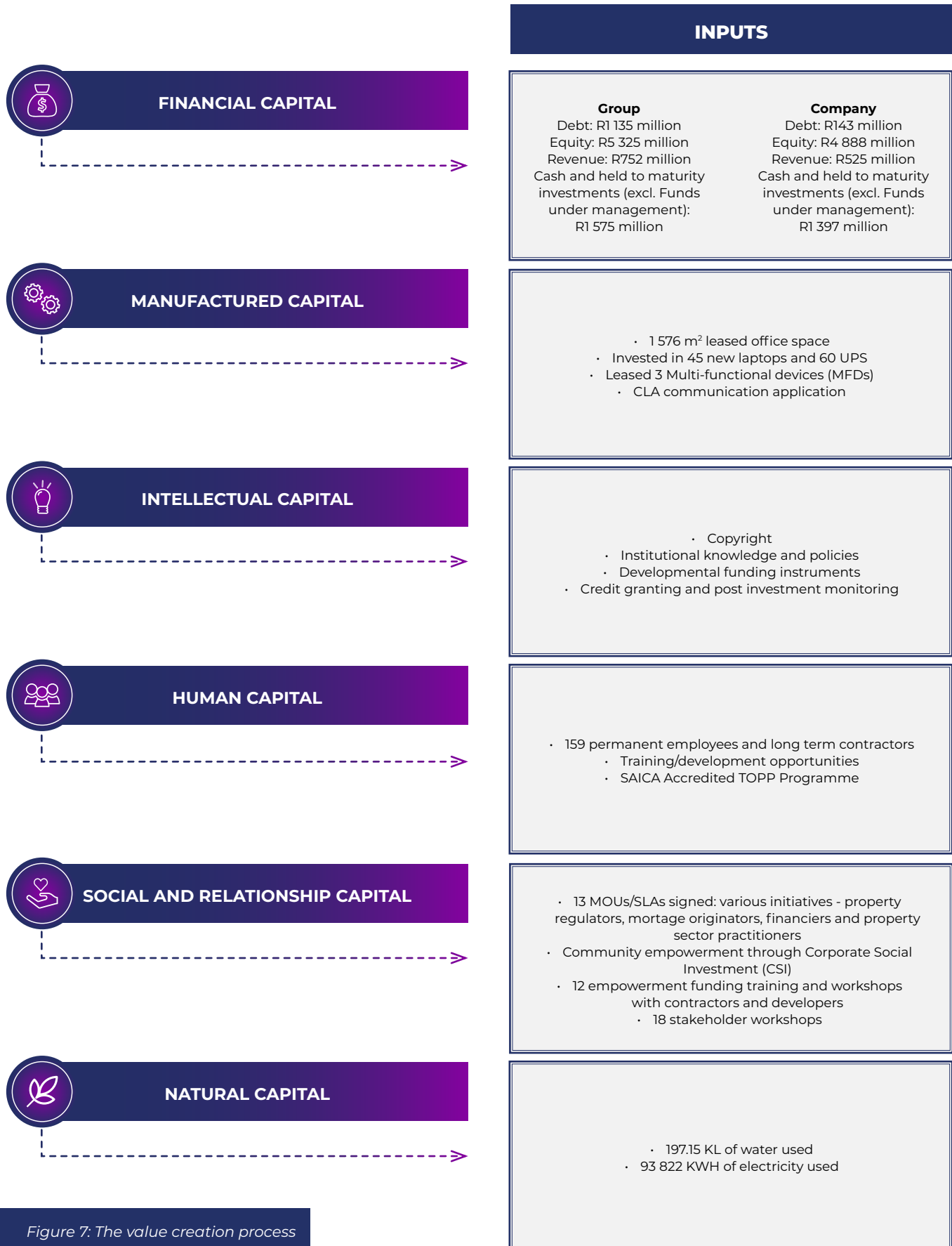


Figure 7: The value creation process

OUTPUTS



- R413 million disbursements
- R315 million grants facilitated
- Group profit of R263 million



- 19 439 housing opportunities
- Rental Computer Equipment R1,2 million
 - UPS R424k
- Leased office space R1,4 million
 - Leased 3 MFDs R128k



- 19 new and updated policies and guiding documents
 - New cybersecurity solution
- Credit ratings outlook long term National A^(ZA) and International B⁺ maintained at Stable



- SAICA TOPP: 2 CA Candidate Trainees
 - 26 more staff members employed
- 123 employees received technical skills training
 - 11 learnerships
- Employees workshop: stress management, mental health awareness and financial wellness



- R987k CSI Spend
- Stakeholder workshops to empower designated groups (women, youth, disabled people and military veterans)
- Developer and contractor workshops - empower on the NHFC's product offering, networking opportunity and brand positioning



- Electricity usage R521.4k
- Water usage R21.7k

OUTCOMES



- Increased access to affordable housing finance
- Contribution to the broader economic development
 - Increased housing stock
 - Improved housing infrastructure
- Enhance stakeholder trust and engagement
 - Reduced environmental impact
 - Skilled workforce and contractors
 - Improved operational efficiency
 - Job creation

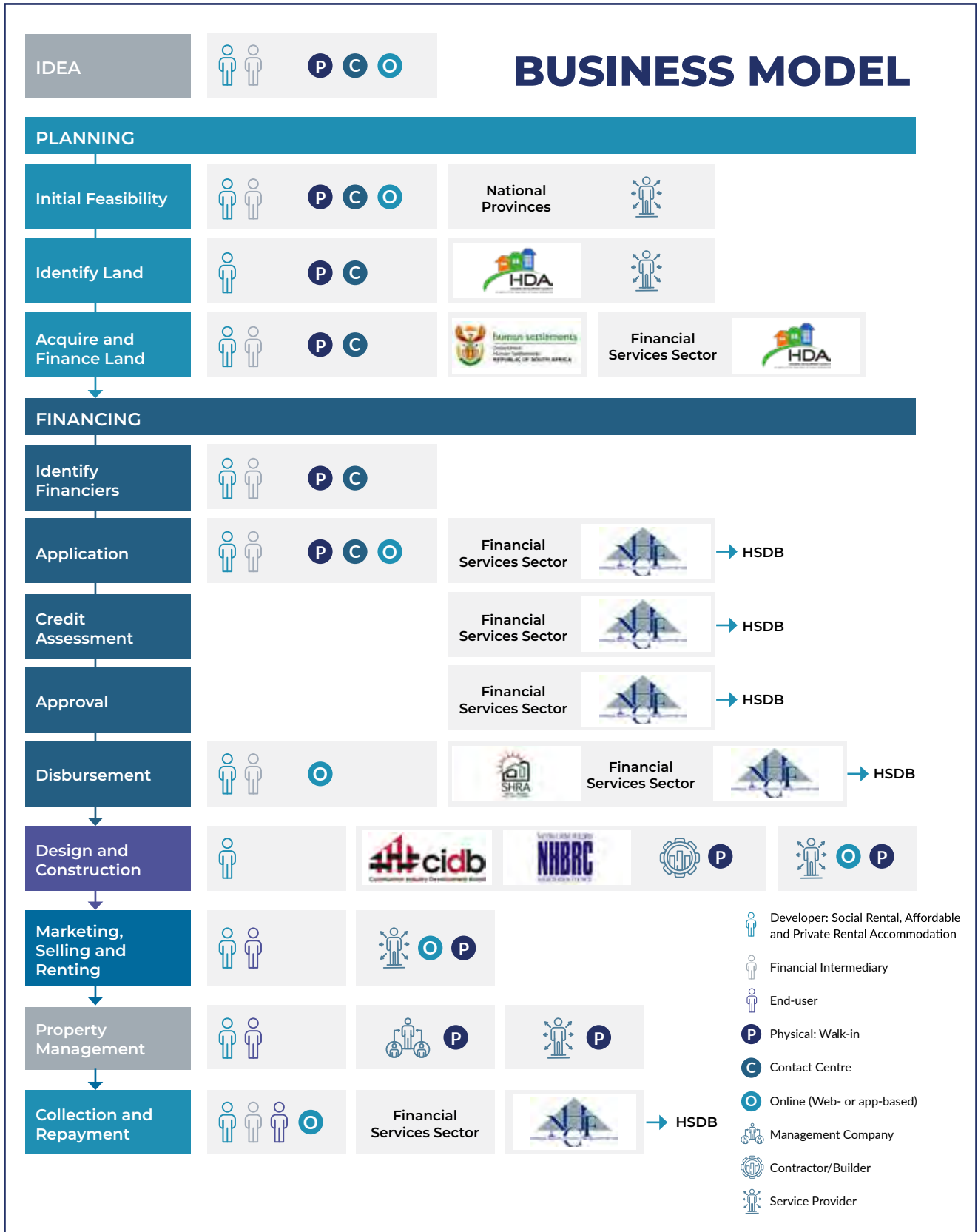


Figure 8: NHFC's current business model



3. STRATEGIC OVERVIEW

3.1

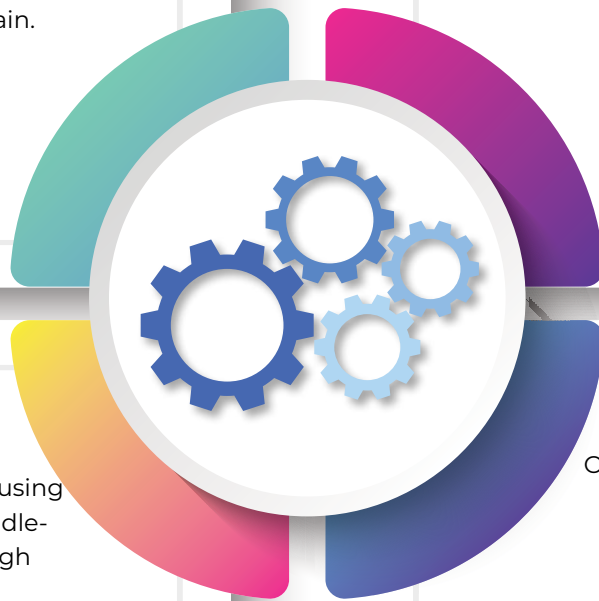
VISION

To be the apex financing partner of choice in the human settlements value chain.

3.2

PURPOSE

To prioritise development impact through transformation and sustainability.



MISSION

Enabling access to housing finance for low-to middle-income families through strategic partnerships and promoting the sustainability of the human settlements ecosystem.

VALUES

Our guiding values are:

- Accountability
- Collaboration
- Excellence
- Leadership
- Integrity
- Innovation
- Diversity
- Ubuntu
- Professionalism

3.3

3.4





4. LEGISLATIVE AND OTHER MANDATES

4.1 CONSTITUTIONAL MANDATE

Section 26 of the Constitution of the Republic of South Africa (No. 108 of 1996), states that:

- (1) Everyone has the right to have access to adequate housing.
- (2) The State must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right.

The NHFC was established in terms of the National White Paper: A New Housing Policy and Strategy for South Africa, 1994, which is a broader policy document on the challenges that the country faced around housing and the substantive responses and strategy necessary to overcome the challenge.

4.2 LEGISLATIVE MANDATES

TABLE 5: NHFC LEGISLATIVE MANDATES

REGULATION	PURPOSE
Housing Act (No. 107 of 1997)	Provides for the facilitation of a sustainable housing development process. For this purpose, it lays down general principles applicable to housing development in all spheres of government.
Companies Act (No. 71 of 2008) and the Companies Regulations, 2011	Provides the regulatory framework for enterprises of all types and sizes to promote growth, employment, innovation, stability, good governance, confidence, and international competitiveness.
Housing Consumers Protection Measures Act (No. 95 of 1998) as amended by Act No. 27 of 1999	Makes provision for the protection of housing consumers, and provides for the establishment and functions of the NHBRC.

REGULATION	PURPOSE
Consumer Protection Act (No. 68 of 2008)	Promotes a fair, accessible, and sustainable marketplace for consumer products and services.
Public Finance Management Act (No. 1 of 1999) (PFMA) and Treasury Regulations	Promotes good financial management within the public service to maximise service delivery through the effective and efficient use of limited resources.
Financial Intelligence Centre Act (No. 38 of 2001)	Establishes a Financial Centre and Money Laundering Advisory Council to combat money laundering activities.
National Credit Act (No. 34 of 2005)	Promotes and advances the social and economic welfare of South Africans; to protect consumers, it promotes a fair, transparent, competitive, sustainable, responsible, efficient, effective, and accessible credit market.
Financial Sector Regulation Act (No. 9 of 2017)	Introduces the Twin-Peaks model of financial sector regulation in South Africa and establishes the Prudential Authority under the South African Reserve Bank (SARB) and the Financial Sector Conduct Authority (replacing the Financial Services Board). The purpose of the Act is to achieve a stable financial system that works in the interests of financial customers and supports balanced and sustainable economic growth.
Housing Development Act (No. 107 of 1997)	Facilitates a sustainable housing development process by laying down general principles applicable to housing development in all spheres of government.
Rental Housing Act (No. 50 of 1999)	Defines the responsibility of government in respect of rental housing property to create mechanisms to promote the provision of rental housing property.
Home Loan and Mortgage Disclosure Act (No. 63 of 2000)	Promotes fair lending practices by encouraging financial institutions to disclose information, and identifies discriminatory lending patterns.
Preferential Procurement Policy Framework Act (No. 5 of 2000)	Gives effect to Section 217(3) of the Constitution by providing a framework for the implementation of the procurement policy contemplated in Section 217(2) of the Constitution, and provides for matters connected therewith.
Prevention and Combating of Corrupt Activities Act (No. 12 of 2004)	Provides for the strengthening of measures to prevent and combat corruption and corrupt activities; provides for the offence of corruption and offences relating to corrupt activities; provides for investigative measures in respect of corruption and related corrupt activities.
Prevention of Organised Crime Act (No. 121 of 1998)	Introduces measures to combat organised crime, money laundering and criminal gang activities; prohibits certain activities relating to racketeering; provides for the prohibition of money laundering and an obligation to report certain information in the Criminal Matters Act 1996; repeals the Proceeds of Crime Act, 1996, and incorporates provisions contained therein and matters connected therewith.

REGULATION	PURPOSE
Protection of Personal Information Act (POPIA) (No. 4 of 2013)	Aims to ensure that all South African institutions conduct themselves in a responsible manner when collecting, processing, storing, and sharing a person or entity's personal information.
Promotion of Access to Information Amendment Act (PAIA) (No. 54 of 2002)	Amends PAIA, 2000, by revising a definition and providing for the training of presiding officers in the magistrates' courts for purposes of the Act, and providing for matters connected therewith.

LEGISLATION	INTENTION
National Development Plan (NDP) (2013)	Outcome 8 of the National Development Plan (NDP) highlights the significance of a strong and efficient spatial planning system that is well integrated across the spheres of government; and ensuring more people live closer to their places of work and public transport.
Integrated Urban Development Framework (IUDF) (2016)	Ensures spatial integration, improves access to services and promotes social and economic inclusion.

4.3 POLICY MANDATES

TABLE 6: NHFC POLICY MANDATES

POLICY DOCUMENT	PURPOSE
White Paper: A New Housing Policy and Strategy for South Africa, 1994	A broader policy document on the challenges that the country faced around housing and the substantive responses and strategy to the challenge (including the establishment of the NHFC).
Government Notice, No. 1378 of 17 October 1997	Providing for the designation of an institution of which the activities do not fall within the meaning of 'the business of a bank' (namely the National Housing Finance Corporation SOC Limited).
The National Housing Code, 2000 amended in 2009	The Code sets the underlying policy principles, guidelines, norms, and standards that apply to government's various housing assistance programmes introduced since 1994.
Breaking New Ground (BNG), 2004	A comprehensive plan for new sustainable human settlements, shifting focus from social to financial/wealth creation and from quantitative to qualitative standards.
New White paper gazetted 18 Dec 2023	In alignment with national priorities, the broader policy framework extends its focus from housing to the development of integrated and sustainable human settlements. This strategic shift aims to create an enabling environment for the holistic development of communities, encompassing not only housing but also essential infrastructure, social amenities, and economic opportunities. By fostering collaboration across sectors and levels of government, the policy seeks to drive inclusive, equitable growth, and long-term sustainability in urban and rural areas alike

5. ORGANISATIONAL STRUCTURE

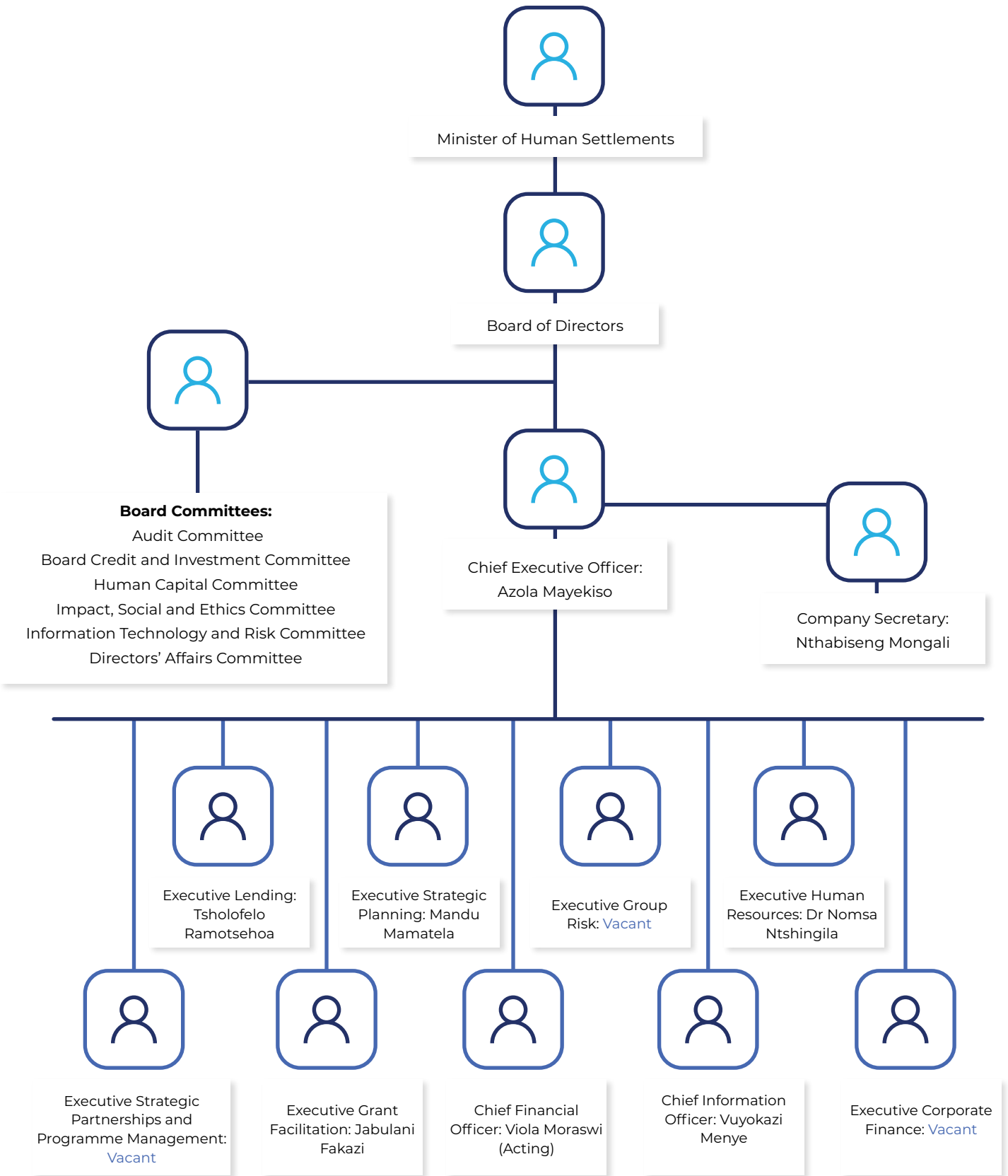


Figure 9: Organisational structure

5.1 MEMBERS OF THE BOARD



MR LUTHANDO VUTULA

Chairperson

Independent Non-Executive Director (Appointed: 29 March 2022)

QUALIFICATIONS: Master's Degree in Development Finance (University of Stellenbosch); Bachelor of Business Administration (Hons) (University of Stellenbosch); Bachelor of Economics and Accounting (University of Botswana); International Housing Finance Programme (Wharton Business School, USA); Diploma in Project Management (Damelin Management School); Banking and Finance Course (INSEAD, France)

NHFC BOARD COMMITTEE MEMBERSHIP: Chairperson - Directors' Affairs Committee

OTHER DIRECTORSHIPS: Executive Director, Bigen Group

PROFESSIONAL MEMBERSHIPS: Chartered Development Finance Analyst (CIDEF)

AREAS OF EXPERTISE: Development finance; property finance; business development and management; strategy; negotiating and people management



MS SEITHATI BOLIPOMBO

Independent Non-Executive Director (Appointed: 29 March 2022)

QUALIFICATIONS: Master of Commerce in Development Finance (University of Cape Town); Postgraduate Diploma in Accounting (University of Cape Town); Bachelor of Business Science, Finance Hons (University of Cape Town)

NHFC BOARD COMMITTEE MEMBERSHIP: Chairperson - Board Credit and Investment Committee; Audit Committee; Directors' Affairs Committee

OTHER DIRECTORSHIPS: SADTU Investment Holdings (Pty) Ltd, Non-Executive Director, Investment Committee and Audit and Risk Committee; Future Communications Network (Pty) Ltd, Non-Executive Director

PROFESSIONAL MEMBERSHIPS: CA(SA) SAICA; Institute of Directors South Africa

AREAS OF EXPERTISE: Corporate governance and ethics; strategy and corporate development; governance, risk and compliance; financial planning and analysis; accounting, tax and financial reporting; financial modelling and valuations; financial due diligence; capital raising and funding agreements



MR THULANI MABASO

Independent Non-Executive Director (Appointed: 29 March 2022)

QUALIFICATIONS: MBL (Unisa School of Business Leadership); B-Tech in Architectural Technology (Tshwane University of Technology); National Diploma: Architectural Technology (Tshwane University of Technology)

NHFC BOARD COMMITTEE MEMBERSHIP: Board Credit and Investment Committee; Impact, Social and Ethics Committee

OTHER DIRECTORSHIPS: Non-Executive Member, Gauteng Liquor Board

PROFESSIONAL MEMBERSHIPS: South African Council for the Architectural Profession; Pretoria Institute of Architects

AREAS OF EXPERTISE: Strategy development; policy development and monitoring; human resources; infrastructure maintenance



MR TEMBINKOSI BONAKELE

Independent Non-Executive Director (Appointed: 29 March 2022)

QUALIFICATIONS: MBA (Gordon Institute of Business Science); LLB (University of Fort Hare); BJuris (University of Fort Hare); Programme for Management Development (UCT Graduate School of Business); European Competition Law Summer School (Cambridge University, UK); Certificate in Competition Law (University of Cape Town); Trial Advocacy (Black Lawyers Association)

NHFC BOARD COMMITTEE MEMBERSHIP: Chairperson – Human Capital Committee; Directors' Affairs Committee; Information Technology and Risk Committee; Impact, Social and Ethics Committee

OTHER DIRECTORSHIPS: Board Chairperson, African Competition Forum; Board Chairperson, Buffalo City Development Agency; Independent Non-Executive Member of Council, Non-Executive Member of the Executive Committee, and Non-Executive Chairperson of the Audit, Risk and Information Technology Committee, University of Fort Hare

PROFESSIONAL MEMBERSHIPS: Institute of Directors South Africa

AREAS OF EXPERTISE: Leadership; management; law; economics



MS THEMBI CHILIZA

Independent Non-Executive Director (Re-appointed: 29 March 2022)

QUALIFICATIONS: BAdmin (University of Fort Hare); MDP (Graduate School of Business, University of Durban-Westville); Postgraduate Course in Management Consulting and Production Management (CHAMDOR Training Centre); Dip. Management Consulting and Production/Operations Management (National African Federated Chamber of Commerce)

NHFC BOARD COMMITTEE MEMBERSHIP: Audit Committee; Human Capital Committee

OTHER DIRECTORSHIPS: None

PROFESSIONAL MEMBERSHIPS: Institute of Directors South Africa

AREAS OF EXPERTISE: Management; marketing; budgeting; human resources



MR VELILE DUBE

Independent Non-Executive Director (Appointed: 29 March 2022)

QUALIFICATIONS: BProgramme in Leadership (Shell/Wharton School of Business, University of Pennsylvania); BA (Hons) English Literature (University of Fort Hare); BA Communications (University of Fort Hare)

NHFC BOARD COMMITTEE MEMBERSHIP: Chairperson – Information Technology and Risk Committee; Directors' Affairs Committee; Human Capital Committee; Impact, Social and Ethics Committee

OTHER DIRECTORSHIPS: Director, Grey Logistics (Pty) Ltd; Director, Norster Logistics (Pty) Ltd

PROFESSIONAL MEMBERSHIPS: South African Council for the Architectural Profession; Pretoria Institute of Architects

AREAS OF EXPERTISE: Marketing and communications; mining and construction; strategy; business development



MR PAUL HEEGER

Independent Non-Executive Director (Appointed: 29 March 2022)

QUALIFICATIONS: Professional Practice Examination, Architecture (Architects Institute, UK); BTech in Construction Management (University of South Africa); Graduate Diploma in Construction Management (Engineering Council, UK); Post Graduate Diploma in Advanced Project Management (University of South Africa)

NHFC BOARD COMMITTEE MEMBERSHIP: Chairperson – Impact, Social and Ethics Committee; Board Credit and Investment Committee; Information Technology and Risk Committee; Directors' Affairs Committee

OTHER DIRECTORSHIPS: Non-Executive Member and Deputy Chair, National Construction Incubator; Audit Committee Member, Department of Public Works and Infrastructure

PROFESSIONAL MEMBERSHIPS: South African Council for the Project and Construction Management Professions; Engineering Council of South Africa; South African Council for the Architectural Professions

AREAS OF EXPERTISE: Civil engineering, specialising in construction engineering; business management; project management; contract management



MS PALESA KADI

Independent Non-Executive Director (Appointed: 29 March 2022)

QUALIFICATIONS: Postgraduate Diploma in Development and Public Sector Monitoring and Evaluation (Wits School of Governance); MA Visual History (University of the Western Cape); BA (Hons) Political Studies and Comparative Economics (University of the Western Cape); BA Political Studies (University of the Western Cape); Digital Disruption: Digital Transformation Strategies (Cambridge University Judge Business School of Executive Education); Technology Governance (Institute of Directors SA); National Cybersecurity Policy (United States Telecommunications Training Institute); Board Leadership Core Programme (Gordon Institute for Business Science); Scenario Planning and Leadership (Oxford University Edward Said Business School)

NHFC BOARD COMMITTEE MEMBERSHIP: Audit Committee; Human Capital Committee; Information Technology and Risk Committee; Impact, Social and Ethics Committee

OTHER DIRECTORSHIPS: Part-time Commissioner, Broadcasting Complaints Commission of South Africa; Board member, Cricket South Africa; Trustee, Karoeshoek Solar Community Project, Northern Cape

PROFESSIONAL MEMBERSHIPS: African Leadership Institute, Archbishop Tutu Fellow; Institute of Directors South Africa

AREAS OF EXPERTISE: Policy development; audit and risk management; corporate communications and digital strategies; budget management; corporate governance; strategic and business planning and management; project management



MS TSHEPISO KOBILE

Independent Non-Executive Director (Appointed: 29 March 2022)

QUALIFICATIONS: MPhil in Development Finance – dissertation incomplete (University of Cape Town); BSc (Hons) in Property Studies (University of Cape Town); BSc in Property Studies (University of Cape Town); Tongaat Hulett Management Development Programme; Open Doors Accredited Board Training Programme (Boardroom Africa)

NHFC BOARD COMMITTEE MEMBERSHIP: Board Credit and Investment Committee; Impact, Social and Ethics Committee

OTHER DIRECTORSHIPS: Non-Executive Board Member, South African Institute of Black Property Practitioners; Trustee, Tongaat Hulett Management Share Ownership Trust

PROFESSIONAL MEMBERSHIPS: Institute of Directors South Africa

AREAS OF EXPERTISE: Development finance; property and project finance; governance; project management



MS PHILISIWE MTHETHWA

Independent Non-Executive Director (Re-appointed: 29 March 2022)

QUALIFICATIONS: MBA, Corporate Finance and Economics (University of Sheffield, United Kingdom); Maîtrise en sciences économiques (equivalent of MSc in Economics – incomplete) (University of Paris 2. Sorbonne, Paris, France); BA Economics (University of the North); Certificate in Central Banking (South African Reserve Bank); Diploma in French (CAVILAM Institute of Languages, France)

NHFC BOARD COMMITTEE MEMBERSHIP: Chairperson – Audit Committee; Board Credit and Investment Committee; Directors' Affairs Committee

OTHER DIRECTORSHIPS: Non-Executive Director, Industrial Development Corporation; Member, Investment and Risk Committees of the Industrial Development Corporation

PROFESSIONAL MEMBERSHIPS: None

AREAS OF EXPERTISE: Development finance; property finance; audit and risk; budgeting and forecasting



MS AEYSHA SEEDAT

Independent Non-Executive Director (Appointed: 29 March 2022)

QUALIFICATIONS: MBA (Gordon Institute of Business Science); MSc Property Development (University of the Witwatersrand); BSc (Hons) Quantity Surveying (University of the Witwatersrand); Postgraduate Diploma in General Management (Gordon Institute of Business Science); Finance for Non-financial Managers (Gordon Institute of Business Science)

NHFC BOARD COMMITTEE MEMBERSHIP: Board Credit and Investment Committee; Impact, Social and Ethics Committee

OTHER DIRECTORSHIPS: Executive Director, AZRA Developments, South Africa

PROFESSIONAL MEMBERSHIPS: Project Management Institute, South Africa; South African Council for the Project and Construction Management Professions; South African Council for the Quantity Surveying Profession; Royal Institute of Chartered Surveyors – APC; Association of Construction Project Managers

AREAS OF EXPERTISE: Quantity surveying; property development and management; cost and construction consultancy; project management and execution; business strategy; contract negotiation, formulation, and administration; budgets and forecasting; risk management



MS AZOLA MAYEKISO

Chief Executive Officer | Executive Director (Appointed: 1 March 2023)

QUALIFICATIONS: Bachelor of Business Science (University of Cape Town); MDP (Gordon Institute of Business Science); MBA (Hanze University of Applied Sciences Groningen); MA (Anglia Ruskin University, Cambridge)

NHFC BOARD COMMITTEE MEMBERSHIP: Impact, Social and Ethics Committee

OTHER DIRECTORSHIPS: Betapoint; Creation Capital Investments; Afrika Tikun Foundation; Lulalab Foundation; Prosperity Capital; Duchess (Pty) Ltd; Tibonelo

PROFESSIONAL MEMBERSHIPS: Young Presidents Organisation, Johannesburg

AREAS OF EXPERTISE: Business strategy; leadership; change management; investment management; employee benefits; ESG implementation; quality control; financial management; business development; innovative solution development

5.2 THE EXECUTIVE



MS A MAYEKISO

Chief Executive Officer | Executive Director (Appointed: 1 March 2023)

(Refer to 8.1 Members of the Board for additional information.)



VIOLA MORASWI

Acting Chief Financial Officer

QUALIFICATIONS: Bachelor of Accounting Sciences (University of the Witwatersrand); Higher Diploma in Accountancy (University of the Witwatersrand)

PROFESSIONAL MEMBERSHIPS: SAICA CA(SA)

AREAS OF EXPERTISE: Financial reporting, accounting, budgeting and forecasting, financial planning and analysis and financial modelling



NTHABISENG MONGALI

Company Secretary

QUALIFICATIONS: CIS NQF8 (University of the Witwatersrand); MBA Strategy (Heriot-Watt University Scotland); LLB (Stadio) in progress

PROFESSIONAL MEMBERSHIPS: Chartered Governance Institute of Southern Africa (FCG), Institute of Directors South Africa

AREAS OF EXPERTISE: Corporate governance, strategy, compliance, ethics management, risk management



DR NOMSA NTSHINGILA

Executive: Human Resources

QUALIFICATIONS: Global Executive Development Programme (Gordon Institute of Business Science); PhD Psychology (University of South Africa); MSc Clinical Psychology (MEDUNSA); BSoc (Hons) (UNIBD); Higher Education Diploma (University of Fort Hare); BA Communication (University of Fort Hare)

PROFESSIONAL MEMBERSHIPS: Health Professions Council of South Africa, Institute of Personnel Management

AREAS OF EXPERTISE: Human capital management



MANDU MAMATELA

Executive: Corporate Strategy

QUALIFICATIONS: MBA (Potchefstroom University for Christian Higher Education); Global Executive Development Programme (GEDP) (Gordon Institute of Business Science); Execution Program in Corporate Strategy (University of Chicago Booth School of Business); International Executive Development Programme (IEDP) (Wits Business School); BCom (Hons) (North-West University)

PROFESSIONAL MEMBERSHIPS: Institute of Directors South Africa

AREAS OF EXPERTISE: Financial planning and analysis, business strategy, credit risk management and mitigation, deal structuring, project management, stakeholder management, governance and regulatory compliance



JABULANI FAKAZI

Executive: Grant Facilitation

QUALIFICATIONS: MA (Northern Illinois University, USA); BSc Economics (Northern Illinois University, USA); Postgraduate Diploma in Business Management (University of KwaZulu-Natal); International Executive Development Programme in Development Finance (Wits Business School); Certificate Programme in Finance and Accounting (Wits Business School); Diploma in Organisation and Method Study (University of Zululand)

PROFESSIONAL MEMBERSHIPS: Institute of Directors South Africa

AREAS OF EXPERTISE: Development policy analysis, programme formulation, implementation and evaluation, economic development policy analysis, housing microfinance, rural development, business strategy



VUYOKAZI MENYE

Chief Information Officer

QUALIFICATIONS: Mphil Business Management specialising in Change Leadership (Gordon Institute of Business Science); BSc Computer Science (University of the Western Cape); Diploma in Project Management (Executive Education); CobIT (ISACA)

PROFESSIONAL MEMBERSHIPS: Institute of IT Professionals South Africa (IITPSA)

AREAS OF EXPERTISE: IT strategy, ICT risk management, business process management, information governance, knowledge management, enterprise content management, IT service management, ICT governance, ICT infrastructure management, ICT financial management, IT project management, change management, enterprise architecture



TSHOLOFELO RAMOTSEHOA

Executive: Lending

QUALIFICATIONS: MBA (University of Stellenbosch Business School); Masters in Development Finance (University of Stellenbosch Business School); Advanced Certificate in Programme Management (University of Pretoria); Certificate in Programme Management (University of Pretoria); National Diploma in Building Science (Cape Peninsula University of Technology)

PROFESSIONAL MEMBERSHIPS: SA Council for the Quantity Surveying Profession

AREAS OF EXPERTISE: Quantity surveying, infrastructure cost management, property development, development and infrastructure finance, project management



MOGOTSI OEPENG

Executive: Credit

QUALIFICATIONS: MSc Global Finance (Bayes Business School, formerly CASS-UK); Postgraduate Diploma in Business Administration (Gordon Institute of Business Science); Advanced Corporate Finance Program (The Wharton School, University of Pennsylvania, USA); Data Science Leadership for Executives (University of Cape Town Graduate School of Business); BCompt (Hons) (Unisa); Certificate in the Theory of Accounting (Unisa); Postgraduate Diploma in Accounting (University of Johannesburg); BCom Accounting (RAU)

PROFESSIONAL MEMBERSHIPS: CA(SA) SAICA; ACMA; CGMA (CIMA-UK); Institute of Directors South Africa

AREAS OF EXPERTISE: Finance, risk management, strategy

Gauteng — Roodepoort Project



PART B:



INFORMATION



1. HOW THE MACRO ENVIRONMENT AFFECTS US

1.1 SERVICE DELIVERY ENVIRONMENT

At a Human Settlements Non-Governmental and Civil Society Organisations Summit at the end of 2023 in Johannesburg, the Minister of Human Settlements, Hon. Mmamoloko Kubayi, emphasised that “the demand for adequate housing is still huge and it includes households in informal settlements and backyard shacks. These households are dependent on the intervention of government for housing.

As indicated by Statistics South Africa, there is a noted decline in households that reside in informal dwellings currently and an increase in formal housing compared to in 1996, attesting to the fact that the formal housing is increasing at a faster rate than informal settlements.

By integrating housing projects with essential services, communities are becoming more cohesive, leading to better access to education, healthcare, and employment opportunities.

Statistics South Africa reported that “The number of households who reside in informal dwellings has declined from 13.6% in 2011 to **8.1% in 2022;**” and that “households residing in formal dwelling units increased to **88.5%**, an increase from the **65.1%**

recorded in 1996.” Testament to the fact that formal housing is increasing at a faster rate than that of informal settlements.

While there are some victories, South Africa still has a long way to go to meet the rising housing demand. Adding to the challenges of making affordable housing available to those who need it, are the challenges related to the rising cost of living, South Africa’s stubborn unemployment figures, and the rise in interest rates.

Hon. Mmamoloko Kubayi said that, “The growth of unplanned human settlements, together with the rising number of housing emergencies in many of our communities, has often resulted in responses which are ad hoc and highly conflictual. Here we find increasing numbers of fire-, poverty-, flood- and climate change-related instances, where people living in these settlements often lose their possessions and temporary arrangements must be made to accommodate these families. And in such areas, the theft of electricity, water outages and sanitation blockages become the norm. In these cases, neighbouring communities find themselves in conflict with each other over the non-enforcement of

basic planning standards, by-laws and the like. At the same time, there is growing inequality, where land in well-located parts of the city is becoming more expensive. The net result of this is spatial exclusion, which remains one of the major challenges.”

The need remains urgent for the delivery of human settlements in cities that bring workers and those looking for work closer to work opportunities – and which considers and enforces the health and safety standards.

POLITICAL AND SOCIAL ENVIRONMENT

The Minister of Human Settlements indicated that, under such a constrained fiscal environment, project developers and contractors cannot be allowed to waste public resources on poorly implemented or incomplete projects.

The NDoHS and its entities will adjust the speed of other programme interventions into the housing production process using a set of existing supply driven subsidies, incentive and risk sharing programme instruments (catalytic projects; Social/Rental and Affordable Housing) into supporting a range of supply linked players in the housing production chain.

The Department of Human Settlements gazetted a draft White Paper for input by 18 December 2023. Intended to address a plethora of issues apparently rendering prevailing human settlements programmes ‘unsustainable’, among other things the draft White Paper identifies the need for legislative reform.

In support of the white paper, the NHFC functions as a multifaceted financial institution, serving as a financier, underwriter, guarantor, and servicer

for implementing agencies and intermediaries. This comprehensive role is designed to facilitate the efficient delivery of integrated and sustainable human settlements, ensuring that financial support, risk management, and operational oversight are effectively aligned to drive impactful housing and infrastructure development.”

TECHNOLOGICAL ADVANCEMENTS

The emergence of new technologies has an impact on how the NHFC delivers its services to clients, stakeholders, and its shareholder. The rise of the digital economy, innovation and deployment of robust and responsive technologies will impact the reach of the NHFC and allow it to operate in new demographic locations. The NHFC employees will be empowered and enabled with tools and technologies to deliver the required service as and when expected in line with client expectations.

With the emergence of innovation, fourth industrial revolution and technological advancements, cyber security incidents and threats, the landscape is worsening and most organisations are on the backfoot as they focus on the issue through the lens of technology rather than that of business risk. Cyber security has become critical to long-term sustainability of most businesses.

The advent of the digital era has brought new technologies and innovation into the market enabling lower income households to access affordable finance. These include enterprise mobility, the use of mobile and online platforms to source funding. In addition, the use of blockchain, big data, analytics, the Internet of Things and artificial intelligence will enable enhanced spatial planning.



Just over **2.6 million people** have **registered** on the National Housing Needs Register of the Department of Human Settlements and are still to be assisted.

Innovations in housing materials have led to cheaper raw materials required to build better quality housing. Building projects on a larger scale can dramatically change the productivity and cost of delivering housing, making it possible to employ techniques such as repeatability and off-site fabrication.

ENVIRONMENTAL FACTORS

Increased awareness of enterprise ecological footprint has provided the market with new considerations to ensure that their needs are met in a sustainable manner.

LEGAL ENVIRONMENT

As a result of increased political scrutiny around affordable housing solutions and land reform, government is seeking to address historical imbalances with inclusive and equality pursuing legislation aimed at previously disadvantaged households.

However, legislation approval processes hamper efficiencies, and the current rental agreements and payment conditions were negatively impacted by COVID-19 as businesses and households pushed back on payment agreements. The prevalent issues related to land reform and expropriation looms in the distance and cast a shadow within the market as it seeks clarity.

ECONOMIC ENVIRONMENT

INFLATION

According to Reuters, South Africa's consumer inflation ticked up for the second month in a row in February 2024 (5.6%), moving closer to the central bank's upper target, which economists say could mean a longer wait for rate cuts this year.

INTEREST RATES

South Africa experienced a high interest rate cycle which has culminated in a record-breaking 15-year high of 11.75%, post the pandemic. Over the next five years, South Africa's average repo rates are expected to vary between 6% and 8%. The repo rate is expected to stabilize at roughly 7.75% by the end of 2024, with the prime rate at 11.25% due to an anticipated 25 basis points (bps) reduction in September and November. This is expected to occur as a response to the declining trend in domestic inflation and as other Federal Banks globally lower interest rates. Interest rates are expected to gradually decline to 6.75% by mid-2025 with the prime rate being 10.25%, which will be maintained till the end of the mid-term period and saving South Africans 175 basis points (bps) or more in interest rates.

GROSS DOMESTIC PRODUCT

The country is seeing the greatest debt burden in 80 years as gross national debt hovers around 74% of GDP and is expected to stabilise at 75% of GDP in 2025. The South African economy remains severely constrained with infrastructure challenges and lower commodity driven revenue.

Forecast fiscal projections will be improved by the planned use of R150 billion profits of the gold and foreign exchange contingency reserves to reduce borrowing costs.

The sustainable debt ratio for an emerging markets economy is below 60% of GDP and South Africa is projected to reach 67.1% of GDP by 2031/32. This implies that the country remains cash strapped and stimulation of the economy by the fiscus will remain constrained.

OIL

International oil prices have increased with the rise in geopolitical tensions in the Middle East. Oil has increased to US\$90.8 per barrel from US\$75.8 per barrel at the beginning of the year. South Africa is an oil importer. High oil prices translate to high petrol prices and increases cost of commuting for economic activity and the cost of transportation of building materials thus increasing building costs. A high oil price also affects growth negatively via net imports and pushes up inflation, both of which negatively impact the currency.

UNEMPLOYMENT

After employment increased for eight consecutive quarters, the last three months of 2023 saw a net total of 22 000 jobs shed. And the number of unemployed South Africans has almost doubled in a decade. People who are unemployed and do not have any other source of income often rely on their savings or borrowed money to fund essential costs such as food and living expenses. This puts a strain on the already cash-strapped low-income households.

1.2 ORGANISATIONAL ENVIRONMENT

HUMAN CAPITAL

The management of personnel is critical in ensuring that the company delivers on its mandate – the NHFC’s employees’ diligence and commitment are the engine that drives the NHFC. As such, careful consideration is given to the entity’s talent pool, both in recruiting the right people and in developing employees to be continuously learning and encouraged to pursue excellence. A detailed report on the NHFC’s Human Capital is featured in Part B: Performance Information, Section 2.5.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

A robust ICT framework with special emphasis on information flow, cybersecurity, and privacy is non-negotiable for the success of the NHFC’s endeavours. The 2023/24 financial year was particularly busy in ensuring compliance, resilience, and promoting ease of work. A detailed report is featured in Part B: Performance Information, Section 2.4.

INDUSTRIAL ACTION AND TECHNOLOGY FAILURES

The first quarter of 2023/24 was on the back of a go-slow industrial action at the NHFC. As a result of this, many applications and disbursements were not concluded in last quarter of the previous financial year. The result was a huge number of complaints from beneficiaries who were expecting outcomes and payment of subsidies. All these complaints were resolved in the first quarter of the reporting year.

1.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The NHFC remains committed to working with its shareholder to establish the HSDB through enabling legislation, ancillary other statutory measures, and the operationalisation of the bank. As the NHFC waits for the establishment of the HSDB, it is preparing in several ways to ensure that it will be a sustainable apex development finance institution within the human settlements sector. Subject to the necessary approvals, preparatory interventions include:

- Removal of the following non-core assets from the NHFC balance sheet:
 - △ President Place: A building with over 300 residential units that came into the possession of the NHFC as a consequence of a client default.
 - △ Retail mortgage book: The NHFC took a strategic decision to stop issuing retail mortgages a number of years ago. This book is being collected and not being added to. The disposal of this book is being considered.
- Various subsidiaries: Processes to deregister inactive and dormant subsidiaries are underway.
- Recovery of R37 million in provisional income tax paid to SARS, together with interest thereon, prior to the promulgation of the legislation rendering the NHFC tax exempt.



The NHFC’s employees’ diligence and commitment are **the engine that drives the NHFC.**

1.4 PROGRESS TOWARDS ACHIEVEMENT OF THE NHFC STRATEGIC OUTCOMES

The NHFC’s five-year strategic targets are aligned with the NDoHS’ 2019–2024 Medium-Term Strategic Framework (MTSF) and the NDP. Table 7 shows progress against the strategic outcomes of the strategic plan.

The year under review marks the final year of the 2019/20 to 2023/24 MTSF period. The MTSF is a national medium-term development planning instrument that adopts a results-based approach to outcome and impact planning. It focuses on national strategic priorities aimed at achieving the goals of the NDP.

At the start of the MTSF, South Africa faced the unprecedented challenge of the COVID-19 pandemic, which further weakened an already sluggish economy. During this period, the country experienced a technical recession, with the construction industry severely constrained, resulting in minimal activity. Many of the NHFC’s clients sought relief as they, too, were impacted by the difficult economic environment, and the financial ability of many South Africans to purchase property diminished significantly.

Despite these macroeconomic challenges, the NHFC contributed a total of 147 607 housing opportunities over the MTSF period.

STRATEGIC OUTCOMES:

TABLE 7: STRATEGIC OUTCOMES PROGRESS

1. FUNCTIONAL, EFFICIENT AND INTEGRATED GOVERNMENT

OUTCOME INDICATOR	NHFC FIVE-YEAR TARGET	ACTUAL ACHIEVEMENT
Unqualified audit opinion with no matters of emphasis (including audit of the performance objectives (AOPO))	Unqualified audit opinion with no matters of emphasis (including audit of the performance report)	Overall unqualified audit opinion: <ul style="list-style-type: none"> • AOPO – material findings • Financial statements – Unqualified opinion with material findings • Compliance – Material non-compliance findings (SCM)



2. IMPROVED DELIVERY OF AFFORDABLE HOUSING

TABLE 8: NHFC'S CONTRIBUTION TO THE NDOHS' 2019-2024 MTSF TARGETS

The NHFC funding solutions in aid of transforming the human settlements sector, has directly impacted the lives of many beneficiaries and improved the quality of household life by facilitating the delivery of 147 607 housing opportunities.

OUTCOME INDICATOR	TOTAL HOUSING OPPORTUNITIES CREATED DURING THE MTSF PERIOD						
	NHFC 5 YEAR TARGETS	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Social Housing	3 502	485	493	556	1 220	264	3 018
Private Rental Housing	2 982	247	905	581	-	330	2 063
Affordable Housing (Bridging Finance)	2 520	92	98	1 242	960	635	3 027
Affordable Housing (Strategic Investments)	6 235	1 596	1 528	1 640	698	121	5 583
Subsidy Housing	17 812	1 845	718	814	86	132	3 595
First Home Finance	30 523	1 167	1 136	3 268	4 107	4 623	14 301
Incremental Housing Finance	140 054	32 687	20 973	26 330	21 487	13 101	114 578
Serviced Stands (Sites)	2 175	-	490	431	288	233	1 442
Grand Total	205 803	38 119	26 341	34 862	28 846	19 439	147 607

3. INCREASED ACCESS TO AFFORDABLE FINANCE TO ENABLE END-USERS TO HAVE APPROPRIATE, SPATIALLY JUST AND ADEQUATE HOUSING

The NHFC plays a pivotal role in expanding access to affordable finance, empowering end-users to secure appropriate, spatially equitable, and dignified housing. Through strategic partnerships with both public and private sector stakeholders, the NHFC facilitates financing solutions that directly contribute to the housing needs. This approach excludes the NHFC’s own direct contributions, which are detailed in the accompanying tables through approvals and disbursements.

OUTCOME INDICATOR	IMPACT SINCE INCEPTION
Value of leveraged funds and units	The NHFC’s leveraging strategy, central to its value proposition, has been instrumental in attracting private sector investment into the affordable housing market. This crowding-in effect has been a cornerstone of NHFC’s operations throughout its existence. To date, these efforts have mobilised R37 million in funding, resulting in the delivery of 830 302 housing opportunities across the country.

4. INCREASED PENETRATION AND PARTICIPATION OF LOW- TO MIDDLE-INCOME HOUSEHOLDS AND BLACK-OWNED BUSINESSES IN THE HOUSING MARKET

Transformation remains a critical pillar of the NHFC mandate. Supporting black-owned, women-owned, and youth-owned enterprises is essential in creating a more diverse and competitive housing sector. These businesses, often operating in underserved markets, are integral to accelerating economic growth, creating employment opportunities, and delivering housing solutions that meet the needs of South Africa’s low- to middle-income population. By financing and partnering with emerging black-owned and other previously marginalised businesses, the NHFC helps create pathways to wealth creation and sustainable economic empowerment.

OUTCOME INDICATOR	NHFC FIVE-YEAR TARGET	ACTUAL ACHIEVEMENT
Percentage of disbursements to black-owned businesses (managed programmes)	50%	95%





2. PROGRAMME PERFORMANCE OVERVIEW

2.1 NHFC PROGRAMMES AND CONTEXT TO THE SIX CAPITALS

The NHFC reports its performance by programme. In particular:

- Programme 1: Administration;
- Programme 2: Integrated Human Settlements Planning and Development;
- Programme 4: Rental and Social Housing Programme; and
- Programme 5: Affordable Housing Programme.

Most of these programmes have one or more subsections which contribute to the institutional outcomes.

The NHFC's adoption of the Six Capitals framework in its integrated reporting is a strategic approach to demonstrate a holistic view of value creation, beyond just financial performance. This approach ensures that the organization accounts for all inputs and outputs that contribute to long-term sustainability and development impact. This demonstrates responsible corporate citizenship and enhances trust with stakeholders, including government, investors, and the public. The six capitals are:

- Financial;
- Manufactured;
- Intellectual;
- Human;
- Social and relationship; and
- Natural.

The narrative based on the capitals is followed by a tabulated overview of actual quantitative achievements realised by each NHFC programme.

2.2 FINANCIAL CAPITAL

The NHFC allocates funds to each of the various housing segments it serves through its programmes. In the year under review it allocated capital as follows:

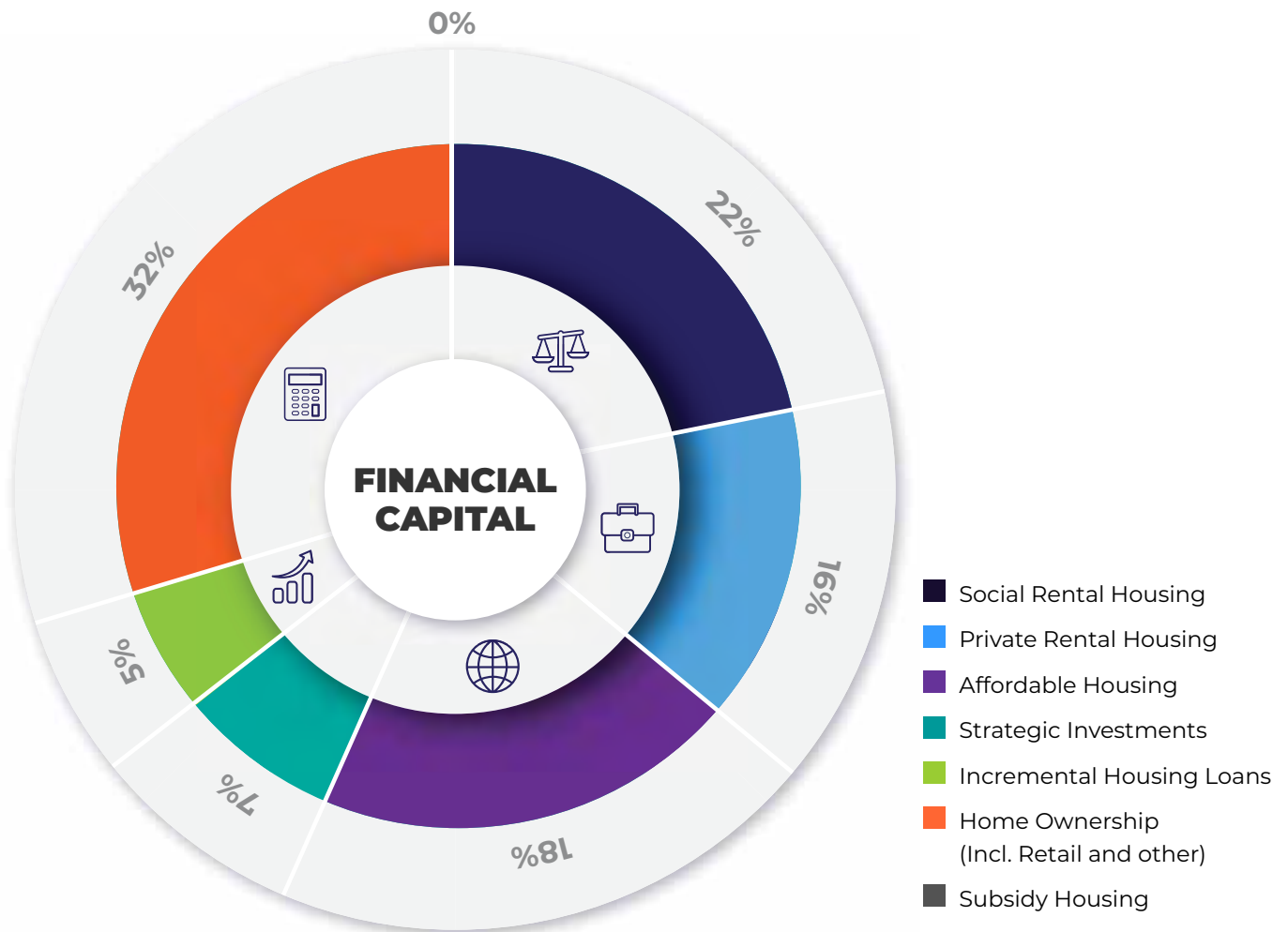


Figure 10: NHFC's capital allocation as at 31 March 2024

SUBSIDY HOUSING PROGRAMME

This programme is a bridging finance product that offers short-term revolving facilities, typically taken out over a period of 60 days or longer, to bridge contractors' cash flows, pending payment by the respective employers. The NHFC only provides bridging finance to contractors who have been appointed for the construction of houses subsidised either by an organ of state or the private sector.

The Subsidy Housing programme met and exceeded the yearly approvals target of R58 million by R31 million for a total approvals of R89 million (153%). The spread of approvals were in the Free State, Gauteng and KwaZulu-Natal provinces, with the Free State transaction being a key highlight as it is expected to yield 2 000 units in 15 different locations.

Although approvals were met, the product continues to experience challenges as contractors appointed to build BNG housing, struggled to obtain Irrevocable Undertakings from provincial employers. An Irrevocable Undertaking is signed by a contractor and acknowledged by the employer (provincial departments or municipalities), acknowledging that funds will flow into a dual project account, opened under the contractor's name, to which NHFC-authorized signatories are account administrators.

In an effort to address this challenge, and continue funding contractors, the NHFC is utilising alternative sources of security.

RENTAL PORTFOLIO

The Rental Portfolio is a combination of both Social Housing and Private Rental products.

SOCIAL HOUSING FINANCE

The NHFC is the biggest debt provider in Social Housing and provides funding to qualifying, accredited SHIs and ODAs who are subsidised by government to provide social housing developments for households earning up to R22 000. As one of the biggest portfolios of the NHFC, and a priority housing programme of the NDoHS, the portfolio's performance impacts the NHFC's performance significantly.

In the year under review, both approvals and disbursements were below target due to the deteriorating risk profile of Social Housing as evidenced by the NHFC's non-performing book. Caution is being exercised to contain the book's further deterioration when making lending decisions. There are systemic factors that have led to this under-performance which include commercial viability of projects, limited experience and technical expertise of SHIs, poor maintenance of projects, and delays in Capital Grant approvals. There is an average 18-month lag between debt approval and disbursement, therefore the approvals of R91 million in the year under review will only be disbursed from 2025/26 onwards.

The current high interest rates have had a detrimental effect on the NHFC's long-term products viability. Given this challenge, the financial viability of Social Housing was invigorated by the Consolidated Capital Grant increase from R328 697 to R426 308 per unit.

PRIVATE RENTAL HOUSING FINANCE

The Private Rental product is one of the NHFC's largest existing books, and provides medium- to long-term funding to develop or refurbish affordable privately-owned rental accommodation, including student accommodation.

In the year under review both the approvals and disbursement targets were not met as a result of a compromised financial model. Rental growth continues to be under pressure due to affordability on the demand side and a sluggish economy, with no change anticipated in the short- to medium-term. Transactions assessed during the period failed to meet viability thresholds due to the high interest rate's effect on the financial model. The NHFC explored a mix of debt, equity, and quasi-equity for the transactions in the system to improve the distressed situation.

Despite these industry challenges, student accommodation continued to do well and contributed significantly to the transactions assessed and those approved during the year. Of the transactions presented to the various investment committees, 85% were student accommodation transactions catering to both the National Student Finance Scheme (NSFAS) and private markets.

GRANT FACILITATION

FIRST HOME FINANCE

The programme provides a once-off subsidy to households earning a combined income of between R3 501 to R22 000 per month. The subsidy assists recipients to buy or build their first homes. The programme's performance improved in the reporting year compared to the previous year despite the challenging business environment and the delay in implementing the programme with non-mortgage products. Approval of the Housing Code Implementation Guidelines in April 2023 assisted the NHFC's efforts to scale up delivery of the subsidy with non-mortgage products. The enhanced CRM system's Online Application Portal was completed in December 2023 and enabled households to apply online for the subsidy with non-mortgage products.

EXTERNAL AND INTERNAL DRIVERS

The growth in GDP remained well below 1% while the average inflation rate stabilised at 6%. SARB increased the main lending rate to 8.25% – pushing borrowing costs to their highest level since May 2009; and banks reported a reduced number of home loan applications. It has been reported that South Africans use up to 65% of their net income to service debt and First Home Finance's target market spends a large proportion of income on basic needs such as food which is subjected to high price increases. The majority of first-time home buyers are the youth (15 to 34 years), however, youth unemployment at the end of the financial year was 45.5%.

The approval of Housing Code Implementation Guidelines for non-mortgage products created an opportunity to broaden the NHFC's reach to households in the lower income market. By the end of the financial year First Home Finance applications through non-mortgage loans increased with some applicants opting to build using the subsidy independent from any form of loan due to homeowners paying 27.2% more on home loans due to rising interest rates since 2021.

The NHFC signed MOUs with some lenders in the unsecured housing finance market. These lenders are piloting implementation of First Home Finance, while navigating the challenges of a lack of NHBRC registered contractors in rural areas. The First Home Finance Policy requires that subsidised homes are built by NHBRC registered home builders and building plans must be approved by municipalities before they are enrolled with the NHBRC. To facilitate uptake of the programme in rural areas, the NHFC is in discussion with the NHBRC to ensure that home builders in rural areas are trained and assisted to register with the NHBRC. This will be the case when the Programme beneficiary identifies a home builder who is not registered with the NHBRC at the time of applying for the subsidy. Another guidance that is being sought from the NHBRC is on cases where municipalities do not approve building plans for houses to be built in rural areas. These issues will be The NHFC and the NHBRC will be formalising their collaboration through an MOU to ensure that FHF subsidised homes are fully compliant with the NHBRC requirements as enshrined in FHF Policy. The target date to sign the MOU is before the end of the first half of 2024/25 financial year.

Internally, First Home Finance has augmented its human resource capacity in the front office and back office, including appointing additional call centre agents to handle the increasing number of calls enquiring about the programme.

CONTRIBUTION TO THE MTSF

The NHFC assumed the role of a National Implementation Agent in April 2019, the start of the MTSF period that ended in March 2024. The following table shows the contribution of the NHFC in the delivery of First Home Finance subsidies to households. There has been consistent improvement in the last three years of the MTSF period, which followed the height of the COVID-19 pandemic period, 2020/21.

TABLE 9: NHFC CONTRIBUTION TO THE MTSF FIRST HOME FINANCE TARGET

OUTPUT INDICATORS	MTSF PERFORMANCE REPORT: 2019–2024					
	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Number of applications approved	2 212	2 120	2 935	4 283	4 391	15 941
Value of approvals (R'm)	123.00	111.20	166.00	285.00	415.00	1 099.20
Value of disbursements (R'm)	60.00	60.90	173.00	224.00	315.00	832.90
Number of subsidies disbursed (Housing units)	1 167	1 136	3 268	4 107	4 623	14 301
Amount leveraged from financial institutions (R'm)	943	1 030.60	1 519.40	2 260.00	1 901.00	7 654.00

The NHFC legal team has assisted with speeding up the finalisation of MOUs and SLAs with various lenders, including banks and non-bank lenders in the non-mortgage market.

PERFORMANCE

In numbers, the NHFC exceeded all programme output targets except for the number of applications approved (95% achieved). This lower-than-expected approval rate is attributable to high interest rates, high building costs, and a high cost of living. These factors had an adverse impact on the mortgage market as we noted a decline in mortgage-backed subsidy applications during the year. The NHFC started to see an increase in subsidy applications with non-mortgage products from the third quarter, but many of these applications were incomplete, with some of them not completed by end of the year.

4 391

Applications approved against a target of 4 615

R415 million

Value of approvals against a target of R300 million

R315 million

Value of disbursements against a target of R240 million

4 623

Subsidies disbursed against a target of 3 692

R1 901 million

Leveraged from the private sector against a target of R1 760 million

The sector MTSF target was set at 20 000 First Home Finance units, and the target was achieved at the end of March 2023. The programme is implemented by the NHFC and provincial departments responsible for human settlements with Table 10 detailing the NHFC’s contribution to the achievement of this target. The number of households approved for the First Home Finance subsidy (15 941) brought the total value of approvals to about R1.1 billion. On the back of the government subsidy of R1.1 billion, private sector lending into the affordable housing market over the period amounted to R7.7 billion – showing the significant leveraging effect of the First Home Finance programme.

Of the 15 941 approved households, 14 301 have already taken ownership of their homes – with R833 million already disbursed to support beneficiaries to realise their homeownership dream. This is reflected by the number of subsidies disbursed, which is a proxy for number of housing units on the ground. The difference between the number of approved subsidies and disbursements is due to some households approved for subsidies buying off-plan in new developments. There is, therefore, a delay before houses are completed and ownership transferred to the homebuyers.

PROVINCIAL OUTCOMES

Table 10 shows that First Home Finance remains concentrated in the Gauteng province and has limited reach in other provinces. It must be noted that in 2022/23 financial year, 82% of subsidies approved were for households in Gauteng.

However, in the year under review, concentration reduced to 69% — that is proportion of applications approved for Gauteng households. This improvement is a result of the implementation of the Action Plan the NHFC is implementing to grow the reach of the programme in all provinces. The Action Plan includes programme community activations and marketing campaigns to raise awareness about the programme among all households, especially those in the lower income brackets of the programme, in urban and rural areas. This is important because many households in the lower income market are able to access non-mortgage products and this will enhance uptake of the First Home Finance subsidies in all provinces. In addition, MOUs with lenders offering non-mortgage products will expand the reach beyond Gauteng.

As part of implementing our Action Plan, the NHFC started engaging building merchants, builders/contractors and developers in urban and rural areas in various provinces to sign MOUs with them and incorporate them into the Online Application Portal system to originate and submit First Home Finance applications. Ten MOUs were concluded during the year under review. We began to see the benefits of these partnerships in the second half of the financial year, applications with non-mortgage products started flowing to the NHFC via the Online Application Portal.



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The NHFC **provides bridging development finance to contractors and developers** involved in the development of subsidy and affordable housing.

.....

TABLE 10: FIRST HOME FINANCE PROVINCIAL OUTCOMES 2023/24

PROVINCE	APPLICATIONS RECEIVED	APPROVALS		REJECTIONS	DISBURSEMENTS		AMOUNT LEVERAGED
	NO.	No.	Value	No.	No.	Value	Value
Eastern Cape	97	150	R14 350 454.83	57	143	R9 853 533.20	R51 781 966.07
Free State	120	174	R16 145 725.02	33	113	R7 875 595.45	R57 817 983.75
Gauteng	3 767	3 022	R283 200 366.97	799	3 522	R239 408 217.29	R1 431 395 398.36
KwaZulu-Natal	277	332	R34 960 758.89	89	209	R13 870 586.09	R79 915 115.12
Limpopo	38	58	R6 622 854.61	12	25	R2 453 087.69	R6 950 488.71
Mpumalanga	45	74	R7 856 313.62	14	66	R5 866 735.10	R20 763 777.00
North West	80	104	R9 180 699.64	23	76	R4 551 872.01	R38 336 871.00
Northern Cape	10	23	R2 335 855.53	7	18	R1 123 001.82	R10 620 500.00
Western Cape	308	454	R40 582 194.83	145	451	R29 349 597.55	R202 053 420.00
Total	4 742	4 391	R415 235 223.94	1 179	4 623	R314 352 226.20	R1 901 629 520.01

Where the number of applications approved are higher than the number of applications received, it is because the number of applications approved includes the number of applications received in the previous year that were already in the system at the beginning of 2023/24 financial year.

GENDER MAINSTREAMING

More women than men benefit from the implementation of the First Home Finance programme. The pattern has remained consistent since the last financial year. The following tables present both subsidy approvals by gender and subsidies disbursed by gender for 2023/24.

TABLE 11: SUBSIDY APPROVALS BY GENDER – 2023/24

GENDER	NUMBER		SUBSIDY AMOUNT	AMOUNT LEVERAGED
	No.	Percentage	Value	Value
Female	2 687	61%	R249 898 163.35	R1 174 820 713.98
Male	1 448	33%	R140 255 445.43	R614 197 013.95
Combined(M&F)	256	6%	R21 100 635.16	R112 924 207.08
Total	4 391	100%	R415 479 427.94	R1 901 629 519.76

TABLE 12: DISBURSEMENTS BY GENDER – 2023/24

GENDER	NUMBER	PERCENTAGE	VALUE
Female	2 793	60%	R193 665 999.56
Male	1 371	30%	R93 055 438.39
Combined(M&F)	459	10%	R27 630 788.25
Total	4 623	100%	R314 352 226.20

COMPLAINTS AND FOLLOW-UPS

Table 13 shows the number of complaints and follow-ups that were received during the reporting period. All of these have been resolved and in all cases complaints and follow-ups were resolved within five days.

TABLE 13: COMPLAINTS/FOLLOW-UPS RECEIVED

SECTION	NUMBER OF COMPLAINTS	RESOLVED
Front office	410	410
Back office	312	312
Total	722	722

Complaints could be triggered by the following:

- While subsidy applications are mainly submitted via the Online Application Portal, the NHFC also receives applications from walk-in applicants and via email. These applications must also first be subjected to quality control before they are captured by the front office administrators onto the CRM system for processing. This process, inevitably, results in delayed outcomes of applications.
- The system enhancement to accommodate non-mortgage products backed applications in the Online Application Portal, was only achieved in December 2023. Before this date, there were delays in processing applications resulting in calls from applicants following up on their applications.

- In some cases, there are system glitches that also cause delays in finalisation of applications. The front office complaints reported mainly concern follow-ups from applicants on their applications.
- The back-office complaints mainly resulted from the change in how payments are made in line with the revised policy where subsidies are paid to lenders as soon as they are approved and the lenders, in turn, pay respective service providers such as transferring attorneys as well as allocate funds to the bond accounts of beneficiaries. As this was a new arrangement, it did result in some delays on the part of lenders to allocate funds speedily to service providers.

ENHANCING PROGRAMME PERFORMANCE

Although we have observed that applications with mortgages have been declining during the last year because of persistent challenges in the affordable housing market, the mortgage market remains an important one for the First Home Finance programme. As market conditions improve, we expect to receive more mortgage applications. However, the growth of the programme will largely depend on the increase of subsidy applications with non-mortgage products because these products are accessible to many households in the lower income brackets. The leading indicator of First Home Finance performance is the number of applications approved. Therefore, actions to improve programme performance should result in the number of applications received and captured in the system, and ultimately approved.

The following actions will assist in improving First Home Finance performance and also result in improving the reach of the programme in all provinces. This list is not exhaustive.

- The enhancement of the CRM system's Online Application Portal to accommodate non-mortgage products was completed in December 2023 and went live in that month. This will enable applicants in this market segment to efficiently submit their subsidy applications.
- To improve the conversion rate of pre-approved applications (6 769 pre-approved applications achieved in 2023/24 but only 1 259 applications for the final subsidy), the NHFC is collecting data from all the applicants who have not applied

for the final subsidy subsequent to being pre-approved. The findings of this study will inform interventions customised to address challenges that applicants may face, such as:

- △ Linking them with an alternative credit bureau company with whom we have signed an MOU to help them improve their credit score in the case of those who are highly indebted.
- △ Link those who are struggling to access serviced sites with the respective provinces and municipalities where they plan to build their homes. The NHFC also plays an advocacy role to support households in its target market.

- The NHFC will continue with the implementation of the MOU with the Property Practitioners Regulatory Authority (PPRA) which entails presentation of the First Home Finance programme at provincial workshops to especially emerging estate agents.
- Work continues to focus on signing subsidy origination partners, especially lenders, micro-contractors, and private sector employers with Employer-Assisted Housing Schemes.
- In partnership with the DPSSA, workshops continue on First Home Finance targeting members of the GEHS in all provinces.
- Programme activations targeting communities in all provinces, especially in rural areas, continue. This action is benefiting from the keen interest of traditional leaders to support households in their areas to access subsidies.
- Following engagement with all provinces, we expect to sign MOUs with various provinces to support applicants in the non-mortgage market as some provinces are not yet ready to service this market.

AFFORDABLE HOUSING FINANCE

The NHFC provides bridging development finance to developers involved in the development of affordable housing. The NHFC invests in developments where individuals purchase completed units through mortgages. These bridging finance products are typically medium-term in nature and assist developers with a revolving facility throughout the duration of construction.

BRIDGING AFFORDABLE PORTFOLIO

The Bridging Affordable portfolio performance has declined significantly compared with the two previous financial years' performance where interest rates were at an all-time low. The decline is a direct reflection of the increased interest rate cycle, which puts pressure on consumer affordability. These factors also affected the projects on the active portfolio, and this was evident from the significant amount of post-approval changes submitted in the fourth quarter of the previous financial year. These are amendments to existing contracts to accommodate changes to the conditions on-site and in the market.

Market changes associated with high-interest rates significantly reduce disbursement performance. The rate of sales and transfer of housing units declines, developers' delivery pace subsides in response to the slow market take-up.

To respond to some of these challenges, the NHFC's focus will continue to be on developing well-priced homes that are affordable to buyers in the market. Developers are actively responding to the market challenges, focusing on increasing the attractiveness of developments by ensuring that developments are well-located, with added amenities such as gym facilities and playgrounds. The increase in the construction of mixed-income developments is instrumental in locating affordable housing close to work opportunities.

Disbursements during the reporting period amounted to R321 million against a target of R342 million. Loan approvals totalled R338 million against a target of R456 million.

INCREMENTAL HOUSING PROGRAMME

The financial services industry has not yet fully recovered, and micro-lenders are still under pressure. Lending and interest rates are linked to the repo rate, money becomes more expensive for the financial services industry and this filters through to the end user as the cost of credit becomes higher. The existing end-user loans have increased with the constant increases of the repo rate, and loan instalments increased causing some end users to default on their monthly loan repayment obligations. Increases in food prices and transportation have seen more households having to borrow money to cover living expenses, thereby increasing over-indebtedness.

No disbursements were made during 2023/24 against a target of R208 million. Renegotiation with a client was unsuccessful as the client was unwilling to accept the conditions. The intermediary did not take up the facility due to the covenant deadlock. Given the limited number of active players in the incremental housing space and the untransformed nature of the most significant players, it is unlikely that the R150 million facility can be replaced, putting disbursements at risk for the year. The second intermediary with an approved R50 million facility will start drawing down after the fulfilment of the conditions by the majority shareholder.

No loan approvals were granted. The target for loan approvals was R208 million. Two provincial housing entities were engaged in the first quarter of the financial year, seeking a total of R200 million. The NHFC requested additional information that was still outstanding by the end of the year. Four applications were pending due to low information flow and assessments will proceed once the information has been received.

STRATEGIC INVESTMENTS

The division comprises equity and quasi-equity investments (unsecured) of the NHFC with an approximate carrying value of R592 million. Key clients include Housing Investment Partners (in subordinated debt), International Housing Solutions (IHS) and Evolution Credit (Real People Investment Holdings). These investments exclude the secured debt facilities provided to clients. The portfolio is the NHFC's risk capital and is provided to clients to attract other investors in investee companies through the NHFC taking the first risk of loss.

The Strategic Investments portfolio experienced a difficult year due to few bankable deals and a low pipeline of approved facilities concerning equity and quasi-equity instruments (subordinated debt). The focus is on building a strong pipeline of approved clients who will then start drawing on facilities. Collaborations and deal mining are ongoing. Approval and disbursement targets for the year were challenged. Only two clients are drawing from the NHFC due to a low pipeline of approved facilities. To address subdued performance, the process is underway to review and restructure the equity and quasi-equity instruments to ensure operational suitability, accelerate capital deployment to facilitate participation of capital constrained developers, and adequately address market failures.

The NHFC is exploring the availability of risk/patient capital (funding) to match the volatility associated with equity and quasi-equity instruments while providing funding to the unserved segment of the housing market, addressing perceived commercial risks and marginal cash flows, providing much needed risk capital to assist under-capitalised companies.

TABLE 14: HOUSING OPPORTUNITIES CREATED FROM STRATEGIC INVESTMENTS

	Q1	Q2	Q3	Q4
From NHFC disbursements*	53	19	20	29
From leveraged funds	201	73	76	107
Total housing opportunities	254	92	96	136

**Allocated based on % of NHFC's cumulative allocated contribution per the Investor Report from a private equity client at 20.9% of the Private Equity Fund, and split based on the NHFC's contribution to capital being 26,67% for Mortgage Financier clients.*

REVENUE AND CAPITAL COLLECTION

TABLE 15: REVENUE AND CAPITAL COLLECTION

	2023/24			2022/23		
	Revenue R'000	Capital R'000	Total R'000	Revenue R'000	Capital R'000	Total R'000
Social Housing	125 365	(45 760)	79 605	90 296	54 124	144 420
Private Rental	80 327	84 825	165 152	68 603	52 699	121 303
Affordable Housing	103 993	264 144	368 138	62 010	368 617	430 627
Incremental Housing	32 513	109 062	141 574	44 042	13 507	13 648
Retail Book and Other	11 193	10 441	21 634	7 317	169 212	213 253
Subsidy Housing	50	14 401	14 451	141	14 550	21 867
Total	353 441	437 114	790 555	272 409	672 709	945 117

Revenue increased by 30% from the previous financial year, mainly due to the interest rate increases. Interest rates increased from 7.75% at the beginning of the 2022/23 financial year to 11.75% in the 2023/24 financial year.

Collections for the 2022/23 financial year were higher than this financial year due to Debt Relief funds that were allocated to qualifying clients in that year.

There was some delay in completion and transfer of affordable housing units which resulted in lower collections for the portfolio.

Social housing collections were affected by clients going into business rescue, which resulted in funds received only being allocated to interest, and negative capital repayments.

2.3 MANUFACTURED CAPITAL

The NHFC as a financial services company provides funding for affordable housing in the human settlements space. The NHFC serves as the walk-in centre for the delivery of grant facilitation for the government with offices in Johannesburg, Cape Town and Gqeberha and an Online Application Platform for improved operational performance.

The NHFC leases office space for its head office and the walk-in centres as it is anticipated that the scope and demographics of its services will change as the company transitions into the HSDB.

Office space was reduced from 3 000 m² to 1 576 m² to take advantage of the hybrid approach to work that was approved for staff in the last financial year thereby reducing fixed costs. This reduction in fixed costs freed up funds to procure 45 laptops and 60 portable uninterrupted power supplies (UPSs) to replace redundant models and equip new staff at a cost of R1.2 million. In addition to the new hardware, all workstations were upgraded to Microsoft 365 licences which are better suited to the hybrid working model and provide increased IT security measures. The CLA Application was also procured to improve internal communication and employee cohesion now that more staff are working from home at a cost of R100 000. It is installed in all employee laptops and supplements email and telephonic communication channels.

2.4 INTELLECTUAL CAPITAL

EFFECTIVE INFORMATION AND COMMUNICATIONS TECHNOLOGY

OVERVIEW

Aligning with the company's modernisation strategy and supporting the NHFC's business objectives, the ICT division effectively adapted its technological capabilities and engagement platforms to enable both remote work and office-based operations. It achieved high service availability, efficient incident resolution, and received positive customer satisfaction feedback.

Information, cybersecurity and privacy were prioritised to ensure data availability and protection in all deployed applications. The division promptly addressed security incidents and remediated vulnerabilities within defined timelines. Comprehensive security awareness training was conducted to enhance employee knowledge and vigilance.

Information and cybersecurity measures and improvement activities remain a focus. Regarding vulnerability management, over 95% of identified vulnerabilities from the initial assessment have been successfully resolved. Follow-up scans indicated substantial improvements in addressing these issues, with ongoing efforts to rectify all high-impact vulnerabilities. The successful disaster recovery test conducted in September 2023 marked a pivotal milestone in the NHFC's business continuity.

The conclusion of the third quarter marked a notable achievement – the successful launch of non-mortgage subsidy products – through the collaborative efforts of the ICT division and the First Home Finance division. These efforts testify to the NHFC's commitment to empower and enable South Africans by providing access to subsidies through user-friendly technology platforms.

The ERP procurement process attracted 21 bids/proposals from potential implementation partners, and the ECM project smoothly transitioned into the implementation phase, reflecting effective project governance and oversight.

ICT GOVERNANCE FRAMEWORK

The NHFC maintained a robust IT governance framework aligned with industry best practices and regulatory requirements. Policy compliance and procedures were regularly reviewed and updated where necessary. Two policies were approved by the

Board, namely the Records Management Policy and the Information Classification Policy. User awareness sessions were conducted accordingly.

The ICT team completed ISO 27002 Standard training during the year under review. This is an international standard that governs how security should be managed within an organisation. The team also completed COBIT (Control Objectives for Information and Related Technologies – a framework created IT management and IT governance) training.

AUDIT

The outstanding findings from the external audit by the AGSA were associated with legacy systems, the resolution of which is contingent on the implementation of the ERP system. Meanwhile, mitigating controls have been put in place to minimise the organisation's exposure to cybersecurity risks. A recent addition to these controls is the Audit Plus system, which facilitates granular monitoring of user and administrator activities, effectively addressing the concerns related to log monitoring.

DISASTER RECOVERY

While the disaster recovery test conducted in September 2023 yielded successful results, challenges encountered included delays in synchronising the file server because of large amounts of data, failure to duplicate the demilitarised zone network on the failover site, and passwords were not updated after they were changed.

ICT RISK MANAGEMENT AND COMPLIANCE

Several interventions were undertaken to mitigate risks and enhance security measures. Some of these measures included:

- The ICT operational risk register was reviewed to identify and address potential risks.
- A comprehensive security awareness training programme was conducted, with an 85% employee participation rate. The training covered various crucial topics such as phishing, social engineering, password security, and data protection. By increasing employees' knowledge and awareness, the division aimed to minimise the likelihood of security breaches and promote a security-conscious culture throughout the organisation.
- Vulnerability and penetration assessment recommendations were implemented to enhance security measures.
- More than 95% of vulnerabilities that were identified during the first assessment were resolved. A follow-up scan was conducted, and the report indicated a drastic improvement in addressing the issues. There is ongoing

intervention to address all the high impact vulnerabilities.

- Regarding endpoint security, the ICT division has assessed the proof-of-concept (POC) report for Checkpoint. This solution will be highly effective within the NHCF environment, delivering the essential security layer to safeguard the organisation against numerous cybersecurity threats. The decision to go ahead with the implementation is subject to approval in accordance with the SCM processes.

BUSINESS ENABLEMENT IN RESPONSE TO HYBRID WORKING

To sustain operational efficiency and uninterrupted business operations, the organisation persists in implementing a hybrid model, combining remote working and office-based arrangements. The NHCF has effectively empowered its employees to work remotely through the following initiatives:

- Ongoing support to all employees in particular those involved in the core business, EXCOM, Finance, SCM and Payroll;
- Continuous monitoring of connectivity through 3G data and the virtual private network;
- Ongoing investigations and network optimisation to improve connectivity response times; and
- Successful running of the following monthly reports:
 - △ Retail Learning Management System (LMS);
 - △ Affordable Housing LMS;
 - △ Subsidy Housing SLIM system;
 - △ CreditEase; and
 - △ VIP/Payroll dry-run updates.

99.9%

Availability of ICT services

99.5%

Operational agreements reached – no service disruptions recorded

2 Hours

Average incident resolution time (against four-hour agreement)

CYBERSECURITY THREATS

The NHCF experienced a notable increase in phishing attempts early in the reporting period. To address this, the ICT division collaborated with industry experts, Chimera, in partnership with Checkpoint, to conduct a POC at no cost. The POC spanned three weeks and exhibited promising results. It successfully detected and prevented a significant number of phishing attacks.

2 068

Phishing attacks detected

162

Malware detected

1 590

Spam detected

Another ICT project involves the implementation of a Security Operations Centre solution. The centre provides 24/7 monitoring of cyber threats within the environment. It is a critical element in detecting and addressing cybersecurity incidents.

Additional controls that ICT is putting in place include continuous user awareness, training of the ICT team on security (ISO 27001 Standard), multi-factor authentication, firewall maintenance and rules monitoring and addressing risks and audit issues.

POLICIES AND OTHER GUIDANCE DOCUMENTS

The following policies and guidance documents were developed or reviewed during the reporting period:

- In accordance with the Privacy Policy, Board members were asked to complete and sign POPIA consent forms, which was also identified as a finding in the POPIA Audit Report. The POPIA and PAIA Manuals have been reviewed and submitted to the relevant governing structures for consideration and approval.
- ICT governance documents that have been reviewed include the ECM Strategy, Risk Acceptance Memorandum for the VIP (payroll) system, the File Plan, and the IT Facility and Environmental Standard.
- The Records Management Policy and Information Classification Policy were approved by the Board, and user awareness sessions were conducted subsequently.
- The updated Human Resources Policy which incorporates the Ethics Policy and the Code of Conduct.
- Both the Remuneration and Incentive Policy, and the Human Capital Policy Manual were approved by the Board.
- The Credit Policy, Lending Policy, Investment Policy, Pricing Policy and Risk Appetite Statement.
- The Supply Chain Management Policy.
- The Chartered Accountants Training Programme Policy.
- The Social Media Policy, which is to be incorporated as part of the approved Recruitment Policy, and the Lifestyle Audits Policy.

2.5 HUMAN CAPITAL

INCREASING AND RETAINING THE TALENT POOL

Several appointments were made during the reporting period:

- The CEO and Company Secretary.
- SCM appointments, including a Supervisor and Administrator.
- General Manager: COSEC; Legal Advisor; Programme Manager Rental; Business Development Manager for First Home Finance; Front Office Administrators for First Home Finance; and a Back Office Administrator.
- General Manager: Lending; Committee Secretary; Company Secretariat Specialist; two Client Relation Managers; and a Graphic Designer.
- Two Credit Data Capturers, one Executive Personal Assistant and one Cyber Security Engineer were appointed in the fourth quarter.

159

Total staff complement as at the end of the financial year

129

Permanent employees

5

Cape Town Community Housing Company employees

25

Fixed-term employees, linked to the Strategic Partnerships and Programme Management portfolio

The new Human Capital Policy Manual, with the Reward and Recognition Policy, among others, is set to boost the NHFC's employee retention efforts. Other initiatives include induction for all new employees to help them understand the organisation better and to facilitate their socialisation in the organisation. Employees also had the opportunity to nominate their colleagues to serve on the Reward and Recognition Committee.

EMPLOYEE TRAINING

The NHFC employee development and training programme is based on three pillars: Leadership Development; Experiential Learning (Graduate, NHFC Learnership and Chartered Accountant Training) and Aspirational Training (Employee Professional Self Development).

The company has been accredited by SAICA to provide TOPP, which is a training programme for Accountant trainees who prefer to gain their

Accounting training in a commercial entity rather than in the auditing firm. The NHFC having been accredited to offer such training has in the year it was accredited, also recruited two trainee Accountants.

123

Employees trained in technical skills, in groups as well as for individual development, during the year against a target of 108.

R4 828 539.30

Training expenditure, including self-development, against a budget of R5 million. The remaining balance will be used to convert study loans.

Training to familiarise employees with the approved Human Capital Policy Manual and other recently approved policies is continuing into the first quarter of the new financial year.

GRADUATE PROGRAMME

A Graduate Programme implementation plan and training framework was developed and approved in the second quarter.

2

Learners appointed as part of the NHFC Graduate Programme and placed in the First Home Finance division. The learners continue to be coached and mentored.

LEARNERSHIP PROGRAMME

With the discontinuation of the Services Seta accreditation for learnerships, the NHFC learnership application has now been lodged with the Quality Council for Trades and Occupations for accreditation. The process is underway and a site visit will be conducted.

STAFF ENGAGEMENT

SUCCESSION PLANNING/MENTORSHIP PROGRAMME

Both planned bi-annual feedback sessions were held during the year with employees who are close to retirement. Potential successors were identified, and the skills to be transferred and related interventions were highlighted.

23

Candidates for succession identified

Considering the implementation of the NHFC's Promotion Framework, the pool of succession candidates are considered for the next level provided they are competent in their current areas of responsibility. To this end, two candidates from the pool were promoted to senior management roles in Programme Management and another as a Business Development Officer.

In addition to the current succession pool, executive management recommended 12 more staff members to be included in the succession plan. The nominated members underwent capability assessments to determine their strengths and development areas, and these will be addressed through career progression and in the Mentorship Programme.

HYBRID APPROACH TO WORK

In the implementation of a hybrid model, the Board's policy of at least three days a week in the office was implemented from November 2023.

ETHICS AND VALUES IN THE WORKPLACE

The NHFC is committed to the management of ethics in the organisation, with the focus on improving the ethical culture, and driven by the Ethics Policy and the Code of Conduct approved by the Board. In support of this, the Ethics Officer received a certification from the Ethics Institute to support the implementation of an accredited Ethics Management Programme for the NHFC.

In an effort to assist senior management to develop a strategy to manage ethics assessment findings, the Ethics Institute was engaged in February 2024. The session focused on developing the ethics strategy and implementation plan, and identifying initiatives to address the ethical culture survey findings.

In addition, the findings of the ethical culture survey have been communicated to employees. The findings will inform improvements to the Ethics Strategy from which an Ethics Implementation Plan will be developed.

An ethics management programme is in place to support employee awareness and to improve the understanding of employees' role concerning ethics. Employees also participated in a three-day ethics management training during the period under review.

To further aid in awareness creation, a Human Resources blog was published, with emphasis on the values, code of conduct of employees expected at work, consequences of unethical conduct and unethical behaviour, conflict of interest, and the ethics decision matrix that guides employees to arrive at ethical decisions.

As part of employee ethics' improvement, the following interventions were implemented:

- Feedback to employees on the NHFC ethical culture at the end of 2023.
- Procurement of the EthixApp that is underway.

Concerning the embedding of the NHFC's values as part of the organisational culture, all divisions have chosen and submitted values as part of their performance contracts and key performance indicator tracking to correct a 2021 audit finding in this regard. Each executive has chosen values as part of setting the tone from the top.

CONFLICT OF INTEREST

Awareness on what conflict of interest is and how to manage it was shared with staff early in the financial year. Employees were also requested to complete declaration of interest forms.

EMPLOYEE WELLNESS

PERSONAL WELLBEING

The utilisation of the Wellness Programme by employees is growing with the engagement rate for this financial year reaching 7.3%. Issues for which employees sought assistance range from stress, relationship issues, mental health wellbeing, child and family care, and personal trauma.

A mental health session was held to assist employees in identifying different mental health issues.

Human Capital facilitated an Employee Wellness Refresher to remind staff of the employee wellness value proposition in July 2023.

To relieve the financial burden of our employees, the NHFC also launched a Financial Wellness Programme in August 2023 in partnership with Bayport Financial Services. The service provider offered a financial management education intervention as well as indebtedness analysis of employees who volunteered.

REMUNERATION

The 2024/25 salary negotiations were finalised and an agreement for a salary increase of 6.5% was signed, to be implemented in line with the NHFC Performance Management Policy.

LABOUR

A draft Recognition Agreement concluded with the union was approved by the Executive Committee.

EMPLOYMENT EQUITY

The NHFC continues to track the implementation of the Employment Equity Plan, specifically in the context of transformation. The male and female ratio at top management level is 40:60, in favour of females, indicative of the successes of our recruitment strategies. The Employment Equity Report was submitted on 10 January 2024.

HUMAN CAPITAL PROCESSES

LEAVE

The leave liability decreased by 7.22% in the last quarter of the financial year. This is attributable to the implementation of the lost-leave buy-out option that was implemented in March 2024. Employees have deferred taking leave because of the high demand of operational requirements.

AUDIT

An internal audit that began in the fourth quarter on human resources processes and procedures is still underway.

HUMAN RESOURCES OVERSIGHT STATISTICS
PERSONNEL-RELATED EXPENDITURE

TABLE 16: PERSONNEL COST BY PROGRAMME

PROGRAMME	TOTAL EXPENDITURE FOR THE ENTITY (R'000)	FINANCE PAYROLL PER DIVISIONAL SPLIT BASED ON HR SPLIT	PERSONNEL EXPENDITURE AS A % OF TOTAL EXPENDITURE (R'000)	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Administration	174 497	90 779	52%	91	998
Affordable Housing	33 256	22 445	67%	22	1 020
Integrated Human Settlements Planning and Development	19 809	19 653	99%	50	393
Rental and Social Housing	3 725	3 706	99%	8	463

TABLE 17: PERSONNEL COST BY SALARY BAND

SALARY BAND	PERSONNEL EXPENDITURE (R'000)	% OF PERSONNEL EXPENDITURE TO TOTAL PERSONNEL COST	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Top management	29 456	21.57%	11	2 677
Senior management	26 750	19.58%	19	1 407
Professional qualified	48 063	35.19%	54	890
Skilled	24 265	17.76%	53	487
Semi-skilled	6 527	4.78%	23	283
Unskilled	1 520	1.12%	16	95
Total	136 581	100%	176	5 839

PERFORMANCE REWARDS

No performance rewards were issued in the reporting year.

TRAINING COSTS

TABLE 18: TRAINING COSTS

PROGRAMME	PERSONNEL EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXPENDITURE AS A % OF PERSONNEL COST	NO. OF EMPLOYEES TRAINED	AVERAGE TRAINING COST PER EMPLOYEE (R)
Administration	83 559	2 007	2.40	68	29 514
Affordable Housing	37 408	1 334	3.57	47	28 383
Integrated Human Settlements Planning and Development	6 507	103	1.58	4	25 270
Rental and Social Housing	9 109	15	0.16	4	3 750
Total	136 583	3 459	7.71	123	86 917

EMPLOYMENT AND VACANCIES

TABLE 19: EMPLOYMENT AND VACANCIES BY PROGRAMME

PROGRAMME	2022/23 NO. OF EMPLOYEES	2023/24 APPROVED POSTS	2023/24 NO. OF EMPLOYEES	2023/24 VACANCIES	% OF VACANCIES
Administration	82	108	88	20	18.52%
Affordable Housing	70	65	60	5	7.69%
Integrated Human Settlements Planning and Development	5	5	4	1	20.00%
Rental and Social Housing	7	13	7	6	46.15%
Total	164	191	159	32	92.36%

TABLE 20: EMPLOYMENT AND VACANCIES BY SALARY BAND

SALARY BAND	2022/23 NO. OF EMPLOYEES	2023/24 APPROVED POSTS	2023/24 NO. OF EMPLOYEES	2023/24 VACANCIES	% OF VACANCIES
Top management	11	12	10	2	6.25%
Senior management	17	22	19	3	9.38%
Professional qualified	48	71	51	20	62.50%
Skilled	49	46	41	5	15.62%
Semi-skilled	23	25	23	2	6.25%
Unskilled	16	15	15	0	0.00%
Total	164	191	159	32	100%

EMPLOYMENT CHANGES

The following changes took place in the financial year by employment category, early retirement of one of the executive managers due to ill health, appointment of two General Managers into senior management and new appointment of six employees in the professional category, early retirement of one and non-regrettable resignation of two employees.

In the skilled and non-skilled categories, fixed term contract staff were terminated at the expiry of their terms, which were linked to their employment contracts.

TABLE 21: EMPLOYMENT CHANGES BY SALARY BAND

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top management	11	0	1	10
Senior management	17	2	0	19
Professional qualified	48	6	3	51
Skilled	49	5	12	41
Semi-skilled	23	3	3	23
Unskilled	16	0	1	15
Total	164	16	20	159

TABLE 22: REASONS FOR STAFF LEAVING

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	0	0%
Resignation	6	30%
Dismissal	0	0%
Retirement	4	20%
Ill health	0	0%
Expiry of contract	15	50%
Other	0	0%
Total	25	100%

TABLE 23: LABOUR RELATIONS – MISCONDUCT AND DISCIPLINARY ACTION

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	2
Written Warning	2
Final Written Warning	2
Dismissal	0

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS**TABLE 24: MALE STAFF BY SALARY BAND**

SALARY BAND	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	3	0	0	1	0	0	1	0
Senior management	6	0	1	1	0	1	0	0
Professional qualified	22	0	2	0	0	1	1	0
Skilled	8	0	0	1	1	0	0	1
Semi-skilled	6	0	0	1	0	1	0	0
Unskilled	2	0	0	0	0	0	0	0
Total	47	0	3	4	1	3	2	1

TABLE 25: FEMALE STAFF BY SALARY BAND

SALARY BAND	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	6	0	0	1	0	0	0	1
Senior management	9	0	1	0	1	0	1	0
Professional qualified	24	0	0	0	1	0	1	0
Skilled	29	0	1	0	1	0	1	0
Semi-skilled	17	0	0	0	0	0	0	0
Unskilled	13	0	0	0	0	0	0	0
Total	98	0	2	1	3	0	3	1

TABLE 26: DISABLED STAFF BY SALARY BAND

SALARY BAND	MALE		FEMALE	
	Current	Target	Current	Target
Top management	0	0	0	0
Senior management	0	0	0	0
Professional qualified	0	0	0	1
Skilled	0	1	1	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
Total	0	1	1	1

2.6 SOCIAL AND RELATIONSHIP CAPITAL

STAKEHOLDER MANAGEMENT

BOARD AND EXECUTIVE COMMITTEE STRATEGY REVIEW

The Board and Executive Committee participated in a strategy review session during June 2023. The Minister of Human Settlements, Hon. Mmamoloko Kubayi, was invited to deliver an opening address to set the tone for the discussions on critical matters concerning the organisation.

Key discussions points focused on a 100-day diagnostic presentation of the NHFC by the new CEO and deliberations that were consolidated into themes such as what the company would like to achieve, what it would like to keep, what needs to be eliminated, and what needs to be avoided. The focus and development areas as well as strategic priorities resulting from this process were integrated into the Balanced Score Card.

STAKEHOLDER ENGAGEMENT

The NHFC had an impressive year engaging with its stakeholders.

- Developer and contractor workshops were held in the Eastern Cape, Western Cape and the Free State, and included 1 853 contractors.
- The NHFC participated in the Rand Show exhibition as well as fora such as the NDoHS' Communicators' Forum.

- The organisation also had a presence at the Budget Vote Round Table; the launch of the Maitland Mews development; Presidential Imbizos in Soweto (Gauteng), Chris Hanu (Eastern Cape) and Ministerial Imbizos in Soweto and Giyane (Limpopo), Kromhoek (KwaZulu-Natal); the Women's Indaba in Kimberley (Northern Cape) and Welkom (Free State).
- Awareness raising and business development workshops took place in the Free State with 166 delegates (more than 40% women representation).
- Exhibitions took place at the Residential Investment and Development Conference (800 delegates); the Infrastructure Project Financing Africa Conference (120 delegates); the Masterclass Institute of Human Settlements Practitioners of South Africa (70 delegates); the First Home Finance for North West South African Local Government Association (SALGA); a seminar in collaboration with the Sedibeng District Municipality, its three local municipalities, Mortgage SA, SA Home Loans, Setsmol and Royal Homes Estate Agency (300 delegates); the PPRA event in Vhembe (Limpopo); Institute of People Management Convention, Sun City (North West); Presidential launch of the Northern Cape R1 billion Housing Project; the



- Ministerial handover of houses and title deeds; the Ministerial Imbizo at Harry Gwala (KwaZulu-Natal); Presidential Imbizo in Mpumalanga; the Gauteng province Re Aga Mmogo Summit; the SALGA Property Development Summit; the Institute of Human Settlement Practitioners South Africa Masterclass;
- Engagements on the First Home Finance programme and the wider product and service offerings of the NHFC were held with: the Banking Association of South Africa (BASA) and its member banks; Royal Homes; Traditional Leaders of South Africa; Power FM; private developers/contractors, including KM Construction, Rehauwe Construction and Developers, Matlagolo Homes, Afribiz Construction, Allegiance Properties and ALSA, TrustGro Developers, Mzolo Holdings and Usango Property Management; Merchant and Employer Assisted Housing Schemes; Vodacom; Pam Golding; Lethabong Estate; Lenders such as Abacus Financial Services, MINCAP, and Standard Bank Pension-backed Lending; Wealth Builders Property Experts; Limpopo Human Settlements; Ekurhuleni West Technical and Vocational Education and Training College; GetGo Home Loans; South Deep Gold Mine; AGI Financial Services; Sithebe Realty; Joe Mosetlha Auctioneers and Properties; Xpertise Property Practitioners; Mheshe Attorneys Inc.; Pikitup; Jesten Properties and Auctioneers; the Gauteng Department of Human Settlements; Ngome Housing Company; the SA Housing Club; the Inkosi Ngcobo Trust; the PPRA; Notto SA (Pty) Ltd; the Eastern Cape Department of Human Settlements; the Free State Department of Human Settlements; Mogale City Local Municipality together with representatives of the Independent Municipal and Allied Trade Union and the South African Municipal Workers Union; and Tshwane Metropolitan Municipality.
- Information sessions on First Home Finance were held with members of the GEHS at the following institutions: the Gauteng College of Nursing, King Edward Hospital, the Cradle of Humankind, the South African Health Products Regulatory Authority and the Western Cape Education Department.

- Discussions on First Home Finance were held with the following Community Based Organisations (CBOs) the South African Housing and Property Tertiary Co-operative, FEDURP/Utshani, Letsema Primary Cooperative and Global Change Movement; Mogale City and representatives of the Independent Municipal and Allied Trade Union and the South African Municipal Workers Union; and the Izwi Domestic Worker Alliance.
- An Imbizo was convened which focussed on engaging with designated groups, black developers, and businesses in the built environment. The oversubscribed event (796 attendees) attracted black-owned developers, contractors, and professional firms. Representatives from entities in the human settlements sector were also present. The event successfully communicated the NHFC's funding opportunities and a database was created for pre-screened companies with which the NHFC's established partners can contract for NHFC funded development projects.

STRATEGIC PARTNERSHIPS AND PROGRAMME MANAGEMENT

GAUTENG PARTNERSHIP FUND

The MOU with the Gauteng Partnership Fund (GPF) is a year old. The NHFC and the GPF prioritised areas of focus, one of which is the exploration of core-financing mechanisms around student accommodation – already an area of focus for the GPF. The latter shared preliminary submissions for consideration by a modelling task team, which is also looking at the option of an institutional model of the SPV that will suit the NHFC's preferences. Work is ongoing.

INFRASTRUCTURE FUND

The MOU with the IF was signed at the end of the previous financial year. The Fund has completed the procurement and appointment of transaction advisors to guide the establishment of a social housing financing SPV. The NHFC will join the SPV structuring process from inception to advise on its many lessons learnt. The financing pockets will be made up of short-term bridging finance to fund the construction stages of projects and term financing

that will serve as takeout finance on all projects. The term finance of the SPV is premised on a critical ability to attract private sector financiers.

NATIONAL DEPARTMENT OF HUMAN SETTLEMENTS

DISASTER RECOVERY INTERVENTIONS

The NDoHS has taken upon itself the responsibility to manage response interventions to disasters that befall communities. There has been a growing number of these incidents. Responses to help households and communities recover have had inconsistent and mixed results. The NDoHS is seeking standardisation, predictability, and improvement of performance. To support the NDoHS in achieving more effective disaster responses, entities have been called upon to propose terms on which to contract with the department and sign MOUs. The NHFC and the NHBRC have proposed a tripartite arrangement. However, the NDoHS communicated that it prefers bilateral MOUs with each entity, resulting in a revised MOU being submitted for consideration. The discussions are now in their third round of changes to refine the scope of the MOU.

HOUSING PIPELINE

The department is strengthening efforts to intervene on planned priority projects that have not progressed to implementation stage. This pertains specifically to strengthening institutional arrangements in collaboration with Infrastructure South Africa, the IF and other key role-players.

MOUs SIGNED AND OTHER INITIATIVES

Several initiatives were undertaken or are in progress:

- City of Johannesburg: Discussions around an MOU that will include availing delivery capacity where the City has shortfalls.
- Spearheaded by the University of Johannesburg and the Gauteng City Region Academy and including several parties in Gauteng: Youth training and development initiatives and work

placements opportunities. The programme launched in the third quarter and the NHFC participated throughout the process and in curriculum discussions in December 2023. The programme has its first intake in the 2024 calendar year.

- North West Department of Human Settlements and the Eastern Cape Department of Human Settlements: Several areas of co-operation are being explored.
- Gauteng Provincial Department of Human Settlements and other entities in the Tshwane region: Discussions on how the NHFC could enhance their capacity.
- Eastern Cape Department of Human Settlements: Discussing several areas of possible co-operation through an MOU.
- National African Federation for the Building Industry: The MOU was finalised for co-operation and advocacy to mainstream the utilisation of contractors owned by designated groups and black people.
- European Union and the City of Cape Town: Discussions to aggregate available funding to undertake retrofitting of the existing stock of public housing for energy efficiency. If successful, this will be the third phase of the retrofit programme that the NHFC will be undertaking with the City. Similar discussions are underway with the eThekweni Metro, at the level of sharing notes and models and exploring possible collaborations.



The NHFC had **an impressive year** engaging with its stakeholders.

TABLE 27: MOUS SIGNED DURING 2023/24

PARTNERS WITH SIGNED MOUS/SLAS	DESCRIPTION	CATEGORY	LOCATION (PROVINCE)
1. SA Home Loans	Assists qualifying applicants apply for FHF, mortgage and unsecured housing loans.	Mortgage and unsecured housing loans lender	National
2. Thuthukani Housing Finance	Tripartite partnership entailing Thuthukani providing unsecured loans to MP Construction clients and accessing FHF and MP Construction building homes.	Unsecured housing loans lender	National
3. Mazwe Financial Services	Provides unsecured housing loans to FHF beneficiaries; and assists in subsidy origination and distribution for clients.	Unsecured housing loans provider lender	Cauteng, Eastern Cape, Free State
4. Property Practitioners Regulatory Authority (PPRA)	Supports black property practitioners and raises awareness about FHF through delivery of provincial workshops nationally.	Property regulatory authority	National
5. Nedbank	Originates FHF applications for mortgage and loans clients, receives subsidy payments on behalf of approved beneficiaries in line with First Home Finance Policy.	Mortgage lender	National
6. Standard Bank	Originates FHF applications for mortgage and loans clients, receives subsidy payments on behalf of approved beneficiaries in line with First Home Finance Policy.	Mortgage and pension-backed housing loan lender	National
7. ABSA	Originates FHF applications for mortgage and loans clients, receives subsidy payments on behalf of approved beneficiaries in line with First Home Finance Policy.	Mortgage lender	National
8. Notto SA	Provides support to clients who have improved their credit score apply for FHF as they apply for home loans. The MOU also provides that households in the Rent-to-Own market can be assisted.	Alternative credit bureau	National
9. ABACUS RETAIL FINANCIAL SERVICES (PTY) LTD	Provision of pension backed housing loans and unsecured housing loans to FHF target market; assist in subsidy origination and distribution for clients.	Pension-backed and unsecured housing loans lender	National

TABLE 27: MOUS SIGNED DURING 2023/24 CONTINUED

PARTNERS WITH SIGNED MOUS/SLAS	DESCRIPTION	CATEGORY	LOCATION (PROVINCE)
10. Cashbuild (EAHS and Retail market)	Enables Cashbuild employees and retail market to build first homes. Cashbuild also assists with FHF applications. FHF beneficiaries are also able to access purpose loan from Capitec if they qualify to build their homes - Capitec is not a signatory to the MOU.	Building merchant	National
11. National African Federation for the Building Industry	To advance interest of PDI-owned construction companies, particularly SMMEs.	Federation is keen to be involved in a programme that advances interests of designated group owned contractors, particularly smaller-sized enterprises	National
12. Eastern Cape Department of Human Settlements	Enables co-operation and mutual assistance to deliver sustainable human settlements in both rural and urban areas of the province. It will be implemented through SLAs in respective areas of cooperation.	The MOU covers areas of co-operation and mutual assistance on a shared vision of delivering sustainable human settlements in rural and urban areas of the province	Eastern Cape
13. SHRA	The Memorandum of Understanding (MOU) was an updated version of a previously signed agreement from several years ago. The primary objectives of the MOU was to reinforce both a strategic and operational basis of interaction through clarification of the roles and relationship between the parties. This will ensure efficiencies from co-ordination and collaboration efforts.	Human settlements entity	National

SECTOR TRANSFORMATION INITIATIVES

Sector transformation initiatives aim to increase the penetration and participation of low- to middle-income households and black-owned businesses in the housing market.

The NHFC pays particular attention to the percentage of loans extended that are received by designated groups, including women-, youth-, and disabled-owned companies as well as the percentage of disbursements to designated groups on managed programmes.

RENTAL STOCK PROGRAMME

The NHFC has assisted the City of Cape Town with rental stock repairs and maintenance. The three-year Rental Stock Programme has been concluded and delivered on both pillars of the contract, i.e. helping the City to reduce the backlog in the maintenance and repair of its public rental stock and delivering the scope through an incubator programme of small local contractors. The NHFC's technical team provided technical support, monitoring and mentorship to participating small contractors and all repair work has been completed.

128

Contractors participated in the database for three years, receiving training in collaboration with the NHBRC and securing a constant flow of work while improving their industry track record and marketability, some even securing bigger construction appointments.

WALMER-GQEBERHA PROGRAMME

This programme in Nelson Mandela Bay Metro focuses on the Enhanced Peoples Housing Programme. The main contractor mentored and supported five community-based co-operatives that participated and acquired skills in various construction-related disciplines.

151

Units completed against the target of 170 due to Programme Management. There were no serviced sites available for construction due to invasion by illegal occupants on the project site. This adversely impacted the delivery to achieve the target

SOCIAL RESPONSIBILITY

As a good corporate citizen, the NHFC strives to be responsive to the needs of communities and contribute to their socio-economic development and the stewardship of the natural environment in which it operates. This is achieved through value creation efforts directed at key stakeholders, over time, particularly investment in the development of empowerment projects that uplift communities.

Through CSI initiatives, the NHFC endeavours to build its corporate reputation and brand equity, and create enduring relationships which enhance the business value proposition, gain advantage in capital, labour and customer markets, and positively influence service delivery systems.

To give relevance to the company's CSI projects, the CSI Strategy is structured along four pillars, namely Education and skills development for

ENDURING RELATIONSHIPS THAT IMPROVE THE LIVES OF SOUTH AFRICANS



CORPORATE REPUTATION AND BRAND EQUITY

Figure 11: The four pillars of the NHFC's CSI Strategy

change; Partnering for the greater good; Building communities from the ground up; and Employee support and involvement.

The NHFC implemented several social responsibility projects during the reporting year, including:

- The Emfuleni Women’s Month project entailed donating blankets to a women-based organisation.
- The Wendy Houses project saw these houses donated to an early childhood development institution in Gqeberha, for use as a library. Students in the community are encouraged to assist young learners with reading etc.
- The Johannesburg Children’s Home received a donation of toiletries.
- The NHFC sponsored the construction of a fully furnished home for a destitute family in the Northern Cape. This family had been enduring dire living conditions in a dilapidated structure lacking basic amenities such as water, electricity, and sanitation. The existing house, dating back to the early 1960s, had suffered from a lack of maintenance over the years. In response, the NHFC vowed to rebuild the residence, adhering to a 40 m² BNG standard. The Minister of Human Settlements, Hon. Mmamoloko Kubayi, and the Northern Cape MEC for Co-operative Governance, Human Settlements, and Traditional Affairs, Mr Bentley Vass, officially handed over the new home during the 16 Days of Activism Campaign.
- A school in Gqeberha is benefitting from the installation of ablution facilities and two schools in that region benefited from the provision of computers.

- A House Build project in KwaZulu-Natal that will benefit a family is in progress.
- Two houses destroyed by fires in New Rest, Gugulethu, are being rebuilt to benefit a family and an elderly lady.

2.7 NATURAL CAPITAL

The NHFC is very aware of its impact on the natural resources of South Africa which are in limited supply. It depends on certain natural resources such as water and electricity both directly within our operations and indirectly via our value chain. The move to a hybrid approach to work has assisted the company to take advantage of existing structures as opposed to building new premises which can negatively affect the environment. Water conservation and waste management strategies, while informal, are communicated to staff through signage in the leased offices.

The company has cut its costs for electricity and water by critically reviewing the actual space required for operations. Electricity costs for its Gauteng operations amounted to R460 487.30 for the reporting year – a significant decrease from R1 527 114.19 in 2022/23. Water costs decreased from R58 109.99 in 2022/23 to R18 444.17 in 2023/24. Electricity costs for the Port Elizabeth operations (Africorp) totalled R60 864.44 in 2023/24, a slight increase from R54 534.00 in the previous financial year. Water costs decreased marginally from R3 590.98 in 2022/23 to R3 278.73 in 2023/24. The NHFC intends to track the costs and use of natural resources in the future.



2.8 QUANTITATIVE PERFORMANCE OF NHFC PROGRAMMES

PROGRAMME 1: ADMINISTRATION

Programme purpose: To provide strategic leadership, management, and support services to the entity.

Contribution to institutional outcomes: This programme contributes to Outcome 1: Functional, Efficient and Integrated Government.

TABLE 28: ADMINISTRATION ACHIEVEMENTS

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2021/22	AUDITED ACTUAL PERFORMANCE 2022/23	PLANNED ANNUAL TARGET 2023/24	ACTUAL ACHIEVEMENT 2023/24	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2023/24	REASONS FOR DEVIATIONS
FUNCTIONAL, EFFICIENT AND INTEGRATED GOVERNMENT	Risk Management Report	Percentage implementation of the approved Risk Management Plan	100% implementation of the approved Risk Management Plan	100% implementation of the approved Risk Management Plan	100% implementation of the approved Risk Management Plan	100% implementation of the approved Risk Management Plan	None	Target achieved.
		Percentage procurement spent on businesses owned by women	New indicator	8% spent on businesses owned by women	40% spent on businesses owned by women	38% spent on businesses owned by women	(2%)	Target not achieved Most expenditure was still on old contracts that were concluded before the implementation of the Specific Goals, this will improve once the organisation starts spending on new contracts that were evaluated using the specific goals criteria during the procurement process. Specific goals criteria was introduced during the year under review.
	Designated Groups Expenditure Reports	Percentage procurement spent on businesses owned by the youth	New indicator	0.72% spent on businesses owned by the youth	16% spent on businesses owned by the youth	16% procurement spent on businesses owned by the youth	None	Target achieved
		Percentage of procurement budget spend on businesses owned by people with disabilities	New indicator	0% spent on businesses owned by persons with disabilities	5% procurement spend on businesses owned by persons with disabilities	2% procurement spend on businesses owned by persons with disabilities	(3%)	Target not achieved. There are few service providers on the CSD who are registered for commodities that the NHFC procures.
	Audit outcome	Percentage of procurement budget spend on businesses owned by military veterans	New indicator	0% spent on businesses owned by military veterans	5% procurement spend on businesses owned by military veterans	1% procurement spend on businesses owned by military veterans	(4%)	Target not achieved. There are few service providers on the CSD who are registered for commodities that the NHFC procures.
		Unqualified audit opinion with no material findings	Unqualified audit opinion overall (2020/21)	Unqualified audit opinion with material findings (2021/22)	Unqualified audit opinion with no material findings (2022/23)	Unqualified audit opinion with a finding on compliance with applicable legislation (2022/23)	A material finding on compliance with applicable legislation	Target not achieved. Non-compliance finding on expenditure management.
	Jobs created	Number of learners hired into learnership programmes	New indicator	New indicator	10 Learners hired into learnership programmes	11 learners hired into learnership programmes	1	Target exceeded

PROGRAMME 1: STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

NHFC will invite service providers to register on its procurement database. We will also engage interest groups such as military veterans' association, people living with disability, woman, and youth to encourage them to register on NHFC procurement database.

PROGRAMME 2: INTEGRATED HUMAN SETTLEMENTS PLANNING AND DEVELOPMENT

Programme purpose: To contribute to the development of policy, planning and research in the creation of sustainable and integrated human settlements, oversee the delivery of the Integrated Residential Development Programme, and participate in coordination of intergovernmental partnerships with stakeholders.

Sub-programmes: 2a: Strategic Partnerships and Programme Management
2b: Lending (Subsidy Housing Finance)

Programme purpose: Contribute to the development of policy, planning and research in the creation of sustainable and integrated human settlements, oversee the delivery of the integrated residential development programme, and participate in coordination of intergovernmental partnerships with stakeholders.

Contribution to institutional outcomes: Programme 2 contributes to Outcome 2: Improved delivery of affordable housing. Sub-programme 2a also contributes to Outcome 3: Increased access to affordable finance to enable end-users to have appropriate, spatially just, and adequate housing, and Outcome 4: Increased penetration and participation of low- to middle-income households and black-owned businesses in the housing market.

TABLE 29: SUB-PROGRAMME 2A – STRATEGIC PARTNERSHIPS AND PROGRAMME MANAGEMENT ACHIEVEMENTS

OUTCOMES	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2021/22	AUDITED ACTUAL PERFORMANCE 2022/23	PLANNED ANNUAL TARGET 2023/24	ACTUAL ACHIEVEMENT 2023/24	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2023/24
INCREASED PENETRATION AND PARTICIPATION OF LOW-TO MIDDLE-INCOME HOUSEHOLDS AND BLACK-OWNED BUSINESSES IN THE HOUSING MARKET	Increased focus on extension of funding to previously disadvantaged intermediaries	Number of MOUs signed	New indicator	New indicator	Sign three (3) new MOUs	Twelve (12) MOUs were signed during the year with various partners	9
	REASONS FOR DEVIATIONS						
	Target exceeded						

TABLE 30: SUB-PROGRAMME 2B – LENDING (SUBSIDY HOUSING FINANCE) ACHIEVEMENTS

OUTCOMES	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2021/22	AUDITED ACTUAL PERFORMANCE 2022/23	PLANNED ANNUAL TARGET 2023/24	ACTUAL ACHIEVEMENT 2023/24	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2023/24
IMPROVED DELIVERY OF AFFORDABLE HOUSING	Disbursement of approved loans	Value of approvals (R'm): Subsidy Housing - Bridging Finance	114	29	58	89	31
		REASONS FOR DEVIATIONS					
Target exceeded by R31 million, as a result of the R45 million approved in Q1.							

PROGRAMME 2: STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

There was no underperformance in either the Strategic Partnerships and Programme Management sub-programme or the Lending (Subsidy Housing Finance) sub-programme in the financial year.



Gauteng — Fleurhof

PROGRAMME 4: RENTAL AND SOCIAL HOUSING PROGRAMME

Programme purpose: Promote the provision of affordable rental housing and develop capabilities in the rental housing sector through intergovernmental collaboration.

Contribution to institutional outcomes: Programme 4 contributes to Outcome 2: Improved delivery of affordable housing through the approval and disbursement of finance for Social Housing and Private Rental Housing.

TABLE 31: RENTAL AND SOCIAL HOUSING ACHIEVEMENTS

OUTCOMES	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2021/22	AUDITED ACTUAL PERFORMANCE 2022/23	PLANNED ANNUAL TARGET 2023/24	ACTUAL ACHIEVEMENT 2023/24	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2023/24	
IMPROVED DELIVERY OF AFFORDABLE HOUSING	DISBURSEMENT OF APPROVED LOANS	Value of disbursements (R'm) Social Housing Finance (R'm)	70	152	65	16	(49)	
		REASONS FOR DEVIATIONS						
		Target not met by R49 million. A Cape Town project and a JHB West project completed construction earlier than forecasted, which created a shortfall for both Q1 and Q2 disbursements. Furthermore, a Cape Town project approved in 2022 and scheduled to start disbursements in October 2023 through to 2024/25 has experienced delays in obtaining Social Housing Regulatory Authority (SHRA) project accreditation. This has created a shortfall in the current year's disbursements.						
		Value of approvals (R'm): Social Housing Finance	216	74	200	91	(109)	
		REASONS FOR DEVIATIONS						
		Target not met by R109 million. The Social Housing Model is challenged and not financially viable in the current interest rate environment. This compromised a Social Housing leads pipeline of R377 million. Recommendations were made to restructure the product, as well as review the modelling parameters which had minimal impact on project viability. SHRA pipeline has been similarly challenged with limited project accreditation during the course of the year, as a result of managing over commitment to their allocated budget. This has necessitated an alignment between the SHRA, provinces and debt providers on managing shovel ready provincial pipelines in relation to allocated budgets.						
		Value of approvals (R'm): Private Rental Housing Finance	173	206	185	65	(120)	
		REASONS FOR DEVIATIONS						
		Target not met by R120 million. The Private Rental Housing Model is challenged and not financially viable in the current interest rate environment. Recommendations were made to restructure the product, as well as review the modelling parameters which had minimal impact on project viability. Equity and quasi-equity instruments were also being reviewed in the quarter as these have not been adequate to address the product viability challenges. R243 million debt transactions underwent full due diligence with only R65 million approved.						

PROGRAMME 4: STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

The current high interest rates have had a detrimental effect on the NHFC's long-term products viability. A concerted effort has been made to address the challenges around viability, transformation and capacity of entrepreneurs, SHIs and ODAs. Several initiatives are underway to ensure a performance turnaround in the new financial year, including the following improvement initiatives:

EQUITY AND HYBRID EQUITY REVIEW

The Strategic Finance division is reviewing its role in the value chain and the equity instruments it uses to improve the commercial viability of projects, particularly for emerging entrepreneurs that have limited equity contributions for projects. This process will include an external benchmark to assess pricing and fit-for-market design of the current equity and hybrid instruments.

CREDIT MODEL REVIEW

A review of the organisation's credit policies is underway and will inform the Risk Appetite Statement that will be presented to the Board for approval. The modelling parameters for all products were extensively reviewed and operationalised in the last quarter, which will enhance the assessment of each product, commercial viability and improve the entire portfolio's loan book quality.

ENHANCED DEBT FEATURES

Enhanced debt features aim to de-risk projects by sculpting project cashflow forecasts for the benefit of the NHFC as a senior lender. These features will not only de-risk projects but improve pricing and commercial viability. The features will include:

- **Cash sweeping mechanisms:** Excess cash flows in projects will automatically reduce debt, prioritising payments to the NHFC as a senior debt funder
- **Step-up instalments:** Projects with longer cashflow horizons will have the benefit of lower instalments in the first five years which will then escalate and thereby increase the cash available to service debt over time
- **Step-up pricing:** Interest rates will increase over time so that the finance costs for projects are tailored to growing cashflows over the life of the project and debt term.



.....

Enhanced debt features aim to de-risk projects by sculpting project cashflow forecasts for the **benefit of the NHFC as a senior lender.**

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PROGRAMME 5: AFFORDABLE HOUSING PROGRAMME

Programme purpose: Provision of affordable housing finance.

Sub-programmes:

- 5a: Grant facilitation
- 5b: Affordable Housing Finance
- 5c: Sector Transformation

Programme purpose: Provision of affordable housing finance.

Contribution to institutional outcomes: This programme contributes to Outcome 2: Improved delivery of affordable housing, Sub-programme 5a also contributes to Outcome 3: Increased access to affordable finance to enable end-users to have appropriate, spatially just, and adequate housing. Sub-programme 5c has an increased focus on the extension of funding to designated groups in line with Outcome 4.



TABLE 32: SUB-PROGRAMME 5A – GRANT FACILITATION (FIRST HOME FINANCE) ACHIEVEMENTS

OUTCOMES	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2021/22	AUDITED ACTUAL PERFORMANCE 2022/23	PLANNED ANNUAL TARGET 2023/24	ACTUAL ACHIEVEMENT 2023/24	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2023/24	
IMPROVED DELIVERY OF AFFORDABLE HOUSING	DISBURSEMENTS OF FLISP SUBSIDIES	Number of subsidy applications approved	2 935	4 283	4 615	4 391	(224)	
		REASONS FOR DEVIATIONS						
		Target not met. Fewer number of applications were processed in the year due to challenges with the system for conducting database searches and incomplete applications, resulting in about 423 applications not being finalised by the end of March 2024.						
		Value of approvals (R'm) – First Home Finance Grant	166	286	300	415*	115	
		REASONS FOR DEVIATIONS						
Target exceeded								
INCREASED ACCESS TO AFFORDABLE FINANCE TO ENABLE END- USERS TO HAVE APPROPRIATE, SPATIALLY JUST AND ADEQUATE HOUSING	DISBURSEMENTS OF FLISP SUBSIDIES	Value of disbursements (R'm) – First Home Finance Grant	173	221	240	315	75	
		REASONS FOR DEVIATIONS						
		Target exceeded						
		Number of subsidies disbursed	3 268	4 107	3 692	4 623	931	
		REASONS FOR DEVIATIONS						
		Target exceeded						
		Amount leveraged from private sector (R'm)	1 519	2 260	1 760	1 901	141	
		REASONS FOR DEVIATIONS						
Target exceeded								

* Following recalculation after audit finding the recalculated Value of Approvals for the year is R398 million. This value was not audited and is included in this report for transparency purposes about the actual achievement.

TABLE 33: SUB-PROGRAMME 5B – AFFORDABLE HOUSING FINANCE ACHIEVEMENTS

OUTCOMES	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2021/22	AUDITED ACTUAL PERFORMANCE 2022/23	PLANNED ANNUAL TARGET 2023/24	ACTUAL ACHIEVEMENT 2023/24	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2023/24	
IMPROVED DELIVERY OF AFFORDABLE HOUSING	DISBURSEMENTS OF APPROVED LOANS	Value of consolidated disbursements (R'm) – Affordable Housing products	942	821	733	389	(344)	
		REASONS FOR DEVIATIONS						
		Target not met by R344 million. Private Rental's Four transactions which were forecasted to have begun disbursing in the Quarter, did not reach this milestone, due to construction delays and inability to meet CP's within the provided timeframes. Similarly, with Bridging Affordable transactions forecasted to disburse, client unable to meet Conditions Precedent in the expected timeline. Additionally, there has been a significant decline in disbursements on active projects by two Western Cape projects in Gordons Bay and Bluedowns, and Bellville due to challenges that are informed by the affordability of the end user which results in a slow market take-up of the completed units. To counter standing stock, developers are slowing down on the construction pace in response to the low performance of the market, which contributes to a slower disbursement pace. Two approved Incremental facilities of R50 million and R150 million were expected to draw within Q1 - Q4, however, covenant deadlock on the R150 Million facility between NHFC and the client has hampered disbursement progress which compromised the disbursement target.						
		Value of disbursements (R'm) – Strategic Investments	35	9	61	8	(53)	
		REASONS FOR DEVIATIONS						
		Target not achieved Currently only two clients are drawing from the NHFC Strategic Investments unit due to low pipeline of approved facilities. IHS had not started with project implementation (development) to enable drawdown for capital expenditure requirements.						
		Value of Approvals. Affordable Housing (R'm) – Bridging Finance	613	434	456	338	(118)	
		REASONS FOR DEVIATIONS						
		Targets not achieved by R118 million. There were transactions of R439 million which underwent due diligence, with only R338 million approved.						

TABLE 33: SUB-PROGRAMME 5B – AFFORDABLE HOUSING FINANCE ACHIEVEMENTS CONTINUED

OUTCOMES	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2021/22	AUDITED ACTUAL PERFORMANCE 2022/23	PLANNED ANNUAL TARGET 2023/24	ACTUAL ACHIEVEMENT 2023/24	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2023/24
IMPROVED DELIVERY OF AFFORDABLE HOUSING	VALUE OF APPROVED LOANS	Affordable Housing (R'm) – Incremental Housing Finance	61	200	208	0	(208)
		REASONS FOR DEVIATIONS					
		Target not met by R208 million. Two applications valued at R45 million underwent a due diligence, none of which were approved due to the quality of the existing debtors' book, and product specific security risk.					
		Affordable Housing (R'm)– Strategic Investments	310	46	99	21	(78)
		REASONS FOR DEVIATIONS					
The target for the year was not achieved. Assessment, deal structuring and closing of deals are protracted, few bankable deals are moving from stage 2 (pre-assessment) to stage 4 (approval).							

Explanatory note: The value of consolidated disbursements – Affordable Housing products output indicator includes the disbursements for Private Rental Housing Finance (previously in programme 4) and Affordable Housing – Bridging Finance. Strategic Investments, which were previously an independent sub-programme have been consolidated into the Affordable Housing Finance sub-programme.

TABLE 34: SUB-PROGRAMME 5C – SECTOR TRANSFORMATION ACHIEVEMENTS

OUTCOMES	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2021/22	AUDITED ACTUAL PERFORMANCE 2022/23	PLANNED ANNUAL TARGET 2023/24	ACTUAL ACHIEVEMENT 2023/24	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2023/24
INCREASED PENETRATION AND PARTICIPATION OF LOW- TO MIDDLE-INCOME HOUSEHOLDS AND BLACK-OWNED BUSINESSES IN THE HOUSING MARKET	INCREASED FOCUS ON EXTENSION OF FUNDING TO PREVIOUSLY DISADVANTAGED INTERMEDIARIES	Value of disbursements (R'm) targeted towards designated groups	124	274	319	82	(237)
		REASONS FOR DEVIATIONS					
		Target not met by R237 million. Target not met as designated groups, make up a modest percentage of the approved and already committed pipeline disbursing. However, the current Black Economic Empowerment lending and investment guidelines will stimulate participation of designated groups in the sector and in the NHFC pipeline.					
		Value of disbursements (R'm) targeted towards B-BBEE compliant companies - Level 4, 3, 2, 1 Contributors	367	668	239	377	138
		REASONS FOR DEVIATIONS					
Target exceeded by R138 million. Target exceeded due to a drive by NHFC over the past 12 months to encourage compliance by clients. Initiatives are therefore starting to demonstrate positive results.							

TABLE 34: SUB-PROGRAMME 5C – TRANSFORMATION ACHIEVEMENTS CONTINUED

OUTCOMES	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2021/22	AUDITED ACTUAL PERFORMANCE 2022/23	PLANNED ANNUAL TARGET 2023/24	ACTUAL ACHIEVEMENT 2023/24	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2023/24	
INCREASED PENETRATION AND PARTICIPATION OF LOW- TO MIDDLE-INCOME HOUSEHOLDS AND BLACK-OWNED BUSINESSES IN THE HOUSING MARKET	INCREASED FOCUS ON EXTENSION OF FUNDING TO PREVIOUSLY DISADVANTAGED INTERMEDIARIES	Value of disbursements targeted towards black-owned entities (R'm)	New indicator	248	239	66	(173)	
		REASONS FOR DEVIATIONS						
		Target not met by R173 million. The target was not met as 51% of black-owned transactions, make up a modest percentage of the approved and already committed pipeline disbursing. Debt in isolation cannot support the startup transactions which require Incubation, technical and equity support, intended to be in place in the next financial year.						
		Value of payments (R'm) to designated group owned contractors	31	54	75	50	(25)	
		REASONS FOR DEVIATIONS						
		Target not met by R25 million. The contractor incubator programme came to an end during the financial year and the bulk of the disbursement projections were based on it, this affected the disbursements of funds.						
		Number of SMMEs appointed on managed programmes	New indicator	New indicator	128	128	None	
		REASONS FOR DEVIATIONS						
		Target met						
		Percentage implementation of multi-year incubator programme plan	New indicator	New indicator	50% implementation of incubator programme multi-year plan	0% implementation	(50%)	
REASONS FOR DEVIATIONS								
Target not met. This indicator was changed and expanded during the year. The scope of the incubator programme was refined to include existing clients that require the support of the programme. Procurement process for the appropriate support capabilities was started.								

PROGRAMME 5: STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

A concerted effort has been made to address the challenges around viability, transformation and capacity of entrepreneurs, SHIs and ODAs. Several initiatives are underway to improve performance in the new financial year, however, key to performance improvement is the finalisation of the incubator programme which is imminent. It can then contribute positively to transformation of the Bridging Affordable, and Incremental products.

The incubator programme will support emerging entrepreneurs with a specific focus on black women and youth entrepreneurs. The programme will help to de-risk projects sponsored by emerging entrepreneurs with limited experience by providing mentorship during construction. This is aligned with the NHFC's ambition to transform the sector and become a catalyst within the human settlements value chain.

PART C:





1. INTRODUCTION

CORPORATE GOVERNANCE CONCERNS THE PROCESSES AND SYSTEMS BY WHICH THE NHFC IS DIRECTED, CONTROLLED, AND HELD TO ACCOUNT.



In addition to legislative requirements based on the company's applicable legislation, corporate governance is applied through the precepts of the PFMA, in tandem with the principles contained in the King IV Report on Corporate Governance®.

The King IV® reporting principles advocate an outcome-based approach, and define corporate governance as the exercise of ethical and effective leadership towards the achievement of the following governance outcomes:

- Ethical culture
- Good performance
- Effective control
- Legitimacy.

The application of King IV® is based on an apply and explain basis. The practices underpinning the principles are entrenched in the NHFC's internal controls, policies, and procedures that govern its

corporate conduct. From a materiality perspective, the Board is satisfied that, in the main, the NHFC has applied the principles set out in King IV®.

2. EXECUTIVE AUTHORITY

The Minister of Human Settlements is the Executive Authority of the NHFC. The Board reports formally to the NDoHS on a quarterly basis and the Chief Executive Officer, as well as the Chairperson, meet periodically with the Minister.

All reporting is submitted to the Executive Authority as per PFMA prescripts.

3. THE NHFC BOARD

(Refer to Part A, Section 8 for a list of Board members, their qualifications and expertise.)

3.1 INTRODUCTION

As the Accounting Authority, the Board provides leadership, vision, and strategic direction to enhance

shareholder value and ensure the NHFC's long-term sustainability and growth.

The Board is committed to the principles of openness, transparency, integrity, and accountability as advocated in the King IV Report on Corporate Governance® (King IV®). It is the responsibility of the Board to develop and oversee the execution of the strategy and monitor performance against the Annual Performance Plan (APP).

All directors have unrestricted access to the Chairperson of the Board, the CEO, the Company Secretary, and executive management team, should they require additional information (outside of that provided in the meeting packs) in discharging their duties.

Directors may seek additional independent professional advice concerning the affairs of the company in line with the protocol for obtaining independent, external professional advice as approved by the Board.

Succession planning ensures continuity and maintaining the correct mix of expertise. As a result, composition of the Board committee are reviewed annually to ensure that intellectual capacity and experience are continued at all levels. Where skills gaps are identified, expert advice is sought from the market to augment the Board and its committees' capacity to ensure informed decision-making.

3.2 THE ROLE OF THE BOARD

The Board discharges its responsibility within the powers set out in its Memorandum of Incorporation and through its Board committees. The Board delegates management of day-to-day operations to the CEO, who is assisted by the Executive Committee and its subcommittees. Although operational responsibilities are delegated to these committees and to the executive management team, the Board remains accountable to the NDoHS.

3.3 SHAREHOLDER COMPACT

The Shareholder Compact is a concise overview of the roles, functions, responsibilities and powers of the Board and the shareholder and is reviewed annually. Through the Shareholder Compact, the Board undertakes to manage the company by:

- Approving the company strategy, the APP, Strategic Plan, and budget.
- Observing the legitimate interests of the shareholder.
- Monitoring operational and financial performance to ensure that the required control systems are in place.

- Reviewing the Delegation of Authority Policy.
- Determining and nurturing the moral, ethical, and transformational culture of the company by formulating guidelines and policies that encourage the participation of management, staff, and stakeholders in decision-making processes.
- Supporting a culture of innovation and initiative throughout the company as well as with its clients and stakeholders, and ensuring that all technology systems in place are adequate to guarantee effective and efficient performance.
- Monitoring the socio-economic and ethical compass of the NHFC and its interaction with its clients and stakeholders.
- Monitoring the implementation of transformation objectives and commitment to women-managed programmes.

3.4 BOARD CHARTER

The Board is regulated by its charter which sets out the parameters within which the Board should operate. The charter defines the powers, roles, and governance responsibilities of the Board. The Board Charter is reviewed annually to ensure the Board's effective functioning and continued fulfilment of the requirements of the charter.

The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

3.5 COMPOSITION OF THE BOARD

The Minister of Human Settlements appoints the non-executive directors of the Board for a period of three years. The Memorandum of Incorporation provides that one-third of the longest-serving non-executive directors automatically retire at the company's Annual General Meeting (AGM). These directors may make themselves available for re-election for a further period of three years. The Minister, as the shareholder, confirms such reappointment. The Memorandum of Incorporation provides for a maximum of 12 and a minimum of eight (8) members. During the period under review, the Board comprised 12 members, one of whom is the CEO. The CEO is an Executive Director, appointed by the Board in concurrence with the Minister. The CEO is accountable to the Board.

There is a good balance of knowledge, experience, and skills on the Board. The majority of directors are independent and not involved in the day-to-day running of the business of the NHFC.

TABLE 35: BOARD COMPOSITION AND MEETING

ATTENDANCE

NAME	DESIGNATION	DATE APPOINTED	DATE RESIGNED	OTHER COMMITTEES	NO. OF BOARD MEETINGS ATTENDED
Luthando Vutula	Chairperson and Non-Executive Director	29 March 2022	N/A	<ul style="list-style-type: none"> Chairperson – Directors' Affairs Committee 	14/14
Seithati Bolipombo	Non-Executive Director	29 March 2022	N/A	<ul style="list-style-type: none"> Chairperson – Board Credit and Investment Committee Directors' Affairs Committee Audit Committee 	14/14
Tembinkosi Bonakele	Non-Executive Director	29 March 2022	N/A	<ul style="list-style-type: none"> Chairperson – Human Capital Committee Directors' Affairs Committee Information Technology and Risk Committee Impact, Social and Ethics Committee 	14/14
Thembi Chiliza	Non-Executive Director	29 March 2022	N/A	<ul style="list-style-type: none"> Audit Committee Human Capital Committee 	14/14
Velile Dube	Non-Executive Director	29 March 2022	N/A	<ul style="list-style-type: none"> Chairperson – Information Technology and Risk Committee Directors' Affairs Committee Human Capital Committee Impact, Social and Ethics 	8/14

NAME	DESIGNATION	DATE APPOINTED	DATE RESIGNED	OTHER COMMITTEES	NO. OF BOARD MEETINGS ATTENDED
Paul Heeger	Non-Executive Director	29 March 2022	N/A	<ul style="list-style-type: none"> Chairperson – Impact, Social and Ethics Committee Directors' Affairs Committee Board Credit and Investment Committee Information Technology and Risk Committee 	14/14
Palesa Kadi	Non-Executive Director	29 March 2022	N/A	<ul style="list-style-type: none"> Audit Committee Human Capital Committee Information Technology and Risk Committee Impact, Social and Ethics Committee 	9/14
Tshepiso Kobile	Non-Executive Director	29 March 2022	N/A	<ul style="list-style-type: none"> Board Credit and Investment Committee Impact, Social and Ethics Committee 	14/14
Thulani Mabaso	Non-Executive Director	29 March 2022	N/A	<ul style="list-style-type: none"> Board Credit and Investment Committee Impact, Social and Ethics Committee 	10/14
Philisiwe Mthethwa	Non-Executive Director	29 March 2022	N/A	<ul style="list-style-type: none"> Chairperson – Audit Committee Directors' Affairs Committee Board Credit and Investment Committee 	10/14
Aeysha Seedat	Non-Executive Director	29 March 2022	N/A	<ul style="list-style-type: none"> Board Credit and Investment Committee Impact, Social and Ethics Committee 	14/14
Azola Mayekiso	Chief Executive Officer and Executive Director	1 March 2023	N/A	<ul style="list-style-type: none"> Impact, Social and Ethics Committee 	14/14

3.6 MEETINGS OF THE BOARD

The Board meets quarterly for formally scheduled meetings, and in addition, meets to approve the Annual Financial Statements, the APP, and other special business as may be required from time to time. The shareholder may call for further meetings if deemed necessary.

The chairpersons of the respective Board committees report back to the Board at the quarterly Board meetings. The attendance record at Board meetings for the period under review is reflected in Table 35.

3.7 REMUNERATION OF THE BOARD

Remuneration of Board members is determined by the Board and approved by the Shareholder. The current Board remuneration has not been increased since the Board joined the NHFC in March 2022. The Board adopted the rates that were paid to the previous Board.

Members who are employees of state owned companies and Government departments are not eligible for remuneration.

Expenses incurred for travel to and from meetings is covered by the retainer that is payable quarterly. Air travel to and from meetings held in Johannesburg, for members staying out of town is paid out of travel expenses budget. The retainer also covers preparation for meetings, meetings with the Shareholder, attendance at training workshops and budget votes.

3.8 BOARD COMMITTEES

All Board committees are chaired by non-executive directors of the Board and have clearly defined terms of reference, which set out the specific responsibilities delegated to them by the Board. These are reviewed annually to ensure alignment with the NHFC's mandate and strategic objectives from the shareholder, applicable legislation and regulations, governance standards and to take account of prevailing underlying conditions in the human settlements sector.

Members of the executive management team attend committee meetings by invitation. Such attendance provides committees with an additional perspective on agenda items where necessary. It enables the non-executive directors to make well-informed decisions, give clear and strategic direction, and receive further information where required. Guidance is also taken from external professional institutions and service providers, which collectively issue position papers, professional opinions, research findings, and guidelines that are used to assist the NHFC with implementation of, and compliance with, various relevant statutes.

TABLE 36: BOARD COMMITTEES' MEETINGS AND MEMBERS

COMMITTEE NAME	COMMITTEE MEMBERS	MEETINGS HELD AND ATTENDANCE
Directors' Affairs Committee	L Vutula (Chairperson)	6/6
	T Bonakele	5/6
	S Bolipombo	6/6
	V Dube	3/6
	P Heeger	5/6
	P Mthethwa	4/6
Audit Committee	P Mthethwa (Chairperson)	9/10
	S Bolipombo	9/10
	T Chiliza	10/10
	P Heeger	9/10
	P Kadi	5/10

COMMITTEE NAME	COMMITTEE MEMBERS	MEETINGS HELD AND ATTENDANCE
Board Credit and Investment Committee	S Bolipombo (Chairperson)	10/10
	T Kobile	10/10
	P Mthethwa	2/10
	P Heeger	9/10
	T Mabaso	7/10
	A Seedat	9/10
Human Capital Committee	T Bonakele (Chairperson)	13/14
	T Chiliza	14/14
	V Dube	9/14
	P Kadi	8/14
	T Thankge*	4/14
Information Technology and Risk Committee	V Dube (Chairperson)	3/4
	P Kadi	3/4
	T Bonakele	3/4
	P Heeger	4/4
Impact, Social and Ethics Committee	P Heeger (Chairperson)	4/4
	T Bonakele	4/4
	V Dube	1/4
	T Kobile	2/4
	T Mabaso	2/4
	A Seedat	4/4
	P Kadi	1/4
	A Mayekiso+	4/4

* Independent external advisor co-opted to the Human Capital Committee and appointed for a three year contract effective 9 December 2023

+ CEO

TABLE 37: BOARD COMPLIANCE WITH TERMS OF REFERENCE

BOARD AND DIRECTORS					
REGULATORY REQUIREMENT	BOARD	SUBMITTED		DATE OF	RESPONSIBLE PERSON
King IV® Principle 2 Companies Act – S 66 Principle 2.18 PFMA – S 49	Shareholder mandates/ compacts	Yes		Submitted on 13 August 2023. First draft for 2023/24 FY submitted on 31 January 2024.	Company Secretary
	Annual Board Charters with duties and responsibilities of directors	Yes		31 March 2024	Company Secretary
BOARD COMPOSITION					
REGULATORY REQUIREMENT	REQUIREMENT	NUMBER	GENDER	RACE	COMMENT
King IV® Principles 7 and 8 Companies Act – S 66 Principle 2.18 PFMA – S 49	What is the minimum number of directors on the Board?	12	See Table 38	See Table 38	12 directors appointed
	Does the Board consist of both executive and non-executive directors?				Yes
	What is the number of non-executive directors?	11			
	What is the number of independent directors on the board?	11	See Table 38	See Table 38	

BOARD APPOINTMENT DATES

DIRECTORS	DATE OF APPOINTMENT	END OF CONTRACT	GENDER	RACE	COMMENT
List of executive directors	1 March 2023	29 February 2028	Female	Black	
List of non-executive directors	29 March 2022	31 March 2025	See Table 38	See Table 38	

OTHER BOARD MATTERS

OTHER BOARD MATTERS	YES	NO	COMMENT
Does the Board elect annually an independent non-executive Director as Chairperson?	See comment		The Chairperson is nominated by the Minister and confirmed by the Board.
Is there a rotation policy on the appointment of the Chairperson?	See comment		The Chairperson is nominated by the Minister and may rotate according to the Minister's instructions.
Does the Board act in the best interest of the entity (including the management of conflict of interest)?	Yes		
Does the Board appoint the CEO, establish delegation of authority, evaluate the CEO's performance, and ensure a succession plan for CEO and Senior Executives?	Yes		The Board appoints the CEO in concurrence with the Minister.
Are the CEO and Chairperson positions separate?	Yes		
Are the long-serving Board members (+9 yrs.) assessed annually for independence and is this reported?	See comment		There are none.

TABLE 38: GENDER AND RACE OF NON-EXECUTIVE DIRECTORS

NON-EXECUTIVE DIRECTOR	DATE OF APPOINTMENT	END OF CONTRACT	GENDER	RACE
Mr L Vutula (Board Chairperson)	29 March 2022	March 2025	Male	Black
Ms S Bolipombo	29 March 2022	March 2025	Female	Black
Mr T Bonakele	29 March 2022	March 2025	Male	Black
Ms T Chiliza	29 March 2022	March 2025	Female	Black
Mr V Dube	29 March 2022	March 2025	Male	Black
Mr P Heeger	29 March 2022	March 2025	Male	White
Ms P Kadi	29 March 2022	March 2025	Female	Black
Ms T Kobile	29 March 2022	March 2025	Female	Black
Mr T Mabaso	29 March 2022	March 2025	Male	Black
Ms P Mthethwa	29 March 2022	March 2025	Female	Black
Ms A Seedat	29 March 2022	March 2025	Female	Indian

TABLE 39: BOARD COMMITTEES' ADHERENCE TO TERMS OF REFERENCE

BOARD COMMITTEES					
REGULATORY REQUIREMENT	ORIENTATION AND CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS	YES	NO	DATE CONDUCTED/ COMMENTS	NUMBER OF PARTICIPANTS
King IV® Principles 7 and 8	Is there an established Orientation Programme?	Yes		A formal induction was conducted for the Board on 13 April 2022.	All directors
	Is there a mentorship programme for new or inexperienced Directors?		No	The NHFC directors have the necessary competence to discharge their responsibilities to provide strategic direction and control of the company. A formal Board evaluation to identify gaps, support continued performance improvement and to inform mentorship programmes, training and development where necessary, and concluded during the year under review.	All directors
	Does the Board ensure compliance with all applicable laws and binding rules, codes, and standards?	Yes		The Board ensures and monitors compliance with applicable laws through the Audit Committee and Information Technology and Risk Committee.	
	Is there any Charter on the duties and responsibilities of directors?	Yes		The Board is regulated by the charter and its committees are regulated by terms of reference, which set the parameters within which they operate by defining their powers, roles and governance responsibilities, and membership requirements. The Board charter and the committee terms of reference are reviewed annually.	
	Are there update briefings on new laws, regulations and changing risks?	Yes		The Board is kept abreast of changes to applicable laws and regulations.	

BOARD MEETINGS

REGULATORY REQUIREMENT	BOARD MEETINGS	YES	NO	NUMBER OF ATTENDEES	COMMENT
Companies Act – S 73	How many Board meetings are held per quarter?	1			The Board held special meetings as required.
	Was a quorum formed?	Yes			
	How many meetings adjourned as a quorum was not formed?		None		
	Are Board packs submitted to the Department?	Yes			

REMUNERATION AND ASSESSMENT

REGULATORY REQUIREMENT	REMUNERATION AND ASSESSMENT	YES	NO	DATE OF ASSESSMENT	COMMENT
King IV® Principle 14	Is there an approved remuneration policy?	Yes			The remuneration policy is submitted to the shareholder and tabled at the AGM for a non-binding advisory vote by the shareholder.
	Is there a policy on attraction and retention of scarce skills?	Yes			
	Does the Board evaluate its performance and effectiveness collectively and individually?	Yes			A formal Board evaluation process, facilitated by an independent third party was concluded during the year under review.
	Does the Board evaluate the performance and effectiveness of its committees?	Yes			

REMUNERATION AND ASSESSMENT

REGULATORY REQUIREMENT	REMUNERATION AND ASSESSMENT	YES	NO	DATE OF ASSESSMENT	COMMENT
	Has the Board disclosed its appraisal processes in the Integrated report?	Yes			
	Does the performance evaluation result inform the Nomination Committee or the Department for the re-appointment of Directors?	Yes			
	Does the remuneration policy play an integral part in the succession planning for the CEO?		No		
	Is the remuneration package and structure in line with the entity's strategic objectives?	Yes			
Companies Act – S 66 and 72 King IV® Principles 1, 7 and 8	Has the Board established all the mandatory Board committees?	Yes			(1) Audit, (2) IT & Risk and (3) Impact, Social and Ethics
	If no, has the entity set out reasons for failure to establish committees and developed a plan to establish the committees?	N/A			

HUMAN CAPITAL COMMITTEE

REGULATORY REQUIREMENT	HUMAN CAPITAL COMMITTEE	YES	NO	COMMENT
King IV® Principle 14	Is the committee established?	Yes		
	Is it chaired by an independent non-executive director?	Yes		
	Are Terms of Reference available?	Yes		
	Are Terms of References reviewed annually?	Yes		
	Are the Terms of Reference disclosed in the integrated report?	Yes		
	Does the Committee assist the Board with setting and administering remuneration policies?	Yes		
	Does it play an integral part in the succession planning, particularly of the CEO?		No	The Director Affairs Committee deals with succession planning for the CEO, in consultation with the shareholder.
	Is the remuneration of non-executive directors in line with National Treasury Guidelines?			The remuneration of non-executive directors is recommended by the Board and approved by the Minister.
Is the report back done to the full Board?	Yes			

RISK MANAGEMENT COMMITTEE

REGULATORY REQUIREMENT	RISK MANAGEMENT COMMITTEE AND MAJOR FUNCTIONS	YES	NO	COMMENT
King IV® Principles 2, 8 and 11	Has the Risk Management Committee been established?	Yes		Information Technology and Risk Committee
Companies Act – S 94	Is it chaired by Independent non-executive director?	Yes		
PFMA – S 51 and 76	Are Terms of References reviewed annually?	Yes		
TR – 27.1	Are the Terms of Reference disclosed in the integrated report?	Yes		
	Does it consist of at least three skilled and experienced members, executive and non-executive directors?	Yes		
	What is the number of meetings held?			At least four per year
	Is there a developed Risk Management Plan?	Yes		
	Is the Risk Management Plan reviewed for effectiveness?	Yes		
	Is IT-related risk part of the risk management plan?	Yes		
	Is report-back done to the full Board?	Yes		
	Does it oversee the function of internal audit?	Yes		This is done in conjunction with the Audit Committee
	Does it assist in the identification and management of financial risk?	Yes		This is done in conjunction with the Audit Committee
	Has the Audit Committee effectively reported on the quality of management, the adequacy of quarterly reports and how it effectively fulfilled its duties?	Yes		

AUDIT COMMITTEE

REGULATORY REQUIREMENT	AUDIT COMMITTEE AND MAJOR FUNCTIONS	YES	NO	COMMENT
King IV® Principles 2, 8 and 11 Companies Act – S 94 PFMA – S 51 and 76 TR – 27.1	Has the Audit Committee been established?	Yes		
	Are the Terms of Reference available?	Yes		
	Are the Terms of Reference reviewed annually? If yes, when were they reviewed? If no, when will they be reviewed?	Yes		April–May 2024
	Does the committee consist of at least three members, the majority of whom are independent non-executive directors?	Yes		
	Is the committee chaired by an independent non-executive director?	Yes		
	Is the Chairperson of the Board a member of the Audit Committee?		No	
	Does the Chairperson of the Board attend Audit Committee meetings by invitation only?	Yes		
	Does the Audit Committee assist in the identification and management of financial risk?	Yes		
	Has the Audit Committee effectively reported on the quality of financial management, the adequacy of quarterly reports and how it effectively fulfilled its duties?	Yes		
	Is report-back done to the full Board?	Yes		

IMPACT, SOCIAL AND ETHICS COMMITTEE				
REGULATORY REQUIREMENT	IMPACT, SOCIAL AND ETHICS COMMITTEE AND MAJOR FUNCTIONS	YES	NO	COMMENT
Companies Act S 66 and 72 King IV® Principles 2 and 3	Has the Board considered establishing a social and ethics committee?	Yes		
	If not has the Board indicated in its report why such committee was never established?			N/A
	Are the Terms of Reference available?	Yes		
	Are the Terms of Reference reviewed annually?	Yes		
	Is the report-back done to the full Board?	Yes		Report done to Board and in the Integrated Report and mandatory report to shareholder at AGM.

TABLE 40: ADHERENCE TO SUSTAINABILITY PRESCRIPTS

SUSTAINABILITY REPORTING				
REGULATORY REQUIREMENT	SUSTAINABILITY REPORTING	YES	NO	COMMENT
Companies Act — S 26–33	Has the Board submitted an integrated annual report?	Yes		31 July 2023 submitted by the Board.
	Has the integrated report been reviewed by the Board and Audit Committee?	Yes		
	Was the integrated annual report reviewed by the Board with the assistance of the Audit Committee?	Yes		

CODE OF CONDUCT

REGULATORY REQUIREMENT	ORGANISATIONAL INTEGRITY/ CODE OF CONDUCT	YES	NO	COMMENT
Companies Act — S 75–77	Is there an established code of conduct for the directors?	Yes		
	Is there an established code of conduct for all employees?	Yes		
	Do directors and employees have knowledge of the code?	Yes		
	Were organisational standards of ethical behaviour developed in consultation with the stakeholders?	Yes		
	Is the organisation demonstrating commitment to its code?	Yes		
	Actions to be taken if the Board does not believe that ethical standards are met or are disclosed?	Yes		
	Is there a charter outlining the fiduciary duties of directors?	Yes		
	Is there a culture of promoting voluntary disclosure of conflicts of interest?	Yes		Annual declarations by management and directors and at meetings where conflicts of interest arise.

RISK MANAGEMENT

REGULATORY REQUIREMENT	RISK MANAGEMENT	YES	NO	COMMENT
PFMA – S 38 and 51	Does the Board take responsibility for the governance of risk and such responsibility expressed in the Board Charter?	Yes		
	Has the Board identified key risk areas?	Yes		
	Is there an established risk management policy and plan?	Yes		
	Were the risk management policy and plan reviewed in the financial year under review?	Yes		
	Is the risk management policy and plan clearly communicated to all officials of the company?	Yes		
	Is there an awareness programme to widely disseminate emerging risk to all employees of the entity?	Yes		
	Is the effectiveness of the risk management carefully implemented and evaluated?	Yes		
	Is there a process of continuously identifying risk and effectively managing risk?	Yes		
	Does the Audit Committee form an integral part of the risk management processes particularly relating to financial reporting and controls?	Yes		
	Has the Risk Register/ Plan been developed?	Yes		
	Key risk areas and key performance indicators identified?	Yes		
	Appropriate risk and control policies established?	Yes		
	Quarterly Risk Management Report?	Yes		
	Is the Risk Management Plan disclosed in the integrated report?	Yes		

TABLE 41: FINANCIAL MANAGEMENT

REGULATORY REQUIREMENT	ORGANISATIONAL INTEGRITY/ CODE OF CONDUCT	YES	NO	COMMENT
Companies Act — S 94	Has the internal auditing services been outsourced?	Yes		Nexus SAB&T appointed as Internal Auditors.
PFMA S 51 and 76	If yes, has the amount paid for this service been disclosed in the integrated report?	Yes		Disclosed together with professional fees.
TR 27.2	Have the reasons for outsourcing such services been provided?	Yes		
King IV® Principles 12 and 15	Is there an established Audit Charter?	Yes		For both internal and external auditors.
	Are the internal audit services properly equipped in terms of skilled and experienced personnel as well as resources?	Yes		
	Are there consultations between internal and external auditors?	Yes		
	Is the internal audit service able to carry out its functions independently of the Board?	Yes		
	Is the internal audit report of assistance in identifying and controlling financial risk and eliminating risk of financial misconduct, fraud, and irregular expenditure?	Yes		
	Has an Internal Audit Plan been developed?	Yes		
	Are Fraud/Corruption Prevention Plans in place?	Yes		
	Quarterly Internal Audit/ Control Reports?	Yes		
	External Audit Implementation Plan Developed	Yes		
	Quarterly External Audit Recovery Plan	Yes		

FINANCIAL SUSTAINABILITY

REGULATORY REQUIREMENT	FINANCIAL SUSTAINABILITY	YES	NO	COMMENT
King IV® Principles 2, 3, 4 and 5	Has the entity developed criteria and guidelines for materiality for reporting consistently?	Yes		
PFMA — S 51-55	Has the entity disclosed policies defining social investment prioritisation and spending?	Yes		
TR – 28	Does the integrated report provide adequate information on the entity's financial indicators and sustainability?	Yes		
Companies Act — S 26-33	Does the Board consider the negative and positive impacts of its business activities to plan and eliminate the negative impacts in the next financial year?	Yes		
	Do the integrated report and financial statements fairly represent the state of affairs of the entity, its business, its financial results, its performance against its objectives and its financial position as at the end of financial year?	Yes		
	Was there any material loss through criminal conduct and any irregular, fruitless and wasteful expenditure?	See comment		No material loss during the year. Irregular expenditure identified and reported in the Integrated Annual Report.
	Were there any criminal and disciplinary steps taken against any employee?	See comment		One instance of possible fraud (ABSA) reported. Forensic investigation in progress.
	Were there any steps taken to recover any loss?		No	In the event of any loss due to misconduct, recovery is pursued in accordance with the board-approved HR policies. Similarly, any credit-related losses will be managed and recovered in line with the board's established credit policy, ensuring strict governance and accountability in safeguarding the organization's financial integrity.

REGULATORY REQUIREMENT	FINANCIAL SUSTAINABILITY	YES	NO	COMMENT
	Did the entity experience major losses through criminal conduct and irregular, fruitless and wasteful expenditure?	See comment		ABSA: funds taken from the NHFC account. No loss incurred as all amounts were recovered, including interest. One instance of possible fraud (ABSA) reported. Forensic investigation in progress.
	Was there a disciplinary step taken against any employee of the entity for any unlawful conduct in contravention of any relevant legislation and regulations?	See comment		No instances of unlawful conduct reported. No disciplinary steps deemed necessary against any employee in terms of the Guidelines from National Treasury and the PFMA. Disciplinary action has been taken where applicable in instances of irregular expenditure.
	What is the number of finance-related misconduct cases?	N/A		
	What is the number of disciplinary hearings undertaken by the entity relating to financial misconduct?	N/A		
	Have there been transactions resulting in: <ul style="list-style-type: none"> • disposal of the assets of the entity, establishing of a company • establishment or change in its interest in a joint venture • commencement or cession of a business activity • acquisition of its shareholding? 		No	
	Was the Minister's approval obtained?	N/A		

AUDIT COMMITTEE

The Audit Committee is a statutory committee, established in terms of the Companies Act 2008. The committee performs duties contemplated in Section 94(7) of the Companies Act. The committee supports the Board by providing independent oversight of the effectiveness of the NHFC's governance of functional areas, including finance. The committee reviews the integrity of the Annual Financial Statements and other functions as delegated to it by the Board from time to time.

TABLE 42: CORPORATE CITIZENSHIP COMPLIANCE

REGULATORY REQUIREMENT	CORPORATE CITIZEN AND STAKEHOLDER RELATIONS	YES	NO	COMMENT
Companies Act — S 75-77	Does the Board consider, in the best interest of the entity, the interests of various stakeholders?	Yes		Undertaken at all Board committees, with oversight at Impact, Social and Ethics Committee and Board.
	Does the company have communication techniques to facilitate access to information?	Yes		Promotion of Access to Information Act (PAIA) Manual and internal policies.
	What is the number of disputes or litigious matters the entity has against stakeholders?	Yes, 20 matters		None of them have been referred to dispute resolution and they are in the legal recoveries stage.
	Does the entity consider formal dispute resolution processes other than court processes?	Yes		Use of Inter-Government Act processes or other formal arbitration.
	What is the number of litigious disputes resolved through alternative dispute resolution than courts?	N/A		None
	Does the entity have policies considering social, economic, and environmental responsibility when conducting business?	Yes		
	Are there any adopted policies and programmes promoting good corporate citizenship in respect of the communities and the environment?	Yes		
	Has the entity conducted an Environmental Impact Assessment on its activities?	See comment		Environmental assessments are conducted where required on business funding applications.
	Does the entity, in its relationship with stakeholders, promote sustainable developments and projects on social and environmental issues?	Yes		

REGULATORY REQUIREMENT	CORPORATE CITIZEN AND STAKEHOLDER RELATIONS	YES	NO	COMMENT
	Does the entity promote a culture of eliminating all environmental risks?	Yes		
	Is the entity still economically, socially, and environmentally viable?	Yes		

AUDIT COMMITTEE FUNCTIONS AND COMPOSITION

The Audit Committee comprises six members. Its meetings are held a minimum of six times per year and the internal auditors, the CEO, CFO, and executive managers attended by invitation. The primary objective of the committee is to assist the Board, by performing the following duties:

- Oversight regarding the appointment of internal and external auditors.
- Oversight of financial reporting, as well as compliance with all applicable legal requirements and accounting standards.
- Reviewing and approving quarterly reports to the shareholder, as delegated by the Board.
- The operation of adequate systems of internal control and internal audit processes.
- Reviewing the Annual Financial Statements, accounting policies, financial provisions, adjustments, estimates, and valuations.
- Reviewing the APP, Strategic Plan, and budget.
- Reviewing the Integrated Annual Report.
- Oversight of the internal audit process.
- Oversight of the external audit process.

Reviewing the effectiveness of management information and systems of internal control, with specific reference to the findings and recommendations of the internal and external auditors.

The Audit Committee's report appears under Part F, Section 6, on page 151.

INTERNAL AUDIT

Internal Audit provides independent, objective assurance to the Board to ensure improved systems of internal controls within the NHFC operations. The Internal Audit function assists the Board in exercising oversight over the NHFC by ensuring that effective risk management, control, and governance processes are maintained by providing independent assurance on the effectiveness and efficiency of those processes and where necessary, developing recommendations for enhancement or improvement.

During the year under review, the Internal Audit function performed the following activities:

- Audit of Predetermined Objectives
- Lending Review
- Supply Chain Management Review
- Internal Financial Control
- Ethics Management Review
- Governance Review
- IT General Controls Review
- Technical Review of the Annual Financial Statements
- Instalment Collections (Cape Town Community Housing Company (CTCHC))
- Follow-Up Review
- Credit and Collections Review
- Enterprise-Wide Risk Management Review
- Products, Marketing and Communications Management Review
- Ad-hoc Probity Reviews and Investigations.

The lead internal auditor has direct, unhindered access to the Chairperson of the Audit Committee. This ensures that should there be any significant audit findings or matters that require the immediate attention of the Board, these are dealt with expeditiously.

BOARD CREDIT AND INVESTMENT COMMITTEE

The Board Credit and Investment Committee comprises independent non-executive directors. The CEO and other members of the executive management team, as well as professional staff responsible for various portfolios, are standing attendees at the meetings. The committee meets bi-monthly to review reports and consider funding applications.

The primary role of the committee is to assist the Board in fulfilling its credit and investment responsibilities, which include:

- The annual review of the Credit Philosophy, Risk Framework and Policy, Risk Appetite, and long-term investment strategy (and any related policies) for recommendation to the Board for approval.

- The review of quarterly reports such as strategic investments, credit, performance, and cash positions, for recommendation to the Board and its relevant sub-committees in relation to legal action, impairments, bad debt write-offs, or revaluation of investments (where applicable).
- Consideration and approval of loan applications for facilities, as per the Delegation of Authority, upon recommendation by the Management Credit and Investment Committee – investments and facilities that exceed the committee delegated authority limits are referred to the Board for approval.
- Consideration and approval of long-term debt investments up to R100 million – investments that exceed R100 million are recommended to the Board.
- Consideration of annual and post-investment reviews of strategic as well as major clients of the NHFC.

HUMAN CAPITAL COMMITTEE

This committee comprises independent non-executive directors and is attended by the CEO, as well as the Executive Manager: Human Resources. The committee meets four times per year to attend to its responsibilities, which include:

- Annual reviews of the Human Resources Policy and Strategy, the Remuneration Policy, and the Balanced Scorecard Remuneration Framework, and making recommendations to the Board for approval.
- Reviewing and monitoring the top (high) human resource risks.
- Considering and approving salary increases for staff.
- Approving the implementation of bonus and incentive initiatives for staff.
- Reviewing executive managers' salary increases and incentive bonuses and recommending these to the Board for approval.
- Reviewing the terms and conditions of executive managers' service agreements.
- Annually reviewing and approving succession planning.

In discharging its duties, the committee gives due cognisance to the NHFC's remuneration philosophy, namely, to offer remuneration that attracts, incentivises, retains, and rewards employees with the appropriate and required skills, to enable the NHFC to deliver on its strategic objectives. The NHFC's Human Resources Policy complies with the International Labour Protocol that promotes gender and payment-equality standards and does not allow the employment of children.

The NHFC has adopted a zero-tolerance approach to dishonest, corrupt, and illegal conduct. This is central to the Code of Conduct. Criminal behaviour is not permitted, and formal charges may be laid against perpetrators, who will be dismissed if found to have participated in unacceptable behaviour. No instances of dishonest, corrupt, or illegal conduct were reported during the review period.

IMPACT, SOCIAL AND ETHICS COMMITTEE

This is a statutory committee of the Board, as laid out in terms of Section 72(4) of the Companies Act. Its mandate is to report to the shareholder on the company's activities regarding the principles and standards of the Organisation for Economic Co-operation and Development, the International Labour Organization, and the United Nations Global Compact, as highlighted in the Companies Act. The committee is guided by the principles of King IV[®], the PFMA, and other relevant legislation.

The committee comprises independent non-executive directors and the CEO, and Executive Management Team members attend meetings by invitation. The committee meets four times per year, and its responsibilities include:

- Ensuring that the company conducts its business in an ethical and socially responsible manner.
- Oversight of the social and economic development of the NHFC employees and other stakeholders.
- Promotion of transformation, equality, and prevention of unfair discrimination.
- Ensuring that the company has established a Code of Ethics that outlines and prescribes the prevention of fraud, bribery, and corrupt practices, as well as the protection of human rights as enshrined in the South African Constitution.
- Contributing to the development of the communities in which the NHFC's business activities are predominantly conducted, by way of poverty alleviation, and supporting the start-up of wealth creation.
- Ensuring that appropriate labour and employment practices are adhered to, both in terms of local legislation and the protocols specified in the Companies Act.
- Reviewing the Framework and Strategy for Stakeholder Engagement.
- Recommend amendments to the company's strategic direction, policy, and operational structures, to ensure that the desired developmental impact is achieved.

- Monitor the company's performance against the objectives set for developmental impact.
- Monitor the impact of developmental activities per the financial strategy.
- Coordinate oversight towards the establishment of the HSDB.

INFORMATION TECHNOLOGY AND RISK COMMITTEE

The Information Technology and Risk Committee comprises independent non-executive directors. Committee meetings are also attended by the CEO, CFO, CIO, Executive Manager: Corporate Support Services, Executive Manager: Credit, and other members of the executive management team by invitation. The committee meets four times per year to assist the Board in executing its responsibility with respect to risk and fraud management.

The committee, in fulfilling its mandate, ensures that it:

- Reviews, on an annual basis, and monitors the implementation and management of the Enterprise Risk Management Strategy and Framework, as well as the Fraud Prevention Plan.
- Reviews, on a bi-annual basis, and makes inputs to the Risk Appetite Statement and Policy for approval by the Board.
- Evaluates the effectiveness of risk management systems, processes, and control measures.
- Reviews, on an annual basis, all risk management policies, and makes inputs which are submitted to the Board for approval.
- Approves financial risk management strategies, as recommended by the Board Credit and Investment Committee.

DIRECTORS' AFFAIRS COMMITTEE

The Directors' Affairs Committee comprises the Chairperson of the Board as well as the chairpersons of the Board committees. The CEO may attend committee meetings by invitation.

The committee focuses on directors' matters, and is independent of the Human Capital Committee, which focuses on staff matters. The committee's mandate includes:

- Considering and recommending potential non-executive director candidates for possible appointment to the Board or CEO position.

- Reviewing non-executive directors' performance, and recommending re-appointment/s to the shareholder for consideration at the AGM.
- Reviewing the annual performance of the CEO.
- Reviewing the annual Board evaluation.
- Reviewing and confirming recommendations for appointments (both internal and external) to represent the NHFC on external company boards, where the NHFC has made a significant strategic investment and desires to have governance insight of the investment.
- Reviewing the performance of external appointees to strategic investment companies.

3.9 ACCESS TO INFORMATION AND ADVICE

All directors have unrestricted access to the Chairperson of the Board, the CEO, the Company Secretary, and executive management, should they require any additional information (outside of that provided in meeting packs) in discharging their duties.

Directors may further seek additional independent professional advice concerning the affairs of the company by arrangement with the Company Secretary or Board Chairperson.

3.10 COMPLIANCE WITH LAWS AND REGULATIONS

Overall, during the year under review the NHFC has complied with all the applicable laws of the country including the PFMA and Treasury Regulations. Where assurance cannot be assured fully, plans are in place to improve in those areas. Table 43 gives an in-depth view of the NHFC's compliance status relating to several reporting items.

Overall, the NHFC has complied with all the applicable laws of the country including Public Finance Management Act (PFMA) and Treasury Regulations. The Information, Technology and Risk Committee approved the regulatory universe and reviews the NHFC's compliance with legal and regulatory provisions quarterly. During the year under review, the following legislative prescripts were prioritised by the NHFC:

- Basic Conditions of Employment Act No. 75 of 1997
- Compensation for Occupational Injuries and Diseases Act No. 130 of 1993
- Financial Intelligence Centre Act No. 38 of 2001
- Protection of Personal Information Act No. 4 of 2013

- Income Tax Act No 58 of 1962
- Labour Relations Act No 66 of 1995
- National Environmental Management Act No. 107 of 1998
- National Credit Act No. 34 of 2005
- Companies Act No. 71 of 2008 and the Companies Regulations, 2011
- Occupational Health and Safety Act No. 85 of 1993
- Promotion of Access to Information Amendment Act No. 54 of 2002
- Public Finance Management Act No. 1 of 1999
- Preferential Procurement Policy Framework Act No. 5 of 2000
- Prevention and Combating of Corrupt Activities Act No. 12 of 2004
- Prevention of Organised Crime Act No. 121 of 1998
- Employment Equity Act No. 55 of 1998
- Financial Regulation Act No. 9 of 2017
- Broad-Based Black Economic Empowerment Act No. 53 of 2003

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TABLE 43: 2023/24 COMPLIANCE MANAGEMENT REPORT

LEGEND:

<p>HIGH – RED Required controls are inadequate to mitigate compliance risks.</p>	<p>MEDIUM – YELLOW Controls are partially effective to mitigate compliance risks.</p>	<p>LOW – GREEN Required controls effective to mitigate compliance risks, monitoring is required.</p>
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REPORTING ITEM	STATUS	SUPPORTING INFORMATION
Compliance Governance and Structure		The compliance structure remains the same as the previous financial year.
Policy roll-out		<ul style="list-style-type: none"> • Policies are due for review and divisions are being notified about policies that need to be reviewed. • Uploading of policies onto the intranet is done as and when policies are approved.
Training and awareness		<ul style="list-style-type: none"> • Fraud and Corruption Awareness Training for staff conducted in April and May.
Compliance management		<ul style="list-style-type: none"> • The NHFC has a Compliance Management function. • The NHFC has an approved Compliance Management Policy and Plan, Regulatory Universe and Fraud Prevention and Response Plans.
Money laundering		<ul style="list-style-type: none"> • Compliance continues to be vigilant in ensuring that NHFC does not undertake business dealings without undertaking the enhanced due diligence checks.
Regulatory and statutory update		<ul style="list-style-type: none"> • Compliance continues to be vigilant and monitor compliance to key legislation.
		<p>COMPLIANCE TO SECTION 13(G) OF B-BBEE ACT:</p> <ul style="list-style-type: none"> • Non-compliance to B-BBEE Act being addressed – the NHFC to align the verification processes with the financial year. <p>COMPLIANCE WITH POPIA:</p> <ul style="list-style-type: none"> • POPIA artefacts implementation is completed. Privacy elements implementation is on-going. • POPIA consent forms not available on the First Home Finance portal. Private and confidential data of client and employees are not encrypted. • POPIA audit review in progress.

REPORTING ITEM	STATUS	SUPPORTING INFORMATION
Operational and regulatory breaches		<ul style="list-style-type: none"> None <p>Fraud and corruption (the NHFC has zero tolerance for fraud and corruption):</p> <ul style="list-style-type: none"> One case of fraud and corruption was reported for the period under review.

PFMA AND TREASURY COMPLIANCE REPORT			
AREA	REFERENCE TO STATUTORY & REGULATORY REQUIREMENTS	COMPLIANCE STATUS	REMARKS
General responsibilities of Accounting Authorities	51(1)(d)	Yes	The NHFC complies with Section 51(1) d in that the responsibilities of the Accounting Authority are contained in the terms of reference and NHFC internal policies and these are properly managed and executed.
Delegation of powers by Accounting Authority	S56	Yes	The NHFC complies with Section 56. The Delegation of Authority has been documented and is under review.
Internal controls	51(a)(i)	Yes	NHFC has policies and procedures to manage internal controls. Internal Auditor conducts audits.
Internal audit system under the control of the Audit Committee	51(a)(ii)	Yes	Nexus SAB&T appointed as internal auditors.
Audit Committee	TR 27.1.1; 77(a); 77(b); TR 27.1.6; TR 27.1.8; TR 27.1.10(a); TR 27.1.13	Yes	The NHFC has a duly constituted Audit Committee that meets quarterly.
Risk assessments	TR 27.2.1	Yes	<ul style="list-style-type: none"> Risk assessments are conducted quarterly and reported to relevant governance committees. The Fraud Risk Register is submitted to the Audit Committee and the Impact Social and Ethics Committee for noting.

AREA	REFERENCE TO STATUTORY & REGULATORY REQUIREMENTS	COMPLIANCE STATUS	REMARKS
Financial misconduct	51(e); TR 33.1.1; TR 33.1.2; TR 33.2.1	No	In the process of seeking approval for condonation from National Treasury.
PLANNING AND BUDGETING			
Annual budget, corporate plan and shareholders' compact	S52; TR 29.1.1; TR 29.2	Yes	The consolidated APP has been submitted to the NDoHS.
Retention of surplus funds	53(3)	Yes	The NHFC is compliant in terms of the surplus funds' retention requirements.
Strategic Plan	TR 30.1.1; TR 30.1.2; TR 30.1.3	Yes	The 2023/24 SP, APP and Shareholders Compact were submitted to the NDoHS.
REPORTING			
Quarterly Reporting	TR 26 1.1; TR 26.1.2; TR 29.3.1; TR 30.2.1	Yes	The Quarterly Reports were duly submitted.

3.11 FRAUD AND CORRUPTION

The NHFC has a Fraud Prevention and Response Plan in place, which was reviewed in March 2022. Its purpose is to promote ethics, as well as fight fraud, theft, corruption, maladministration, and other acts of misconduct.

The NHFC adopts a zero-tolerance approach to any acts of fraud, bribery and corruption perpetrated by its employees, directors, clients or suppliers with whom we do business or who act on our behalf. To prevent and manage all instances of fraud and corruption, the NHFC has a Fraud Prevention and Response Plan, Whistle Blower Policy, Anti-money Laundering Policy and Politically Exposed Persons Policy in place.

The NHFC's Whistle Blower Policy, which is aligned with the Protected Disclosures Act (No. 26 of 2000) and the Fraud Prevention and Response Plan, communicates the processes for reporting irregularities and criminal offences occurring within the NHFC. These may be irregularities and criminal offences committed by either employees, service providers or the employer. Fraud and corruption related matters are reported to the Audit and Information Technology and Risk Committees quarterly. Fraud and corruption awareness and training workshops are also conducted bi-annually.

The primary mechanism in place to report fraud and corruption, is an external service provider, which provides a safe and anonymous space for staff to report unethical or fraudulent matters. The external party records and categorises the items and directs them to the Chairperson of the Audit Committee for investigation, recommendation, and subsequent action where required.

3.12 MINIMISING CONFLICT OF INTEREST

In line with the Companies Act and King IV[®], the Board is bound to conduct the business of the company in accordance with sound ethical principles. These are embodied in the Code of Conduct and Board Charter, which also sets out the legal requirements and procedures to be followed in declaring an interest in any business matter before a Board committee or the Board. The purpose of this declaration is to minimise conflict of interest in SCM.

The declaration of interest is a standing item on the meeting agendas of all Board, Board committee, management committee, and committees of subsidiary companies.

In addition, all Board members, executive managers, general managers, and prescribed officers are requested annually to provide a full declaration of all internal and external interests. This declaration is kept on record in the office of the Company Secretary.

4. GOVERNANCE OF SUBSIDIARY COMPANIES

The NHFC is the sole shareholder of the Cape Town Community Housing Company (Pty) Ltd and NHFC Management Services (Pty) Ltd, and also has control over the Abahlali Housing Association on (No. 2) NPC. These are all active subsidiary companies of the NHFC.

These companies are subject to the guiding corporate governance principles of the NHFC, which ensures that their business is conducted in a proper, ethical, and responsible manner.

Each subsidiary has its own board of directors, which meet periodically to review quarterly performance, the Annual Financial Statements, and the Risk Register. Oversight of these subsidiary companies is the responsibility of the NHFC's Strategic Investments division.

In the financial statements, the NHFC further consolidates the activities of associates and non-controlled entities such as Housing Investment Partners, TUHF Holdings Ltd and IHS. Direct control, as well as oversight, is exercised by those companies' boards and management, and the NHFC has accordingly appointed representatives to the boards of those entities.

5. CODE OF CONDUCT

A Code of Conduct is a set of guidelines that are spelt out by an employer and set out the employer's expectation about how employees must behave while they work for the employer. The Code of Conduct outlines corporate values and commitments and sets the standards and expectations for employee behaviour, which tailors the company's culture.

The NHFC awarded a third-party service provider a contract to assist in the review of its values and develop new organisational values, an Ethics Policy and Code of Conduct. The outcome of the exercise was a bottom-up approach and process of value creation and a Code of Conduct and Ethics Policy which set the tone for the current NHFC and future HSDB.

The NHFC has put the Code of Conduct in place, and all staff and stakeholders must abide by this code. Any offence committed, or non-compliance, is punishable in line with the NHFC's Disciplinary Measures.

TABLE 44: EXAMPLES OF BREACH OF CODE OF CONDUCT

STAKEHOLDER	EXPECTED CONDUCT	SCHEDULE OF OFFENCE CATEGORY
Where an employee interacts with a fellow employee, he/she must:	<ul style="list-style-type: none"> Act professionally and co-operate fully to advance the public interest. Refrain from conflict of interest. 	<p>Schedule 1:</p> <ul style="list-style-type: none"> Failure or refusal to abide by work schedules. False claims for overtime.
Where an employee interacts with a member of the public the employee should:	<ul style="list-style-type: none"> Promote the unity and well-being of the South African nation in performing his/her duties. Be polite, helpful, and reasonably accessible in dealings with customers. 	<p>Schedule 2 and 3:</p> <ul style="list-style-type: none"> Failure to provide a high level of service or courtesy to a client. Causing customers, fellow employees, or other persons to complain regarding work, client service or attitude.

All directors and members of management are expected to conduct themselves professionally at meetings. Where there may be potential differences in matters of principle when discussing individual agenda matters, these differences are formally noted and handled according to the Board Compact, the Code of Conduct and terms of best practice.

Consequence management is exercised in terms of the NHFC’s disciplinary measures for non-compliance with the Code of Conduct. Monitoring and evaluation of the effectiveness/compliance with the code is done through the Ethics Office.



6. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The NHFC has an obligation to provide and maintain, as far as reasonably practicable, a working environment that is safe and without risk to the health of all its employees, in compliance with the Occupational, Health and Safety Act and Regulations (No. 85 of 1993) (OHS Act). The NHFC has established a Health and Safety Committee that, through the Executive Committee, provides programmes that ensure that health hazards and risks are reduced in the workplace, and promotes employee health and safety.

The NHFC is committed to the health and safety of its employees and its stakeholders who visit its premises. To this end, it has developed a policy framework which guides employee behaviour to ensure a safe and healthy workplace, free from hazardous substances or conditions that may cause injury, damage or diseases to employees or external stakeholders.

In line with this policy, all NHFC employees are responsible for their own health and safety as well as that of their colleagues. To this end, employees are trained and provided information on how to carry out work processes safely and to report incidents timeously.

In partnership with service providers, the NHFC ensures a safe working environment by undertaking risk assessments and audits through which a programme of action is developed.

7. COMPANY SECRETARY

In terms of the Companies Act and the PFMA, the NHFC must appoint a Company Secretary who is accountable to the Board and plays a pivotal role in the corporate governance of the company. The Company Secretary maintains an arm's length relationship with the directors and assists with matters of ethics, good governance, and the provision of information required by the directors to fully accomplish their fiduciary responsibilities. Directors have unrestricted access to the advice and services of the Company Secretary regarding all aspects of the Board's mandate and the operations of the NHFC.

The Company Secretary is responsible for ensuring that all reports and returns, as required by the Companies Act (No. 71 of 2008) are lodged and that the returns are complete and accurate. (See Company Secretary's Certification under Part F: Financial Information, Section 4).

8. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

CRITERIA	YES / NO	SCHEDULE OF OFFENCE CATEGORY
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	N/A	
Developing and implementing a preferential procurement policy?	Yes	To be determined.
Determining qualification criteria for the sale of state-owned enterprises?	N/A	
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	N/A	

PART D:

RISK

MANAAG

EMENT



1. MANAGING RISK

THE NHFC'S APPROACH TO MANAGING RISK IS SET OUT IN ITS APPROVED ENTERPRISE-WIDE RISK MANAGEMENT FRAMEWORK.



The Enterprise Risk Management Department oversees the identification and analysis of strategic risk exposures and their potential impact on the achievement of the NHFC's strategic objectives. An assessment of the NHFC's strategic and operational risks is performed annually.

At the start of 2023/24, the department facilitated a review of key strategic risks, which were subsequently approved by the Board. All the identified risks are monitored and evaluated on a quarterly basis by management and the Board, ensuring that risk responses are current and dynamic. During the process of continuous monitoring and evaluation, emerging risks are also identified to ensure that all risk areas are effectively managed, and proper mitigation plans are put in place.

A combined assurance approach optimises the assurance coverage obtained from line management (first line of defence), internal specialist functions – risk and compliance management (second line of defence), and internal and external assurance providers – Internal Audit and External Audit (third line of defence) to ensure that prioritised risks at all levels of the company are mitigated through effective operating controls.

2. RISK APPETITE

2.1 STATEMENT

The Risk Appetite Statement sets the tolerance for risk-taking in NHFC operations, within its risk-bearing capacity. Risk limits and risk profile assessments are other key elements in the implementation of the framework. The risk appetite sets out a long-term strategy for the NHFC, particularly as it moves towards the HSDB, with a path to achieving this strategy.

In general, the risks of the NHFC were managed within this appetite throughout the financial year ending 31 March 2024 and where thresholds were exceeded momentarily, action plans were put in place.

2.2 PILLARS

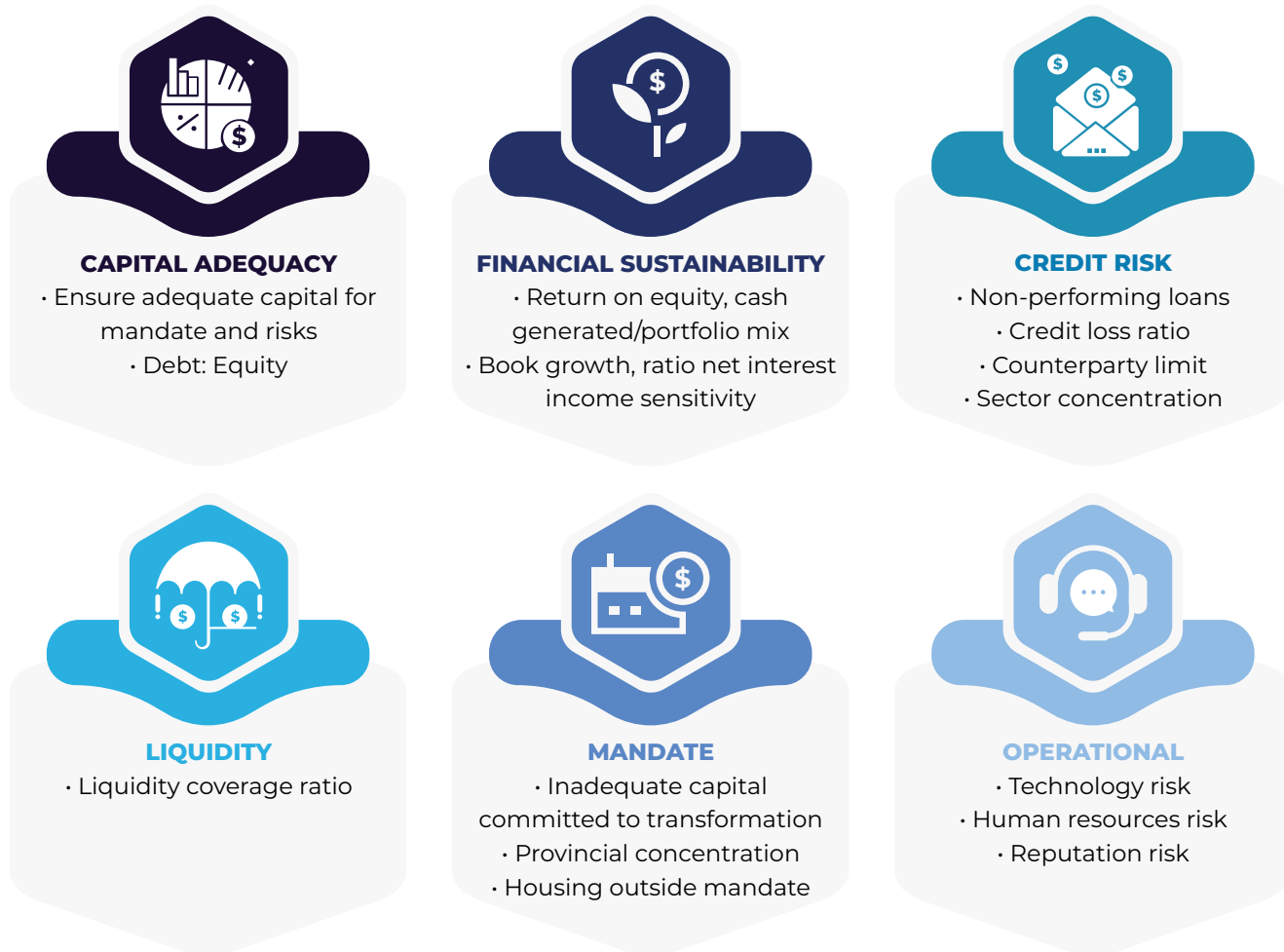


Figure 12: Risk appetite pillars

2.3 LONG-TERM TARGET

The long-term target for the credit loss ratio, as set out in the Risk Appetite Statement, is 1.25%, which is well below the trend experienced in the past. With the changes that have been implemented in the division, the division will be working towards ensuring that this ratio is achieved and maintained.



The **long-term target** for the credit loss ratio, as set out in the Risk Appetite Statement, is **1.25%**.

3. RISK UNIVERSE

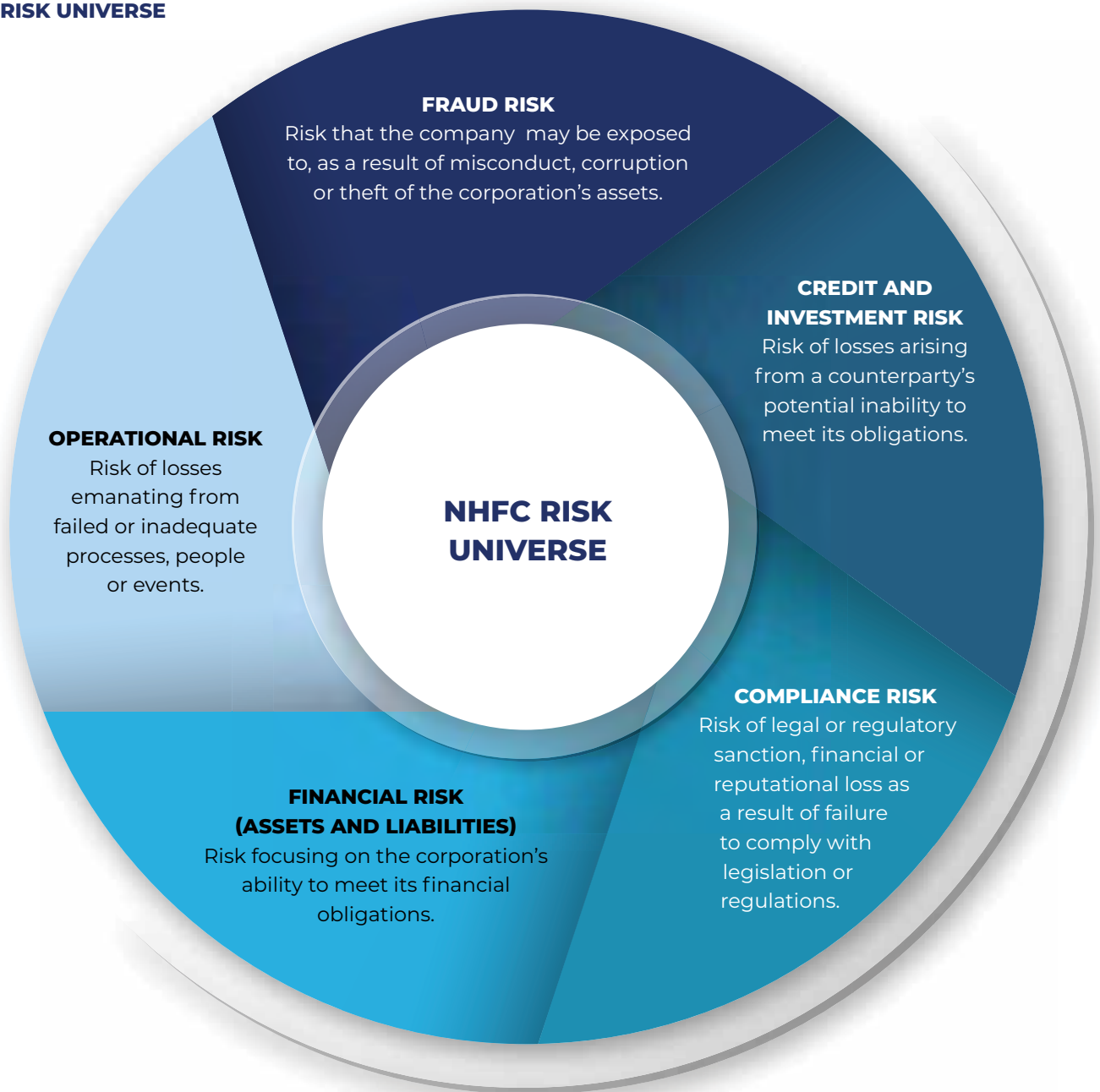


Figure 13: NHFC risk universe

4. BUSINESS CONTINUITY MANAGEMENT

The NHFC is committed to ensuring business continuity when facing major business disruptions. This will ensure that users remain productive while maintaining the highest level of security and control over user access to NHFC resources.

The Business Continuity Policy, Framework and Plan have been finalised and approved. The Enterprise-Wide Risk Management team ensures that business continuity is successfully implemented throughout the NHFC.

5. CREDIT RISK MANAGEMENT

5.1 OVERVIEW

The NHFC operated in a complex and evolving economic environment during the fiscal year ending 31 March 2024, necessitating a strategic approach to credit and investment risk management. Our focus remained on reinforcing risk management frameworks to support sustainable lending while ensuring portfolio diversification. This section outlines key developments, risk mitigation strategies, and our future outlook.

The rental property market for affordable housing in South Africa is marked by high demand driven by urbanisation and a growing population, yet it faces challenges in meeting this demand due to limited supply. Affordability remains a significant concern for many low- to middle-income individuals and families, with rental prices often straining household budgets. Regulatory factors such as rent control regulations, property standards, and tenant rights also influence market dynamics, impacting both landlords and tenants. The NHFC plays a crucial role in expanding the affordable housing stock to meet the demands in line with the strategic objectives of the NDoHS.

The end-user market, which the NHFC serves, is however impacted negatively by modest GDP growth, persistent inflation, and stubbornly high unemployment rates. Loans and investments withstood several challenges over the last three financial years while the non-performing book continued to stabilise in this financial year. The growth of loans and advances was moderate, and the affordable housing bridging product, with its short- to medium-term exposures, continued to enjoy high disbursements compared to other products. Exposures remained liquid with collections of approximately R790 million in the current year at a company level with most average weighted terms being between eight and twelve (12) years.

During the current financial year, the NHFC received a directive from the National Treasury to return the unused Debt Relief Programme funds to the National Treasury. These funds were earmarked for repurposing towards other pressing national needs.

5.1.1 STRATEGIC FOCUS

NHFC's priority is to retain impact-driven investments, particularly those with national footprints that align with the organisation's mission of expanding affordable housing access. Engaging with stakeholders, including shareholders, was pivotal in shaping our strategies, ensuring that NHFC can maintain its reach and impact across underserved communities while adjusting to new market conditions.

Our partnerships, especially in the affordable and social housing sectors, remain central to this strategy. These collaborations enable NHFC to continue fulfilling its mandate of providing housing finance while expanding into new market segments to achieve broader socio-economic goals.

5.1.2 PORTFOLIO DIVERSIFICATION AND RISK MITIGATION

One of NHFC's core strategies has been the diversification of our investment portfolio to mitigate concentration risks and enhance financial resilience. Throughout the fiscal year, we diversified across sectors, including private rental and social housing, and sought new opportunities in the affordable housing market. This approach reduced dependency on any single product line while allowing NHFC to serve a wide spectrum of income levels and geographic locations.

Non-performing loans (NPLs) increased from 33% to 36% (NPL against gross loan book), staying within the funder covenants. Despite this, heightened monitoring and restructuring efforts have been deployed to prevent breaching covenants. In response to rising arrears, NHFC implemented targeted interventions such as restructuring key facilities and tracking transfers and repayments in collaboration with stakeholders.

The restructuring of large exposure facilities, including in the social housing sector, is under review, with some projects facing delays due to external factors such as municipal approval setbacks. However, through proactive engagements, NHFC has seen incremental improvements in collections from distressed assets, signaling positive future outcomes.

5.1.3 PORTFOLIO PERFORMANCE AND COLLECTIONS

NHFC's portfolio saw a marginal decrease of 1.9% in total book value, dropping from R3.37 billion in March 2023 to R3.31 billion by June 2024. Despite this decline, the performing loan book remained stable with a 12-month average collection rate of 120%, equivalent to R65 million per month. Collections from non-performing loans improved significantly, rising from 33% to 47%, with monthly receipts increasing to R8.2 million.

Cumulatively, NHFC collected R790 million during the year, with significant settlements from major partners contributing to this total. The sustained performance of the loan book is a reflection of NHFC's rigorous credit risk policies and ongoing efforts to maintain financial health amidst challenging conditions.

5.1.4 TURNAROUND AND RECOVERY STRATEGY

NHFC focused intensively on turning around distressed sectors, particularly in social housing and private rental housing, where the highest non-

performing loans were recorded. The social housing and private rental sectors, with total exposure exceeding R653 million, represented the largest NPL concentration. Through dedicated turnaround strategies, including business rescue plans, NHFC recovered portions of debt and continues to work closely with stakeholders to stabilise these projects. The organisation also implemented a comprehensive workout strategy across underperforming assets. This included early engagement with clients, site visits, and collaboration with legal teams to facilitate the recovery of distressed loans. These interventions have already shown promising results, particularly in improving loan recovery prospects in sectors facing operational challenges.

5.1.5 STAKEHOLDER ENGAGEMENT AND GOVERNANCE

Stakeholder engagement has been a cornerstone of the NHFC's risk management strategy. Regular communication with the Board Credit and Investment Committee (BCIC) ensured alignment between investment proposals and the NHFC's risk appetite. The BCIC played a vital role in refining investment decisions to balance risk and return effectively, while also considering the broader goals of sustainable housing finance.

The continued engagement with partners such as the SHRA has provided the NHFC with valuable insights that shaped its strategies for dealing with market dynamics. This collaboration ensured that the NHFC's long-term investments remained aligned with broader national housing priorities, particularly in supporting low-income households.

5.1.6 FUTURE OUTLOOK

NHFC is committed to further refining its credit and investment risk management strategies as we move into the next fiscal year. We anticipate significant improvements in NPL ratios and collection rates as restructuring efforts take hold and the market stabilises. Strengthening our portfolio diversification, enhancing partnerships, and improving early risk detection are key pillars of the NHFC's forward-looking approach to risk management.

The ongoing revision of credit policies will bolster NHFC's governance framework and ensure robust oversight of our investments. Additionally, the implementation of the post-investment monitoring framework will support sustained recovery efforts and drive improvements in asset quality.

While the NHFC encountered challenges during the 2023/24 fiscal year, including a rise in NPLs and arrears, the organisation's strategic focus on partnerships, diversification, and proactive recovery strategies has laid the foundation for future stability and growth. By refining our credit risk frameworks and deepening stakeholder engagement, NHFC remains committed to delivering on its mandate of facilitating affordable housing finance while ensuring the sustainability of its loan book.

As we move forward, NHFC will continue to adapt its risk management strategies to meet evolving economic conditions while maintaining its focus on supporting affordable housing solutions across South Africa.

5.2 DIVISIONAL STRUCTURE

The division's structure is designed to effectively handle the anticipated growth in the book resulting from the forthcoming conversion to the HSDB. This enhanced structure prioritises monitoring, reporting, and implementing additional measures aimed at boosting liquidity in the non-performing book. Serving diverse end-user markets across various products is guided by stringent selection processes that highlight creditworthiness and bolstered post-investment monitoring. Ongoing enhancements include the adoption of advanced early warning indicators and intervention strategies. These tools aid in identifying potential areas of concern promptly, facilitating timely interventions, and upholding the asset quality standards.

The structure, staffed with specialists, consists of the following sections:

- Origination and structuring;
- Credit risk monitoring and collections;
- Turnaround and workout;
- Portfolio risk and reporting; and
- Retail (curtailed).

Furthermore, the credit division is actively working to ensure that its team is well-equipped to meet the NHFC's performance requirements and enhance efficiencies in portfolio management. This objective is achieved through a range of interventions and processes, including:

- Staff training initiatives such as enrolling for studies in Property Development and Construction, Project Finance, Due Diligence and Risk Assessment, Valuations and Deal Structuring, Business Rescue and Restructuring, amongst others. These interventions are aimed at enhancing the team's skills and capabilities in credit risk management and portfolio reporting.



- Improved post-investment monitoring through the implementation of a more balanced and targeted post-investment monitoring and collections strategy, which will allow the credit team to collaborate with the NHFC Programme Management Unit.
- Embedding data analytics as an enablement to improved decision-making processes.

5.3 POLICIES AND PROCEDURES CREDIT POLICY, PRICING POLICY, RISK APPETITE STATEMENT

To reinforce the investment processes and in response to the establishment of the HSDB, management undertook an exercise of reviewing, developing, and redesigning the Credit, Lending and Investment Policies and Procedures, Pricing Policy and Procedures, and Risk Appetite Statement. This initiative is aimed at standardising the investment process, whilst ensuring agility in risk management.

Improved processes are vital in the current dynamic nature of the market and current economic conditions. This will enable the NHFC to adapt to changing market trends, regulatory requirements, and ensuring responsiveness. The new policies facilitate effective risk management by setting clear guidelines on risk exposure and mitigation strategies, promoting stability and resilience. Responsiveness to best practice frameworks, optimisation of pricing strategies for continued sustainability.

It is anticipated that the work will be completed and implemented during the third and fourth quarters of the 2024/25 financial year.

IMPAIRMENTS POLICY

This year, a comprehensive review of our Impaired Assets Policy was prompted by the upcoming transition from Generally Recognised Accounting Practice (GRAP) Standards to International Financial Reporting Standard (IFRS) 9. The review focused on enhancing the accuracy and effectiveness of our impairment and expected loss calculations, which are essential for fair value reporting:

Key aspects of the policy review included:

- Enhancing the impairment policy to reflect current market conditions.
- Improving the existing impairment models to ensure robustness and precision.
- Conducting a comprehensive risk analysis of our entire loan book.
- Aligning our financial reporting with GRAP 104 Reporting Standards and preparing for the transition to IFRS 9.

The initiative involved rigorous testing of our existing models, benchmarking against industry norms, and detailed gap analyses to identify and address any shortcomings. These efforts were supported by extensive data collection and sensitivity analyses to ensure that our policies remain proactive and responsive to the evolving economic environment. The outcomes of this review were presented to the Board Credit and Investment Committee, the Audit Committee and the Board.

5.4 LOAN BOOK ANALYSIS

Table 45 shows that there has been a marginal growth of 0.2% in the loan book compared to the previous year and this is due to lower-than-expected approvals and disbursements during the financial year. Strong collections across the portfolio, along with settlements from key stakeholders, both of which limit the expansion of the investment portfolio, contributed to the slowdown in growth. Despite the overall growth, there has been only a marginal increase in non-performing loans as a percentage of the total net book, rising by 1% from 26% to 27% as of March 2024. However, the period leading up to June 2024 saw a significant rise in non-performing affordable housing loans. These loans are facing multiple challenges, including slower-than-expected sales due to higher lending interest rates, which have hindered the pace of unit transfers at the Deeds Office. These issues are having a substantial impact on the overall performance of this loan segment.

The recently restructured Credit Risk Division is already demonstrating improved performance. The respective units within the division are well-positioned to effectively manage the loan portfolio, taking proactive measures to address issues and mitigate risks.

TABLE 45: LOAN BOOK ANALYSIS

COMPANY	2024				2023			
	Loan R'000	Impairment R'000	Net R'000	% of total (Net loans)	Loan R'000	Impairment R'000	Net R'000	% of total (Net loans)
Impaired book	624 511	(261 473)	363 038	13%	595 384	(222 346)	373 038	13%
Past due	397 042	-	397 042	14%	277 443	-	277 443	10%
Restructured	-	-	-	-	107 151	-	107 151	4%
Total non-performing loans	1 021 553	(261 473)	760 080	27%	979 978	(222 346)	757 632	26%
Performing loans	2 069 533	-	2 069 533	73%	2 103 425	-	2 103 425	74%
Total	3 091 086	(261 473)	2 829 613	100%	3 083 403	(222 346)	2 861 057	100%

The number of loans is not comparable as the details for retail are not readily available.

GROUP	2024				2023			
	Loan R'000	Impairment R'000	Net R'000	% of total (Net loans)	Loan R'000	Impairment R'000	Net R'000	% of total (Net loans)
Impaired book	732 335	(389 343)	342 992	8%	818 037	(308 066)	509 971	12%
Past due	394 013	-	394 013	10%	277 443	-	277 443	7%
Restructured	-	-	-	0%	107 151	-	107 151	3%
Total non-performing loans	1 126 348	(389 343)	737 005	18%	1 202 631	(308 066)	894 565	22%
Performing	3 338 302	-	3 338 302	82%	3 238 539	-	3 238 539	78%
Total	4 464 650	(389 343)	4 075 307	100%	4 441 170	(308 066)	4 133 104	100%

5.4 CREDIT LOSSES

Table 46 indicates a consistent decline in credit losses, with credit losses of 1.3% at the Company level and 0.9% at the Group level, both of which remained within the 2% budgeted for the financial year 2023/24. It is crucial that the NHFC maintains its downward trend in credit losses while continuing to focus on expanding the investment portfolio. This success is driven by proactive credit risk management and regular loan monitoring in collaboration with key stakeholders across the value chain. This overview highlights our operational resilience and adaptive strategies in managing credit risk effectively. Despite the marginal increase in non-performing loans during the 2020-2024 financial period, the company has achieved significant growth in its loan book post-COVID-19, with the portfolio expanding from R2.6 billion in 2020 to R3.1 billion in 2024. During this time, credit losses decreased from 1.7% to 1.3%, reflecting our efforts to balance growth with improved risk management and recovery in lending activities.

TABLE 46: GROSS LOAN BOOK AND CREDIT LOSSES

COMPANY	2024 R'000	2023 R'000	2022 R'000	2021 R'000	2020 R'000	2019 R'000
Total gross book	3 091 085	3 083 403	3 092 665	2 873 205	2 642 651	2 919 914
Add back bad debts written off on loans and advances	2 228	75 409	4 005	393	138 539	47 693
Gross book before write off	3 093 313	3 158 812	3 096 670	2 873 598	2 781 190	2 967 607
Net impairment and write off on loans and advances	41 355	28 564	49 700	23 207	46 773	104 957
Credit loss	1.3%	0.9%	1.6%	0.8%	1.7%	3.5%

GROUP	2024 R'000	2023 R'000	2022 R'000	2021 R'000	2020 R'000	2019 R'000
Total gross book	4 464 650	4 459 170	4 407 878	4 232 636	3 999 648	4 137 196
Add back bad debts written off on loans and advances	2 228	36 966	4 005	393	146 534	47 693
Gross book before write off	4 466 878	4 496 136	4 411 883	4 233 029	4 146 182	4 184 889
Net impairment and write off on loans and advances	41 355	34 429	74 715	39 073	64 125	109 351
Credit loss	0.9%	0.8%	1.7%	0.9%	1.5%	2.6%

PART E:

P F M A

C O M P L I

A N C E

R E P O R T

1. INFORMATION ON IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

1.1 IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure

DESCRIPTION	2023/24 R'000	2022/23 R'000
Opening balance	32 673	30 447
Add: Irregular expenditure confirmed	6 352	2 226
Less: Irregular expenditure condoned	22 742	-
Less: Irregular expenditure not condoned and removed	-	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance	16 283	32 673

Irregular expenditure of R2.2 million was recorded in the current financial year that relates to prior year. Irregular expenditure of R6.4 million was recorded for this financial year. The irregular expenditure mainly relates to BAC that was not properly constituted during the period 1 June 2022 to 31 March 2023, resulting in contracts that were awarded in that period irregular.1 relates to quotation not evaluated inline with RFQ and one where quotations were not awarded to the highest point scorer.

Reconciling notes

DESCRIPTION	2023/24 R'000	2022/23 R'000
Irregular expenditure that was under assessment	-	16 230
Irregular expenditure that relates to the prior year and identified in the current year	-	2 226
Irregular expenditure for the current year	-	-
Total	-	18 456

Details of irregular expenditure (under assessment, determination, and investigation)

DESCRIPTION	2023/24 R'000	2022/23 R'000
Irregular expenditure under assessment	23 233	-
Irregular expenditure under determination	6 352	2 226
Irregular expenditure under investigation	-	-
Total	29 585	2 226

The NHFC referred disputed findings to the value of R23.4 million to National Treasury for assessment and confirmation after a dispute with the Auditor General. This is mainly due to differences in interpretation of SCM regulations regarding deviations and differences in Bid Evaluation Committees scoring and the Auditor General Scorings. The outcome from National Treasury will determine whether or not they are recorded as irregular expenditure in the 2024-25 financial year.

There was no expenditure incurred for the 2023/24 financial year for some of the disputed items, only R2.1million expenditure was incurred in 2023/24, the rest of the disputed findings are based on the procurement process that was concluded and audited. The services procured are already in progress in the 2024/25 financial year and expenditure is being incurred which will fall in the 2024/25 financial year. Depending on outcome of National Treasury that will determine whether the procurement process is irregular or not, the expenditure incurred might or might not be classified as irregular expenditure in the 2024/25 financial year and due process will be followed based on the outcome.

Details of irregular expenditure condone

DESCRIPTION	2023/24 R'000	2022/23 R'000
Irregular expenditure condoned	22 742	-
Total	22 742	-

The National Housing Finance Corporation SOC Ltd (NHFC) requested condonation of irregular expenditure of R22 741 948.99 incurred during the 2019/20, 2021/22 and 2022/23 financial years. The irregular expenditure was incurred, when services were rendered after the contract had expired, services were rendered without prior approval according to the delegation of authority.

Details of irregular expenditure removed (not condoned)

DESCRIPTION	2023/24 R'000	2022/23 R'000
Irregular expenditure NOT condoned and removed	-	-
Total	-	-

Not applicable.

Details of irregular expenditure recoverable

DESCRIPTION	2023/24 R'000	2022/23 R'000
Irregular expenditure recoverable	-	-
Total	-	-

No irregular expenditure was recovered or is recoverable.

Details of irregular expenditure written off (irrecoverable)

DESCRIPTION	2023/24 R'000	2022/23 R'000
Irregular expenditure written off	-	-
Total	-	-

No irregular expenditure was written off.

1.2 ADDITIONAL DISCLOSURE RELATING TO INTER-INSTITUTIONAL ARRANGEMENTS

Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is not responsible for the non-compliance)

Description
Total

Not applicable.

Details of irregular expenditure where an institution is involved in an inter-institutional arrangement (where such institution is responsible for the non-compliance)*

DESCRIPTION	2023/24 R'000	2022/23 R'000
Total	-	-

Not applicable.

Details of disciplinary or criminal steps taken as a result of irregular expenditure

Disciplinary steps taken
In the current year, irregular expenditure will undergo investigations and determinations.
7 warning letters were issued against employees identified to have acted in a manner that resulted in irregular expenditure in previous years.

1.3 FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

DESCRIPTION	2023/24 R'000	2022/23 R'000
Opening balance	2 418	2 418
Add: Fruitless and wasteful expenditure confirmed	320	-
Less: Fruitless and wasteful expenditure recoverable	-	-
Less: Fruitless and wasteful expenditure not recoverable and written off	-	-
Closing balance	2 738	2 418

Seven transactions were recorded which were classified as fruitless and wasteful expenditure, two of which relates to flights no show and five cases relates penalties to SARS and CIPC for late submissions of returns. A determination is under way to establish whether this is recoverable or not.

Reconciling notes

DESCRIPTION	2023/24 R'000	2022/23 R'000
Fruitless and wasteful expenditure that was under assessment	-	-
Fruitless and wasteful expenditure that relates to the prior year and identified in the current year	-	-
Fruitless and wasteful expenditure for the current year	320	2 418
Closing balance	320	2 418

Details of fruitless and wasteful expenditure (under assessment, determination, and investigation)

DESCRIPTION	2023/24 R'000	2022/23 R'000
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	320	-
Fruitless and wasteful expenditure under investigation	-	-
Total	320	

Fruitless and wasteful expenditure identified are under a determination test to establish whether recoverable or not.

Details of fruitless and wasteful expenditure recoverable

DESCRIPTION	2023/24 R'000	2022/23 R'000
Fruitless and wasteful expenditure recovered	-	-
Closing balance	-	-

No fruitless and wasteful expenditure was recovered.

Details of fruitless and wasteful expenditure not recoverable and written off

DESCRIPTION	2023/24 R'000	2022/23 R'000
Fruitless and wasteful expenditure written off	-	-
Closing balance	-	-

No fruitless and wasteful expenditure written-off.

Details of disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

DESCRIPTION
The determination test is under way, consequence management will be implemented upon confirmation of the fruitless and wasteful expenditure.
Warning letters were issued against employees identified to have acted in a manner that resulted in fruitless and wasteful expenditure.

1.4 ADDITIONAL DISCLOSURE RELATING TO MATERIAL LOSSES IN TERMS OF PFMA SECTION 55(2)(B)(I) AND (III))

Details of material losses through criminal conduct

MATERIAL LOSSES THROUGH CRIMINAL CONDUCT	2023/24 R'000	2022/23 R'000
Theft	-	-
Other material losses	-	-
Less: Recoverable	-	-
Less: Not recoverable and written off	-	-
Closing balance	-	-

No loss was recorded due to criminal conduct.

Details of other material losses

NATURE OF OTHER MATERIAL LOSSES	2023/24 R'000	2022/23 R'000
	-	-
Closing balance	-	-

No loss was recorded for material losses.

Other material losses recoverable

NATURE OF OTHER MATERIAL LOSSES	2023/24 R'000	2022/23 R'000
	-	-
Closing balance	-	-

No loss was recorded for material losses.

Other material losses not recoverable and written off

NATURE OF LOSSES	2023/24 R'000	2022/23 R'000
	-	-
Closing balance	-	-

No loss was recorded for material losses.

2. LATE AND/OR NON-PAYMENT OF SUPPLIERS**Debtors' days review**

DESCRIPTION	NUMBER OF INVOICES	CONSOLIDATED VALUE R'000
Valid invoices received	1 446	51 994
Invoices paid sooner than 30 days or agreed period	53	1 616
Invoices paid within 30 days or agreed period	1 226	45 455
Invoices paid after 30 days or agreed period	92	3 948
Invoices older than 30 days or agreed period (unpaid and without dispute)	35	974
Invoices older than 30 days or agreed period (unpaid and in dispute)	-	-

3. SUPPLY CHAIN MANAGEMENT

3.1 CONTRACT VARIATIONS AND EXPANSIONS

PROJECT DESCRIPTION	NAME OF SUPPLIER	CONTRACT MODIFICATION TYPE	CONTRACT NUMBER	ORIGINAL CONTRACT VALUE R'	VALUE OF CONTRACT EXPANSION OR VARIATION OF CONTRACT R'
NMS Intergration — Contract Management	Vodacom	Variation	PO_NUR003680	R1 668 052.23	R36 571.52
Additional funds to construct the house in Mpumalanga	Mpumalanga Department of Human Settlements	Variation	N/A	R215 898.53	R58 287.11
Remuneration Benchmarking	Emergence Growth	Variation	PO_NHFC006637	R251 418.75	R33 206.25
Office Automation	Evolution Technology Solution	Extension	PO_NHFC003816	R1 259 957.10	R66 456.04
Development and maintenance of Learnership Programme	Reflection Institute	Extension	PO_NHFC005665	R983 250.00	-
Adding NHFC logo to FHF clothing to provide context and brand association	Indima Njonga Marketing and Communications	Variation	PO_NHFC006483	R18 547.09	R2 326.80
Renewal of SAGE Pastel annual subscription	SAGE South Africa	Extension	N/A	R1 304 100.00	R186 617.40
BoardPac System	Vodacom	Extension	N/A	R494 641.68	R250 835.00
Extension of office space lease contract with Redefine Properties Limited	Redefine Properties	Extension	N/A	R737 189.10	R507 084.00
Sage Pastel Evolution Support	Brilliant Link	Extension	N/A	R322 920.00	R807 300.00

PROJECT DESCRIPTION	NAME OF SUPPLIER	CONTRACT MODIFICATION TYPE	CONTRACT NUMBER	ORIGINAL CONTRACT VALUE R'	VALUE OF CONTRACT EXPANSION OR VARIATION OF CONTRACT R'
Backup Microsoft 365	Vox Telecoms	Variation	N/A	R22 275 577.50	R195 652.95
External Legal Opinion — IBuild Unconsented Change in Shareholding	Cliffe Dekker Hofmeyr	Extension	N/A	R63 250.00	R32 000.00
Remaining Attorney SLA Extensions	VZLR Attorneys	Extension	N/A	As per panel rates	N/A
Remaining Attorney SLA Extensions	Werksmans	Extension	N/A	As per panel rates	N/A
Migration of Host-to-Host interface of the Loan Management System (LMS) and FNB	Liptech T/A Astech	Variation	N/A	R1 304 100.00	R194 465.00

3.2 DEVIATIONS

PROJECT DESCRIPTION	NAME OF SUPPLIER	REASON FOR THE PROCUREMENT BY OTHER MEANS	CONTRACT NUMBER	VALUE OF CONTRACT
Corporate Lan Advertising — Internal Communication App	NTH Dimension	Sole source service provider	PO_NHFC006464	R85 860.20
Appointment of Redefine Properties Limited for a short-term lease of office space for a period of six months	Redefine Properties Limited	Redefine found to be compliant service provider in the limited bidding process	PO_NHFC006602	R1 500 000.00
Deviation from normal procurement: Office Move – Isle of Houghton	Master Movers and Temp Staff	Lease period was expiring and urgent requirement to move from office space was required	PO_NHFC006410	R500 000.00
Adobe Annual Licence Renewal	Fig Technology	Sole source service provider	PO_NHFC006412	R377 263.25

PROJECT DESCRIPTION	NAME OF SUPPLIER	REASON FOR THE PROCUREMENT BY OTHER MEANS	CONTRACT NUMBER	VALUE OF CONTRACT
Advertise the RFP for Reviewing, Developing and Redesigning of the Credit, Lending and Investment Policy and Procedures, Pricing Policy and Procedures, and Risk Appetite Statement in the media	City Press/Sunday Times	Limited newspaper publications	PO_NHFC006427	R90 000.00
Media Advert Placement – Stakeholder Engagement	City Press/Sunday Times	Limited newspaper publications	PO_NHFC006467; PO_NHFC006469	R245 249.00
Service Provider appointment	Excellere Events	Service provider met compliance requirements	PO_NHFC006502	R145 935.00
Symantec Licence Renewal	CHM Vuwani	OEM recommended service provider due to non-responsiveness of service providers	PO_NHFC006552	R87 936.19
Design and Layout Annual Report	Kashan Advertising	Appointed service provider as date of annual report submission was sooner than employment of graphic designer to assist in service	PO_NHFC006360	R84 525.00
Engine Audit Plus Professional Annual License	Vukani Technologies	Renewal of annual subscription	PO_NHFC006570	R123 650.54
NMS VAT penalty	VZLR	Emergency Procurement	PO_NHFC006594	R 2 300.00 p/h
Microsoft Licensing three years	Microsoft	Sole source service provider for the licensing of all Microsoft software and services utilised by the ICT division	PO_NHFC006526	R3 175 911.51
Sponsorship of NAFBI 2023 National Conference Sponsorship 27 – 29 June 2023	National African Federated Building	Sole source service provider	N/A	R100 000.00
Request to advertise the RFP of ERP Solution bid on the Sunday Times Newspaper	Sunday Times	Limited newspaper publications	PO_NHFC006575	R48 990.00
Appoint an attorney to advise NHFC Board on certain human capital matters	Werksmans Attorneys	Urgency of matter prompted deviation	PO_NHFC006602	R57 500.00
Newspaper Publications	Arena Holdings/ Creamedia	Limited newspaper publications	PO_NHFC006412	R24 152.00
Establish Programme Management Office to implement the Human Settlements Development Bank	Government Technical Advisory Centre	Sole source service provider	N/A	R6 000 000.00
Provision of Board Performance Assessments	The Institute of Directors in Southern Africa	One quotation received	PO_NHFC006470	R375 475.00

PROJECT DESCRIPTION	NAME OF SUPPLIER	REASON FOR THE PROCUREMENT BY OTHER MEANS	CONTRACT NUMBER	VALUE OF CONTRACT
Bulk SMS Solution	Vodacom	Third highest bidder met requirements	N/A	R120 000.00
Requirement of four temporary workers	Heitha Staffing Group (Pty) Ltd	One quotation received	N/A	R43 585.00
Noise Cancelling Headphones	Mabuse T Trading Enterprise	Initially appointed service provider was unable to deliver the goods	PO_NHFC006724	R20 677.00
Appoint CityNet as property management company to continue to provide services to President Place for a period of ten (10) months from 1 February 2023 to 30 November 2023	City/Net	Requirement of CityNet to continue with the management of President Place	N/A	R80 000 p/m
Deviation Memo to attend GCICT Implementation Training	GCICT Implementation Training	Single source service provider	N/A	R38 640.00
Deviation Memo — Appointment of Assessment Toolbox	Assessment Toolbox	Supplier had initiated the initial process and is completing with the GM Finance member of staff	N/A	R9 775.00
Advertise the RFP for Property Management Services on Print Media Application	Sunday Times and Business Day	To broaden media coverage through newspaper advertising	PONHFC006769	R90 000.00
Sourcing CVs for the HCC and BCIC advisors through the free loDSA platform	loDSA	More practical approach after receiving late bids from panel of recruiters	N/A	R0.00
Microsoft E3 to E5 Step Up	Microsoft	E5 offers advanced security and compliance capabilities which will ensure the NHFC remains secure and compliant	PONHFC006862	R2 245 285.68
Fire Protection	Maninga Engineering	Ensuring Building Compliance — President	N/A	R661 685.40
Implementation of Checkpoint Harmony Endpoint and Email Collaboration Solutions	Chimera Solutions	Endpoint Security solution and Email Collaboration solution	N/A	
Property Management	Big Bell Investments	To ensure management of property in Germiston is maintained	N/A	R90 000 p/m
SAGE Procurement of ten additional licences	SAGE	SAGE is sole supplier of these licences	PO_NHFC006851	R148 453.39

PROJECT DESCRIPTION	NAME OF SUPPLIER	REASON FOR THE PROCUREMENT BY OTHER MEANS	CONTRACT NUMBER	VALUE OF CONTRACT
Mantura and others vs NHFC and others	Stegmanns Incorporated	Stegmanns has dealt with a similar case; Emergency procurement	N/A	R92 690.00
SAGE Loan Management System Subscription	Liptech t/a Astech	Annual Subscription SAGE Loan Management	PO_NHFC006856	R100 193.75
Adoption of Apple Devices for Board members and specialist job functions and hardware standardisation on Dell and HP	Multiple service providers	Adoption of Apple devices for Board members and specialist job functions and hardware standardisation on Dell and HP	N/A	R1 200 000.00
Procurement of both print and digital media space in African Union (AU) Echo Publication and African Insider Digital Platform	AU Echo	Procurement of both print and digital media space in (AU) Echo Publication and African Insider Digital Platform	N/A	R200 000.00
Appointment of a service provider for the provision of catering and event management for the Town Hall staff engagement	Excellere Events	Insufficient time available to go out on RFQ	PO_NHFC006905	R95 552.61
NHFC Website Hosting	Afrihost	Ensure availability of the NHFC website, remove need for migration and ensure maintenance and security of the website	N/A	R36 840.00
Acquire services of the Ethix App	Corrie Campbell's Corporate Communications Company (Pty) Ltd	To facilitate ethical topic discussion within the organisation	N/A	R376 110.75
Annual Membership subscription to the South African Institute of Chartered Accountants (SAICA)	SAICA	NHFC benefits from SAICA registered members' skills and knowledge	N/A	R8 478.35
Legal Opinion — Lifestyle Audits	Werksmans Attorneys	Outlining what measures need to be in place and under what conditions the NHFC may conduct lifestyle audits	N/A	R18 500.00
Legal Opinion — Blue Downs / WCB	Werksmans Attorneys	For the NHFC to come to an informed decision on whether to proceed with the transaction being fully conversant with the legal implications	N/A	R70 000.00

PROJECT DESCRIPTION	NAME OF SUPPLIER	REASON FOR THE PROCUREMENT BY OTHER MEANS	CONTRACT NUMBER	VALUE OF CONTRACT
SAGE VIP annual licence renewal	SAGE	The licence is payable directly to SAGE as they are the original equipment manufacturer	N/A	R98 093.85
Procurement of electronic media space to profile and raise awareness of the First Home Finance product offering	eMedia Holdings	Procurement of electronic media	N/A	R911 030.00
Create awareness of and promote the First Home Finance product offerings	SABC	Increased reach of the NHFC and cost savings through prior service	N/A	R1 361 899.00
BoardPac	Vodacom	Simplify, digitise and secure meetings of the board of directors and members	N/A	R418 058.00
SmartGov	Vodacom	Automate, improve and optimise contract management process	N/A	R160 678.61
Total				R18 200 590.86

PART F:



INFORMATION

INDEX

The reports and statements set out below comprise the Consolidated Annual Financial Statements presented to the Parliament:

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The financial statements were prepared by Silvan Moon, CA(SA), under the supervision of Viola Moraswi, CA(SA). (page 148 of the AFS)



STATEMENT OF RESPONSIBILITY BY THE BOARD

The Board of Directors, which constitutes the Accounting Authority, is required in terms of the Companies Act, 2008 (Act No. 71 of 2008) (Companies Act) and Public Finance Management Act of 1999 (Act No. 1 of 1999) (PFMA) to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the National Housing Finance Corporation SOC Ltd (NHFC) at 31 March 2024, and the results of its operations and cash flows for this period. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and have been given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors acknowledge that they are ultimately responsible for the systems of financial and risk management and internal control and attach considerable importance in maintaining a strong control environment. To enable the Directors to meet these responsibilities, the board sets standards of internal control aimed at reducing the risk of error or deficit in a cost-efficient manner. These standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of the NHFC's enterprise-wide risk management is on identifying, assessing, managing and monitoring all

forms of risk across the company. While operating risk will always exist, the NHFC endeavours to mitigate it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Independent internal auditors assist the Board in their task of ensuring that internal controls are adequate and operate as intended throughout the financial year under review. The company appointed internal auditors in May 2022.

The Directors are of the opinion, based on the information and explanations given by management, and the internal auditors, that the system of internal control provides reasonable assurance, and that the financial records may be relied upon for preparing the annual financial statements.

The Directors have reviewed the NHFC's cash flow forecast for 31 March 2025, and in light of this review and the current financial position, the Board is satisfied that the NHFC has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the NHFC's annual financial statements and their report is presented on pages 153 - 163.

The annual financial statements, set out on pages 168 - 251, which have been prepared on the going concern basis, were approved by the Board of Directors on 20 September 2024 and were signed on their behalf by:



Mr Luthando Vutula
Non Executive Chairperson:
National Housing Finance
Corporation



Ms Philisiwe Mthethwa
Chairperson Audit Committee:
National Housing Finance
Corporation



.....

The **Annual Financial Statements** are based upon **appropriate accounting policies, consistently applied and supported** by reasonable and prudent judgments and estimates.

.....



AUDIT COMMITTEE REPORT

The Audit Committee is pleased to submit its report in compliance with the Public Finance Management Act of 1999 and the Companies Act of 2008 of South Africa. Details on the composition and role of the Audit Committee, frequency of meetings and attendance at meetings are set out in the Corporate Governance Section on pages 91 to 122 of the Integrated Annual Report.

EXECUTION OF THE FUNCTIONS OF THE AUDIT COMMITTEE

The Audit Committee has carried out its functions in terms of the applicable requirements of the Public Finance Management Act, the Companies Act of South Africa and its Audit Committee Charter as approved by the Board.

EXTERNAL AUDITORS

The Audit Committee approved the external auditors' terms of engagement, scope of work, the annual fee and noted the applicable levels of materiality. Based on written reports submitted, the Audit Committee reviewed, with the external auditors, the findings of their work and confirmed that all significant matters had been satisfactorily resolved. The Audit Committee is satisfied that the external

auditors are independent of the group, as defined by the Companies Act No. 71 of 2008 and the Public Finance Management Act No. 1 of 1999 and as per the standard stipulated by the auditing profession.

No non-audit fees were paid to the external auditors for the year under review.

INTERNAL AUDIT

The Audit Committee has satisfied itself that findings by the Internal Auditors are followed up and implemented by management.

SYSTEMS OF INTERNAL CONTROLS

The Audit Committee monitors the design and effectiveness of the internal controls system implemented by the NHFC. Management ensures that all internal control deficiencies are prevented and corrected as and when they are identified.

Based on the reports and explanations given by management, the Internal Auditors and External Auditors during the year under review, the Audit Committee is of the opinion that the system of internal controls implemented by the NHFC is effective. Nothing has come to the attention of the

Audit Committee to indicate that a material breakdown in the functioning of internal controls, procedures and systems has occurred during the year under review.

FINANCIAL AND REGULATORY REPORTING

The Audit Committee examined and reviewed the quarterly reports regarding the financial and operational performance of the group, the tracking and monitoring of key performance indicators, details of budgets, forecasts, financial reporting controls and processes, and the adequacy and reliability of management information used during the reporting process.

GOING CONCERN

The Audit Committee has given particular attention to the assessment of the going concern ability of the Company and Group, and has a reasonable expectation that the NHFC has adequate resources to operate in the foreseeable future. The NHFC Group has therefore adopted the going concern basis in preparing the financial statements.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The Audit Committee has reviewed principles, policies and practices adopted in the preparation of Annual Financial Statements for the 2024 financial year and, where necessary, has obtained appropriate explanations relating to such financial information included in the 2024 Annual Financial Statements. The Audit Committee is satisfied that they are adequate and appropriate and that the 2024 Annual Financial Statements comply in all material respects with the PFMA, the Companies Act of South Africa and GRAP.

The Audit Committee recommended the 2024 Annual Financial Statements to the Board for approval.



Ms Philisiwe Mthethwa
Chairperson of the Audit Committee: National Housing Finance Corporation



AUDITOR-GENERAL REPORT

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

1. I have audited the consolidated and separate financial statements of the National Housing Finance Corporation SOC Ltd (NHFC) and its subsidiaries (the group) set out on pages 162 to 250, which comprise the consolidated and separate statement of financial position as at 31 March 2024, consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the group as at 31 March 2024 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (Companies Act of South Africa).

CONTEXT FOR OPINION

2. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the consolidated and separate financial statements section of my report.

3. I am independent of the group in accordance with the *International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

4. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

EMPHASIS OF MATTER

5. I draw attention to the matter below. My opinion is not modified in respect of this matter.

RESTATEMENT OF CORRESPONDING FIGURES

6. As disclosed in note 36 to the financial statements, the corresponding figures for 31 March 2023 were restated, as a result of errors in the financial statements of the entity at, and for the year ended, 31 March 2024.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

7. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with GRAP and the requirements of the PFMA and Companies Act 71 of 2008; and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the group'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 appropriate governance structure either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

RESPONSIBILITIES OF THE AUDITOR-GENERAL FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

9. My objectives are to obtain reasonable assurance about whether the consolidated and separate

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 my 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 consolidated and separate financial statements.

10. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report. This description, which is located at pages 160 to 163, forms part of our auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

11. In accordance with the Public Audit Act No. 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected programmes presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

12. I selected the following programmes presented in the annual performance report for the year ended 31 March 2024 for auditing. I selected programmes that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

PROGRAMME	PAGE NUMBERS	PURPOSE
PROGRAMME 4 RENTAL AND SOCIAL HOUSING	156	Promote the provision of affordable rental housing and develop capabilities in the rental housing sector through intergovernmental collaboration.
PROGRAMME 5 AFFORDABLE HOUSING	157	Provision of affordable housing finance.

13. I evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

14. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable.
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets/ measures taken to improve performance

15. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

16. The material finding on the reported performance information for the selected programme follows:

PROGRAMME 5: AFFORDABLE HOUSING PROGRAMME

VALUE OF APPROVALS – FIRST HOME FINANCE GRANT

17. An achievement of R415 million was reported against a target of R300 million. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that the achievement against the target was lower than reported.

OTHER MATTERS

18. I draw attention to the matters below.

ACHIEVEMENT OF PLANNED TARGETS

19. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements. This information should be considered in the context of the material findings on the reported performance information.

20. The tables that follow provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any under-achievement of targets are included in the annual performance report on pages 80 to 89.

PROGRAMME 4: RENTAL AND SOCIAL HOUSING

KEY INDICATORS NOT ACHIEVED	PLANNED TARGET	REPORTED ACHIEVEMENT
Programme 4: Rental and Social Housing Programme Targets achieved: 0%		
Value of disbursements: Social Housing Finance (R'm)	65	16
Value of approvals: Social Housing Finance (R'm)	200	91
Value of approvals: Private Rental Housing Finance (R'm)	185	65



PROGRAMME 5: AFFORDABLE HOUSING

KEY INDICATORS NOT ACHIEVED	PLANNED TARGET	REPORTED ACHIEVEMENT
Programme 5: Affordable Housing Programme Targets achieved: 38%		
Sub-programme 5a: Grant facilitation (First home finance)		
Number of subsidy applications approved	4 615	4 391
Sub-programme 5b: Affordable housing finance		
Value of consolidated disbursements – affordable housing products (R'm)	733	389
Value of disbursements - Strategic investments (R'm)	61	8
Value of approvals - Affordable housing – Bridging finance (R'm)	456	338
Value of approvals - Affordable housing – Incremental housing finance (R'm)	208	0
Affordable Housing –Strategic Investments (R'm)	99	21
Sub-programme 5c: Sector transformation		
Value of disbursements targeted towards designated groups (R'm)	319	82
Value of disbursements targeted towards Black-owned entities (R'm)	239	66
Value of payments to designated group owned contractors (R'm)	75	50
Percentage implementation of multi-year incubator programme plan	50% implementation of incubator programme multiyear plan	0% implementation

MATERIAL MISSTATEMENT

21. I identified a material misstatement in the annual performance report submitted for auditing. This material misstatement was in the reported performance information for Programme 5: Affordable housing programme. Management did not correct the misstatement, and I reported a material finding in this regard.

REPORT ON COMPLIANCE WITH LEGISLATION

22. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

23. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

24. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

25. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

ANNUAL FINANCIAL STATEMENTS AND ANNUAL REPORT

26. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by Section 55(1) (a) and (b) of the PFMA.

27. Material misstatements of non-current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided, resulting in the financial statements receiving an unqualified audit opinion.

EXPENDITURE MANAGEMENT

28. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to | R6 351 000, as disclosed in note 37 to the Annual Financial Statements, as required by Section 51 (1) b(ii) of the PFMA.

PROCUREMENT AND CONTRACT MANAGEMENT

29. Some of the quotations were accepted from prospective suppliers who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by Treasury Regulation 16A8.4 and Par 7.2 of NTI 03 of 2021/22.

CONSEQUENCE MANAGEMENT

30. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by Section 51 (1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure.

31. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by Section 51 (1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into fruitless and wasteful expenditure.

OTHER INFORMATION IN THE ANNUAL REPORT

32. The accounting authority is responsible for the other information included in the annual report which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information referred to does not include the consolidated and separate financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.

33. My opinion on the consolidated and separate financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

34. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate financial statements and the selected programmes presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

35. I did not receive the other information by the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to discuss the matter with those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. If it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

36. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

37. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion and the material findings on the annual performance report and the material findings on compliance with legislation included in this report.

38. Senior management did not adequately review the consolidated and separate financial statements and annual performance report to ensure accurate reporting due to a lack of adequate oversight.

39. The effectiveness of compliance monitoring by senior management in areas such as expenditure management, procurement and contract management and consequence management were compromised due to insufficient oversight. It is imperative to enhance the compliance monitoring processes performed by both the accounting authority and senior management. A root cause focused action plan must be developed and implemented to ensure timely resolution of the reported deficiencies.

Auditor General

Pretoria
20 September 2024



Western Cape — 308 On Karen





ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

PROFESSIONAL JUDGEMENT AND PROFESSIONAL SCEPTICISM

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with selected requirements in key legislation.

FINANCIAL STATEMENTS

In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the consolidated and separate 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 my 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 public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated and separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity and its subsidiaries to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report

to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate financial statements. My 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 public entity to cease operating as a going concern

- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate 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. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

I 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 I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

COMPLIANCE WITH LEGISLATION – SELECTED LEGISLATIVE REQUIREMENTS

The selected legislative requirements are as follows:

LEGISLATION	SECTIONS OR REGULATIONS
Public Finance Management Act No. 1 of 1999 (PFMA)	Section 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 53(4) Section 54(2)(c'); 54(2)(d) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56(1); 56(2) Section 57(b); Section 66(3)(c'); 66(5)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Treasury Regulation 8.2.1; 8.2.2 Treasury Regulation 16A 3.1; 16A 3.2; 16A 3.2(a); 16A 6.1; 16A6.2(a) & (b); 16A6.2(e);16A 6.3(a); 16A 6.3(a)(i); 16A 6.3(b); 16A 6.3(c); 16A 6.3(d); 16A 6.3(e); 16A 6.4; 16A 6.5; 16A 6.6; TR 16A.7.1; 16A.7.3; 16A.7.6; 16A.7.7; 16A 8.2(1); 16A 8.2(2); 16A 8.3; 16A 8.3(d); 16A 8.4; 16A9.1 16A9; 16A9.1(b)(ii); 16A9.1(c); 16A 9.1(d); 16A 9.1(e); 16A9.1(f); 16A 9.2; 16A 9.2(a)(ii); TR 16A 9.2(a)(iii) Treasury Regulation 30.1.1; 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1 Treasury Regulation 31.1.2(c') Treasury Regulation 31.2.1; 31.2.5; 31.2.7(a) Treasury Regulation 31.3.3 Treasury Regulation 32.1.1(a); 32.1.1(b); 32.1.1(c') Treasury Regulation 33.1.1; 33.1.3

LEGISLATION	SECTIONS OR REGULATIONS
Companies Act No. 71 of 2008	Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); 45(4) Section 46(1)(a); 46(1)(b); 46(1)(c') Section 112(2)(a) Section 129(7)
Prevention and Combating of Corrupt Activities Act No. 12 of 2004 (PRECCA)	Section 34(1)
Construction Industry Development Board Act No. 38 of 2000 (CIDB)	Section 18(1)
CIDB Regulations	CIDB Regulation 17; 25(1); 25 (5) & 25(7A)
Preferential Procurement Policy Framework Act No. 05 of 2000 (PPPFA)	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
Preferential Procurement Regulations, 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
Preferential Procurement Regulations, 2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
PFMA SCM Instruction no. 09 of 2022/23	Paragraph 3.1; 3.3 (b); 3.3 (c); 3.3 (e); 3.6
National Treasury Instruction No. 01 of 2015/16	Paragraph 3.1; 4.1; 4.2
PFMA SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2 (b); 4.3; 4.4; 4.4 (a); 4.4 (c) -(d); 4.6 Paragraph 5.4 Paragraph 7.2; 7.6
NT Instruction Note 03 of 2019/20	Paragraph 5.5.1(vi); Paragraph 5.5.1(x)
NT Instruction Note 11 of 2020/21	Paragraph 3.1; 3.4 (a) and (b); 3.9; 6.1;6.2;6.7

LEGISLATION	SECTIONS OR REGULATIONS
PFMA SCM Instruction note 2 of 2021/22	Paragraph 3.2.1; 3.2.2; 3.2.4(a) and (b) ; 3.3.1; 3.2.2 Paragraph 4.1
PFMA SCM Instruction 04 of 2022/23	Paragraph 4(1); 4(2); 4(4)
Practice Note 05 of 2009/10	Paragraph 3.3
PFMA SCM Instruction 08 of 2022/23	Paragraph 3.2 Paragraphs 4.3.2; 4.3.3
Competition Act No. 89 of 1998	Section 4(1)(b)(ii)
NT Instruction Note 4 of 2015/16	Paragraph 3.4
NT SCM Instruction Note 4A of 2016/17	Paragraph 6
Second amendment of NT Instruction 05 of 2020/21	Paragraph 4.8; 4.9; 5.1; 5.3
Erratum NTI 5 of 2020/21	Paragraph 1
Erratum NTI 5 of 2020/21	Paragraph 2
Practice Note 7 of 2009/10	Paragraph 4.1.2
Practice Note 11 of 2008/09	Paragraph 3.1 Paragraph 3.1 (b)
PFMA SCM Instruction Note 01 of 2021/22	Paragraph 4.1



DIRECTORS' REPORT

MANDATE AND PRINCIPAL ACTIVITIES

The National Housing Finance Corporation SOC Limited (NHFC) 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 NHFC is listed as a Schedule 3A public entity in terms of the Public Finance Management Act. Details of the NHFC's principal activities are described on pages 12 to 25.

CORPORATE GOVERNANCE

For the financial year under review, the Directors have embraced the principles of PFMA, King IV® on Corporate Governance and endeavour to comply with these recommendations as far as possible. The company complies with the corporate governance requirements of the Companies Act.

FINANCIAL HIGHLIGHTS

The financial highlights are set out on pages 250 to 251.

FINANCIAL RESULTS

The financial results of the NHFC for the year under review are set out on pages 168 to 251.

The NHFC group has achieved a pleasing set of financial results despite a challenging macro-economic environment which had an adverse impact on our clients in the property sector. This was achieved on the back of continued focus on effective management of the quality of the loan book, operational efficiency, and risk based pricing strategies. This was aided by effective management

of our cash and cash equivalents which continued to generate strong investment returns.

CREDIT RATING

On the 28 March 2024, Global Credit Rating Company (GCR, placed the long and short-term National scale issuer ratings of National Housing Finance Corporation SOC Limited (NHFC) of A(ZA)/A1(ZA) on review extension. At the same time, GCR placed NHFC's long and short-term international scale issuer ratings of B+/B on review extension.

Subsequently on the 30 April 2024, these ratings were affirmed with a Stable outlook.

The rating agency cited as positives, the strong financial profile due to high levels of capitalisation and liquidity, changes in leadership being a new Board and a new CEO as part of initiatives to transform NHFC to the Human Settlements Development Bank (HSDB) amongst others, with the settling of the HSDB a positive rating action trigger. Despite the negative rating factor of high



non-performing loans which reflects the mandate of the Company, they also cited that a negative rating action is unlikely because of the high liquidity levels.

BUSINESS PERFORMANCE RESULTS

The business performance against predetermined objectives for the year under review is set out on pages 53 - 86.

SHARE CAPITAL AND SHAREHOLDER

The Government of the Republic of South Africa is the primary shareholder of the NHFC and the Minister of Human Settlements represents the shareholder's interest.

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

DIVIDENDS

In terms of an agreed policy with its shareholder, all surpluses are retained by the NHFC in order to build its capital base, and thereby increase its activities and impact.

GOING CONCERN

The Board has given particular attention to the assessment of the going concern ability of the Company and Group, and has a reasonable expectation that the NHFC has adequate resources to operate in the foreseeable future. The NHFC Group has therefore adopted the going concern basis in preparing the financial statements.

DIRECTORATE AND SECRETARIAT

Details pertaining to the directors and company secretary appear on pages 91 and 99.

EXTERNAL AUDITOR

The auditor is the Auditor General of South Africa and were originally appointed in the 2018 financial year. The ongoing appointment is confirmed by the shareholder at the annual general meeting for each succeeding year.

HUMAN SETTLEMENTS DEVELOPMENT BANK

The outstanding steps to achieve the HSDB establishment which are under the control of the Department of Human

Settlements are as follows:

- Draft Legislation;
- Secure funding;
- Secure SA Reserve Bank Approval for proposed name;
- Promulgate the Act;

- Confirm PFMA scheduling; and
- Ensure tax free status of the NHFC carries to HSDB.

The Board remains committed to concluding this strategic process towards the establishment of the HSDB.

REMUNERATION OF DIRECTORS AND MEMBERS OF BOARD COMMITTEES

The Directors' emoluments are set out on page 243 of these financial statements.

AUDIT COMMITTEE MEMBERS OF BOARD COMMITTEES

The Audit Committee members and External Auditors are appointed in line with the Companies Act, Act No. 71 of 2008.

The External Auditors do not perform non-audit services for the company.

INTERNAL CONTROLS

An effective internal control framework is the responsibility of the Board and is in place. The control framework provides assurance that the assets of the NHFC are safeguarded, liabilities and working capital are efficiently managed and that the NHFC 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. The IT Control Framework provides assurance that the IT control process is effective and that the IT assets of the NHFC are safeguarded.

The implementation of the IT Governance Framework is delegated to an IT Management Committee.

EVENTS AFTER THE REPORTING DATE

The Chief Financial Officer (CFO) resigned effective April 2024; we extend our sincere thanks to Mr Bruce Gordon for his many years of dedicated service. An Acting CFO has been appointed.

Subsequent to the submission date, there was a revised statement from SARS and the tax receivable have been amended from R51.1 million to the current effect of R53.9 million.

SUBSIDIARIES AND ASSOCIATES

The NHFC's investments are disclosed in notes 5 to 8 of the Annual Financial Statements.

INFORMATION REQUIRED BY THE PUBLIC FINANCE MANAGEMENT ACT

PERFORMANCE

The performance of the NHFC against the Shareholder's Compact with the Minister of Human Settlements is set out on pages 53 - 86.

IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

During the year, the NHFC incurred irregular expenditure of R6.35 million and R320 thousand of fruitless and wasteful expenditure was incurred in the current year due to non-compliance with our National Treasury Regulations and Supply Chain Management Policies.

Certain of the determinations required by the Frameworks on irregular expenditure and fruitless and wasteful expenditure have been completed, and where appropriate, disciplinary action will be taken. Other determinations are still in progress. None of the completed determinations have indicated any need for criminal charges and no losses were incurred by the company on irregular expenditure.

The expenditure is disclosed in note 37 of Annual Financial Statements.

ACCOUNTING AUTHORITY CHANGES

There were no changes in the year under review. Losses from criminal conduct In terms of the Materiality Framework agreed with the shareholder, any material losses due to criminal conduct that individually (or collectively where items are closely related) exceed R1.2 million, must be reported. The NHFC did not incur any material losses during the financial year.

The Directors' Report for the year ended 31 March 2024 was approved by the Board of Directors on 20 September 2024 and is signed on their behalf by:



Mr Luthando Vutula
Board Chairperson: National Housing Finance Corporation



Ms Philisiwe Mthethwa
Chairperson of the Audit Committee: National Housing Finance Corporation

COMPANY SECRETARY'S CERTIFICATION

DECLARATION BY THE COMPANY SECRETARY IN RESPECT OF SECTION 88(2)(E) OF THE COMPANIES ACT

In terms of Section 88(2)(e) of the Companies Act No. 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



Ms Nthabiseng Mongali
Company Secretary: National Housing Finance Corporation

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

	NOTE(S)	GROUP		COMPANY	
		2024 R '000	2023 RESTATED* R '000	2024 R '000	2023 RESTATED* R '000
ASSETS					
NON-CURRENT ASSETS					
Loans and advances	3	3 416 717	3 559 823	2 091 554	2 220 850
Loans to subsidiaries	4	-	-	49 583	33 783
Investment in non-controlled entities	5	246 128	238 043	246 128	238 043
Investments in controlled entities	6	-	-	203 686	261 295
Investments in associates	7	218 752	226 836	141 746	114 678
Investment preference shares	8	-	-	-	-
Property, plant and equipment	9	2 562	2 533	2 561	2 531
Intangible assets	10	-	407	-	407
Finance lease receivables	11	61 290	101 942	-	-
Investment property	12	113 381	82 897	102 000	71 650
Deferred tax	30	17 865	24 089	-	-
Held to maturity investments	13	18 714	36 608	18 714	36 608
		4 095 409	4 273 178	2 855 972	2 979 845
CURRENT ASSETS					
Loans and advances	3	755 625	654 205	744 234	640 207
Finance lease receivables	11	36 965	3 945	-	-
Other receivables and prepayments	14	25 826	49 601	11 623	11 979
Held to maturity investments	13	692 752	530 674	692 752	530 674
Cash and cash equivalents	15	2 090 299	2 206 008	1 907 788	1 823 987
Income tax receivable	30	53 889	41 552	53 889	41 552
		3 655 356	3 485 985	3 410 286	3 048 399
TOTAL ASSETS		7 750 765	7 759 163	6 266 258	6 028 244
LIABILITIES					
NON-CURRENT LIABILITIES					
Other financial liabilities	16	1 077 904	1 306 515	107 818	139 816
Long-term payables	22	6 300	7 901	-	-
		1 084 204	1 314 416	107 818	139 816
CURRENT LIABILITIES					
Funds under management	21	1 208 466	1 207 508	1 203 469	1 184 326
Other financial liabilities	16	56 707	55 012	34 781	37 414
Provisions	17	9 198	10 521	2 361	3 804
Trade and other payables	18	67 169	107 459	30 219	48 776
Current tax payable	30	469	2 695	-	-
		1 342 009	1 383 195	1 270 830	1 274 320
TOTAL LIABILITIES		2 426 213	2 697 611	1 378 648	1 414 136
NET ASSETS		5 324 552	5 061 552	4 887 610	4 614 108

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024 (CONTINUED)

	NOTE(S)	GROUP		COMPANY	
		2024 R '000	2023 RESTATE ^d * R '000	2024 R '000	2023 RESTATE ^d * R '000
Issued capital	19	842	842	842	842
Share premium	19	879 158	879 158	879 158	879 158
Grant capital	20	1 656 698	1 656 698	1 656 698	1 656 698
Accumulated surplus		2 598 494	2 335 494	2 213 288	1 939 786
Non-distributable and other reserves		189 360	189 360	137 624	137 624
TOTAL NET ASSETS		5 324 552	5 061 552	4 887 610	4 614 108
TOTAL NET ASSETS AND LIABILITIES		7 750 765	7 759 163	6 266 258	6 028 244

*See note 36.



STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2024

	NOTE(S)	GROUP		COMPANY	
		2024 R '000	2023 RESTATED* R '000	2024 R '000	2023 RESTATED* R '000
Interest on advances	23	595 815	471 091	353 745	272 409
Interest received on investments	23	113 891	81 252	110 883	73 345
Rental income	23	11 928	12 962	11 618	11 228
Dividends received	23	158	158	158	158
Sale of houses	23	304	217	-	-
Management fees	23	23 916	87 668	35 360	37 053
Share of residual interest in controlled entities	23	-	-	6 956	22 108
Fees on advances		5 893	5 054	5 893	4 903
REVENUE		751 905	658 402	524 613	421 204
Cost of sales	24	(251)	(1 751)	-	-
Net impairments and write offs	26	(59 663)	(68 674)	(37 331)	(33 942)
Programme implementation costs		(44 515)	(52 207)	-	-
GROSS SURPLUS		647 476	535 770	487 282	387 262
Other operating income	25	26 648	31 626	29 180	33 457
Operating expenses	26	(286 267)	(246 029)	(231 288)	(198 746)
OPERATING SURPLUS		387 857	321 367	285 174	221 973
Investments Fair value and Impairments	12 & 28	33 207	19 180	101	(32 683)
Surplus/(deficit) on disposal		91	34	91	34
Surplus/(deficit) from associates	27	(6 183)	(41 363)	-	-
Finance costs paid	29	(145 698)	(124 929)	(11 864)	(12 887)
SURPLUS BEFORE TAXATION		269 274	174 289	273 502	176 437
Income tax expense	30	(6 274)	22 558	-	-
SURPLUS FOR THE YEAR		263 000	196 847	273 502	176 437

*See note 36.

STATEMENT OF CHANGES IN NET ASSETS

	ISSUED CAPITAL	SHARE PREMIUM	TOTAL SHARE CAPITAL	NON DISTRIBUTABLE RESERVE	GRANT CAPITAL	TOTAL RESERVES	ACCUMULATED SURPLUS	TOTAL NET ASSETS
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Group								
Opening balance as previously reported	842	879 158	880 000	189 360	1 656 698	1 846 058	2 084 958	4 811 016
Correction of errors *	-	-	-	-	-	-	53 689	53 689
Balance at 01 April 2022 as restated*	842	879 158	880 000	189 360	1 656 698	1 846 058	2 138 647	4 864 705
Surplus for the year	-	-	-	-	-	-	196 847	196 847
Restated* Balance at 01 April 2023	842	879 158	880 000	189 360	1 656 698	1 846 058	2 335 494	5 061 552
Surplus for the year	-	-	-	-	-	-	263 000	263 000
Balance at 31 March 2024	842	879 158	880 000	189 360	1 656 698	1 846 058	2 598 494	5 324 552
Note(s)	19	19	19		20			
Company								
Opening balance as previously reported	842	879 158	880 000	137 624	1 656 698	1 794 322	1 767 111	4 441 433
Correction of errors *	-	-	-	-	-	-	(3 762)	(3 762)
Balance at 01 April 2022 as restated*	842	879 158	880 000	137 624	1 656 698	1 794 322	1 763 349	4 437 671
Surplus for the year	-	-	-	-	-	-	176 437	176 437
Restated* Balance at 01 April 2023	842	879 158	880 000	137 624	1 656 698	1 794 322	1 939 786	4 614 108
Surplus for the year	-	-	-	-	-	-	273 502	273 502
Balance at 31 March 2024	842	879 158	880 000	137 624	1 656 698	1 794 322	2 213 288	4 887 610
Note(s)	19	19	19		20			

*See note 36.

CASH FLOW STATEMENT

	NOTE(S)	GROUP		COMPANY	
		2024 R '000	2023 RESTATED* R '000	2024 R '000	2023 RESTATED* R '000
Cash flows from operating activities					
Receipts					
Repayments from customers		1 015 003	657 743	756 412	672 708
Sale of houses		304	217	-	-
Interest and rental received		145 794	673 363	145 101	433 317
Other income received		26 648	20 096	21 359	29 905
		1 187 749	1 351 419	922 872	1 135 930
Payments					
Employee costs paid		(168 407)	(142 986)	(152 766)	(139 636)
Payment to suppliers		(184 392)	(138 586)	(66 948)	(96 372)
Finance costs paid		(145 698)	(128 749)	(12 460)	(12 939)
Disbursements to customers		(415 851)	(780 750)	(406 328)	(740 899)
Taxation paid		(12 337)	-	(12 337)	-
		(926 685)	(1 191 071)	(650 839)	(989 846)
Net cash flows from operating activities	32	261 064	160 348	272 033	146 084
Cash flows from investing activities					
Additions to property, plant and equipment	9	(1 391)	(1 051)	(1 391)	(1 049)
Proceeds from disposal of property, plant and equipment	9	122	131	122	131
Proceeds from sale of investment property	12	117	-	-	-
Increase in investment in non-controlled entities		(5 479)	-	(5 479)	-
Decrease in held-to-maturity investment		(144 184)	1 676	(144 184)	1 676
Disbursement to investment in controlled entities		-	-	(2 314)	(9 287)
Net cash flows from investing activities		(150 815)	756	(153 246)	(8 529)
Cash flows from financing activities					
Repayment of borrowings		(226 916)	(33 644)	(34 631)	(33 644)
Proceeds from funds under management		511 841	216 376	510 441	202 860
Funds under management returned		(510 883)	-	(510 883)	-
Proceeds from shareholders loan		-	-	87	-
Net cash flows from financing activities		(225 958)	182 732	(34 986)	169 216
Net (decrease)/increase in cash and cash equivalents		(115 709)	343 836	83 801	306 771
Cash and cash equivalents at the beginning of the year		2 206 008	1 862 172	1 823 987	1 517 215
Cash and cash equivalents at the end of the year	15	2 090 299	2 206 008	1 907 788	1 823 986

*See note 36.



ACCOUNTING POLICIES

CORPORATE INFORMATION

1.1 BASIS OF PRESENTATION

The consolidated financial statements have been prepared on a historical cost basis, except as otherwise indicated. The consolidated financial statements are presented in Rand and all values are rounded to the nearest thousand (R'000), except as otherwise indicated. The consolidated financial statements are prepared on a going concern basis. The consolidated financial statements for the year ended 31 March 2024 comprise the NHFC, its subsidiaries and the Group's interest in associates (referred to as the Group). The financial year-end for all its subsidiaries is 31 March. Similar accounting policies are applied across the Group.

1.2 STATEMENT OF COMPLIANCE

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board, as well as the requirements of the Companies Act (Act No. 71 of 2008) and the Public Finance Management Act (Act No. 1 of 1999), as amended.

1.3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of NHFC SOC Limited and its subsidiaries as at 31 March 2024.

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

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

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Investments in subsidiaries in the Company's separate financial statements are carried at fair value.

ACCOUNTING POLICIES CONTINUED

1.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

The accounting policies adopted are consistent with those of the previous year.

1.5 SUMMARY OF SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of the asset or liability affected in the future.

BONUS PROVISION

Staff and management bonuses are provided for as and when the employee renders service.

The bonus is based on performance and is evaluated using a rating method on an annual basis. Provision is made based on the approved budget and recognised monthly which is adjusted once performance assessments have completed.

INVESTMENT PROPERTIES

Management reassesses annually the most appropriate allocation of housing stock into inventory and investment properties categories. The percentage allocation is estimated as the most likely manner in which economic benefits will be realised from these assets, be it either in the form of proceeds on the sale of the asset or rental income received on the lease of an operating lease asset.

The company uses a combination of the Income Capitalisation Method of Valuation and the Direct Comparison Sales Method of Valuations as a primary method of determining the fair value of the Company's investment property. The Income Capitalisation method determines the net normalised annual income of the property, assuming the property is fully let at market related rentals, and market escalations, with an allowance made for vacancies (where applicable) and bad debts. Market related operating expenses are incurred, resulting in a net annual income which is then capitalised at a market related rate.

The capitalisation rate is best determined by referring to market transactions of comparable properties as it is based on information derived from market analysis.

The Direct Method of Comparison, as accepted by our Courts, entails valuers to conduct their assessment of Market Value by considering prices paid for comparable type property in recent open market transactions in the vicinity of the Subject Property being valued, disregarding transactions that are not sufficiently comparable, and taking into account any adjustments that need to be made in order to render the figures obtained from the comparable transactions more meaningful. Comparable transactions are guided by issues such as the date of the sale, the presence or absence of improvements, and the general location of the subject property, as well as its productivity and size.

FAIR VALUE OF FINANCIAL INSTRUMENTS

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair value. The judgements include considerations of inputs such as liquidity risk, equity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Refer to note 34 for a comprehensive assessment of financial risk management.

1.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BUSINESS COMBINATIONS AND GOODWILL

i) BUSINESS COMBINATIONS FROM 1 JANUARY 2010

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

ACCOUNTING POLICIES CONTINUED

This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is measured to fair value at the acquisition date through surplus or deficit.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled in equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

ii) BUSINESS COMBINATIONS PRIOR TO 1 JANUARY 2010

In comparison to the above-mentioned requirements, the following differences applied:

- Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed

part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

- Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.
- When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that would otherwise have been required under the contract.
- Contingent consideration was recognised only if the Group had a present obligation, the economic outflow of which was more likely than not, and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

(b) INVESTMENT IN SUBSIDIARIES

Investments in subsidiaries are carried at fair value. The preferred basis of determining the fair value has been determined using the discounted cash flow method unless it has been deemed inappropriate. In such a case the price to earnings multiple is used to determine fair value.

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

(c) INTEREST IN ASSOCIATES

The Group's investment in an associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the statement of financial position at historical cost plus post acquisition changes in the Group'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 share of the results of operation of the associate. Where there has been a change recognised directly



Gauteng — Roodepoort Project

ACCOUNTING POLICIES CONTINUED

in the ‘other comprehensive income’ of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of financial performance. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associates are prepared for the same reporting period as those of the Group, other than those mentioned in note 7.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on the Group’s investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the ‘share of profit or loss of an associate’ in the statement of financial performance.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

Investments in associates are carried at fair value in the company financials. When an associates financial performance deteriorates or has an adverse outlook, with no reliable financial information available. The carrying value of such an investment is assessed using the cost model.

(d) PROPERTY, PLANT AND EQUIPMENT

i) MEASUREMENT

All items of property, plant and equipment recognised as assets are measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

ii) SUBSEQUENT COST

The Group recognises the cost of replacing part of such an item of property, plant and equipment in carrying amount when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably.

III) DEPRECIATION

Depreciation is calculated on a straight-line basis over the asset’s expected useful life, using the following depreciation rates to reduce the carrying value to recoverable amount:

Item	Average useful life
Furniture and fittings	6 years
Motor vehicles	4 years
Office equipment	6 years
Computer equipment	3 years
Leasehold improvements	period of lease (average 3 years)

ACCOUNTING POLICIES CONTINUED

The residual values, useful lives and depreciation method are re-assessed at each financial year-end and adjusted accordingly.

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstance indicate that the carrying value may not be recoverable. If any such indications exist and where the carrying value exceeds the estimated recoverable amount, the assets are written down to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use.

The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. Impairment losses are recognised in the statement of financial performance.

When an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Leasehold improvements relate to operating leases.

iv) DE-RECOGNITION

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

(e) PROPERTIES DEVELOPED FOR SALE

The cost of the properties for sale comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the properties developed for sale to their present location and condition.

Properties developed for sale are measured at the lower of cost and net realisable value.

Instalment sale agreements which have been cancelled and the asset transferred to the name of Cape Town Community Housing Proprietary Limited are transferred at the cost of the foregone asset, being the remaining balance of the instalment sale.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost to completion and the estimated cost necessary to make the sale. Development expenditure is capitalised and measured at cost, being all directly attributable cost necessary to prepare the property to be able to operate in the manner intended by management.

When properties developed for sale are sold, the carrying amount of those properties developed for sale are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of properties developed for sale to net realisable value and all losses of properties developed for sale are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal or write-down of properties developed for sale, arising from an increase in net realisable value, are recognised as a reduction in the amount of properties developed for sale recognised as an expense in the period in which the reversal occurs.

WORK-IN-PROGRESS

Work in progress is measured at the actual costs of the development expenditure incurred on the housing projects. The cost of completed housing units are transferred to cost of sales when units are sold, occupied and transferred. The balance of completed units is transferred to inventory awaiting allocation to approved buyers.

(f) INTANGIBLE ASSETS

RECOGNITION AND MEASUREMENT

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised using the straightline method over three years and tested for impairment annually.

DERECOGNITION

Gains and losses arising from the de-recognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of financial performance when the asset is de-recognised.

ACCOUNTING POLICIES CONTINUED

(g) FINANCIAL INSTRUMENTS

i) FINANCIAL ASSETS

Financial assets within the scope of GRAP 104 are classified as financial instruments divided into three different categories:

- a) Financial instruments at fair value, comprising both derivative and non-derivative financial assets and financial liabilities;
- b) Financial instruments at amortised cost comprising only non-derivative financial assets and financial liabilities; or
- c) Financial instruments at cost, comprising investments in residual interests where the fair value cannot be reliably determined.

This standard has an impact on loans and receivables, held-to-maturity investments and equity investments.

Management determine the classification of its financial assets at initial recognition. Financial instruments at fair value (with revenue or expense recognised as a surplus or deficit in the statement of financial performance)

This includes financial assets and liabilities that are:

- derivatives;
- combined instruments designated at fair value, i.e. instruments that include a derivative and non-derivative host contract;
- held-for-trading;
- non-derivative instruments with fixed or determinable payments that are designated at initial recognition to be measured at fair value;
- investments in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

FINANCIAL INSTRUMENTS HELD AT AMORTISED COST

These are non-derivative financial assets or financial liabilities that have fixed or determinable payments.

RECOGNITION AND MEASUREMENT

Where the Group subsequently measures financial assets and financial liabilities at fair value, it excludes transaction costs from the amount initially recognised.

Where the Group subsequently measures financial assets and financial liabilities at amortised cost or cost, it includes transaction costs in the amount initially recognised.

EQUITY INVESTMENTS

Equity investments are held at fair value. Where the investment is listed on the stock exchange, the closing price at the reporting date is used.

Where the investment is not listed the discounted cash flow method is used with the appropriate weighted average cost of capital applied to cash flows, unless it has been deemed inappropriate. In such case, the price to earnings multiple is used to determine fair value.

Fair value gains and losses are recognised in the statement of financial performance.

HELD-TO-MATURITY INVESTMENTS

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit and loss when the investments are de-recognised or impaired, as well as through the amortisation process.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowances for impairment. Gains and losses are recognised in the statement of financial performance when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

AMORTISED COST

Held-to-maturity investments and loans and receivables are measured at amortised cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.



ACCOUNTING POLICIES CONTINUED

TRADE AND OTHER RECEIVABLES

Other receivables are classified as loans and receivables. These are initially measured at the fair value. Other receivables are subsequent to initial recognition measured at amortised cost.

CASH AND CASH EQUIVALENTS

Cash and short-term deposits on the statement of financial position comprise cash at banks, cash on hand and short-term deposits with an original maturity varying of up to 12 months.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash equivalents as defined above, net of outstanding bank overdrafts.

Cash and short-term deposits are subsequently measured at amortised cost.

ii) IMPAIRMENT OF FINANCIAL ASSETS

ASSETS CARRIED AT AMORTISED COST

The financial asset is only impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition date of the asset (a loss event) and that loss (or event) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

- Significant financial difficulty of the client or the borrower;
- A breach of contract, such as delinquency in interest or principal payments;
- The Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

ACCOUNTING POLICIES CONTINUED

- It becoming probable that the borrower will enter into bankruptcy or other financial re-organisation;
- The disappearance of an active market for that financial asset resulting in financial difficulties; and
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decreases cannot yet be identified with the individual financial assets in the Group.

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

The amount of specific impairments raised is the amount needed to reduce the carrying amount of the asset to the present value of the expected ultimate fair value less costs to sell, taking into consideration the financial status of the underlying client and any security in place for the recoverability of the financial asset.

The recoverable amount of the assets is calculated as the present value of the estimated future cash flows, discounted at the effective interest rate (i.e. the effective interest rate computed at initial recognition of the asset).

For the purposes of a collective (general) evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that considers asset type, industry, location, collateral type, past due status and other factors). Those characteristics are relevant to the estimation of the future cash flows for groups of such assets by being indicative of the debtors' ability to pay all the amounts due according to the contractual terms of the assets being evaluated.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after

the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the statement of financial performance.

In relation to advances, provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of advances is reduced through use of an impairment account. Impaired debts are de-recognised when they are assessed as uncollectible. Interest income on impaired balances continues to be accrued using the rate used to discount the future cash flows for the purpose of measuring the impairment loss, but only for the portion of the loans and advances not impaired.

FINANCE LEASE RECEIVABLES

Finance lease receivable are the sales transactions of properties developed for sale. Selling profit or loss is recognised in the period in which it occurs in accordance with the policy followed for outright sales. When below market interest rates are charged, selling profit is restricted to that which would apply if market rates were charged. Costs incurred in connection with negotiating and arranging agreements are recognised as an expense when the selling profit is recognised.

Finance lease receivables are initially recognised at the net investment in the finance lease agreement. The recognition of finance income is based on a constant periodic rate of return on the net investment in the instalment sale receivable.

Subsequent impairment of finance lease receivables is determined and recognised in accordance with the policy applicable to loans and receivables.

ii) FINANCIAL LIABILITIES

RECOGNITION AND MEASUREMENT

Financial liabilities are recognised initially at fair value generally being their issue proceeds net of transaction costs incurred.

Financial liabilities other than those at fair value through the surplus or deficit are subsequently stated at amortised cost and interest is recognised over the period of the borrowing using the effective interest rate method.

ACCOUNTING POLICIES CONTINUED

Financial liabilities comprise the following:

Other payables

Other payables are recognised at fair value.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of financial performance when the liabilities are de-recognised, as well as through the amortisation process.

iv) DE-RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS

A financial asset is de-recognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

FINANCIAL LIABILITIES

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new

liability. The difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

(h) PROVISIONS

PROVISIONS ARE RECOGNISED WHEN:

- The economic entity has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Provisions are not recognised for future operating losses.

If an entity has a contract which is onerous, the present obligation under the contract shall be recognised and measured as provision.

Contingent assets and liabilities are not recognised. Contingencies are disclosed in note 33.

(i) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings; and
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

ACCOUNTING POLICIES CONTINUED

The capitalisation of borrowing costs commences when all the following conditions have been met:

- Expenditures for the asset have been incurred;
- Borrowing costs have been incurred; and
- Activities that are necessary to prepare the asset for its intended use are in progress.

Capitalisation is suspended during extended periods in which active development is suspended.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(j) LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset. The classification of the lease is determined in terms of GRAP 13 Leases.

FINANCE LEASES - GROUP AS LESSOR

The Group recognises finance lease receivables on the Statement of Financial Position.

Finance income is recognised based on a pattern reflecting constant periodic rate of return on the Group's net investment in the finance lease.

FINANCE LEASES - GROUP AS LESSEE

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of financial performance.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the

shorter of the estimated useful life of the asset and the lease term (where ownership of the asset is not expected to transfer to the entity at the end of the lease term).

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

(K) CONTINGENT LIABILITIES AND COMMITMENTS

CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities are not recognised in the statement of financial position but disclosed in notes.

COMMITMENTS

Items are classified as commitments where the Group has committed itself to disbursement on lending activities and with suppliers for future transactions. Commitments are not recognised in the statement of financial position but disclosed in the notes.

(I) REVENUE RECOGNITION

I) REVENUE FROM EXCHANGE TRANSACTIONS

Revenue comprises interest received on advances, interest on investments, revenue from sale of houses, and dividends received. Revenue is recognised to the extent that it is probable that economic benefits or service potential will flow to the Group and the revenue can be reliably measured. An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

ACCOUNTING POLICIES CONTINUED

SALE OF HOUSES

Revenue from the sale of subsidised houses constructed is recognised when significant risks and rewards of ownership are transferred to the buyer. Revenue is stated excluding value added tax.

Revenue from the sale of non-subsidised houses constructed is recognised against registration of transfer of ownership in the name of the buyer. Revenue is stated excluding value added tax.

RENTAL INCOME

Rental income arising from operating leases on property is accounted for on a straight-line basis over the lease term.

INTEREST INCOME

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

DIVIDENDS

Revenue is recognised when the Group's right to receive the payment is established.

FEES

Initiation fees are raised when the loan agreement is signed by two parties.

Revenue from servicing the loan - Other fees that are charged by the entity for servicing the loan are recognised as revenue as the services are provided.

SHARE OF RESIDUAL INTEREST IN CONTROLLED ENTITIES

Residual income/(loss) derived from equity investments.

II) REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where NHFC received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

(m) TAXATION

I) CURRENT TAXATION

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date.

II) DEFERRED TAXATION

Deferred tax is provided, using the liability method, on all temporary differences at the statement of financial position date between the tax base of assets and liabilities and the carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting surplus nor taxable surplus or deficit; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

Deferred tax relating to items recognised directly in other comprehensive income is recognised in equity and not in profit and loss.

(n) RETIREMENT BENEFITS

The Group has a defined contribution plan which requires contributions to be made to a separate administered fund. The contributions made are recognised as an expense in the statement of financial performance.

ACCOUNTING POLICIES CONTINUED

The Group is not liable for post-retirement benefits of any nature.

(o) INVESTMENT PROPERTY

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of the day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the statement of financial position date. Gains and losses arising from changes in the fair values of investment properties are included in the statement of financial performance in the year in which they arise.

Where an investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Investment properties are de-recognised when either they have been disposed of or the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of financial performance in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(p) RELATED PARTY DISCLOSURES

Related parties are identified as being those parties that control or have significant influence over NHFC and those parties that are controlled or significantly influenced by NHFC. Disclosure is made of all relationships involving control, even when there are no transactions between such parties during the year; all other related party transactions and management compensation.

Disclosure of transactions between certain government or government-related entities will only be disclosed if they are collectively or individually significant.



ACCOUNTING POLICIES CONTINUED

(q) PRESENTATION OF BUDGET INFORMATION IN FINANCIAL STATEMENTS

An entity should present a comparison of the budget amounts for which it is publicly accountable to actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with standards of GRAP.

The budget information includes the budget for the Company and its subsidiaries. The budget is prepared on an accrual basis and the comparison of actual performance against budget is based on an accrual basis.

The approved budget covers the fiscal period from 2023/04/01 to 2024/03/31.

(r) DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require determination of fair value, for both the financial and nonfinancial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further, information about assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

INVESTMENT PROPERTY

Valuation methods and assumptions used in determining the fair value of investment property.

CAPITALISATION METHOD (INVESTMENT PROPERTY)

The value of the property reflects the present value of the sum of the future benefits which the owner may expect to derive from the property. These benefits are expressed in monetary terms and based upon the estimated rentals such a property would fetch i.e. the market related rental between a willing landlord and tenant. The usual property outgoings are deducted to achieve a net rental, which is then capitalised at the rate or return an investor would require or seek for such a property.

COMPARATIVE METHOD (INVESTMENT PROPERTY)

The method involves the identification of comparable properties sold in the area or in a comparable location within a reasonable time. The selected comparable properties are analysed and compared with the subject property. Adjustments are then made to their values to reflect any differences that may exist. This method is based on the assumption that a purchaser will pay an amount equal to what others have paid or are willing to pay.

EQUITY INVESTMENTS

The fair values of quoted equity investments in active markets are based on the closing trading price at the reporting date.

If the market for the equity investment is not active (and for unlisted equity investments), the Group establishes fair value by using valuation techniques. The Group uses its judgement to make assumptions that are mainly based on market conditions existing at each reporting date. Unlisted equities are valued on various valuation methods including the discounted cash flow method and net asset value bases. The discounted cash flow method is the preferred method and involves discounting the projected free cash flow earning of the underlying entity using an appropriate risk weighted average cost of capital over the projected investment horizon.

NON-DERIVATIVE FINANCIAL LIABILITIES

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.



ACCOUNTING POLICIES CONTINUED

1.7 EVENTS AFTER REPORTING DATE

Events after 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 economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic 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.

1.8 IRREGULAR EXPENDITURE

National Treasury practice instruction 4 of 2022/23 on Irregular Expenditure Framework.

Irregular expenditure is recorded in the notes to the Financial Statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore is provided.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority is recorded appropriately in the irregular expenditure register. If liability for losses resulting from the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned.

ACCOUNTING POLICIES CONTINUED

If recovery is not possible, the accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant expenditure item, be disclosed as such in the Integrated Annual Report and updated accordingly in the irregular expenditure register.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure in the Integrated Annual Report must be updated with the amount condoned.

1.9 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 wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recoverable, it is accounted for as revenue in the statement of financial performance.

1.10 TRANSFER OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL

IDENTIFYING THE ACQUIRER AND TRANSFEROR

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor. The terms and conditions of a transfer of functions

undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which economic entity to the transaction or event is the transferor(s) and which economic entity is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which economic entity is the acquirer and which economic entity is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

1.11 SHARE CAPITAL/ CONTRIBUTED CAPITAL

An equity instrument is any contract that evidences a residual interest in the assets of an economic entity after deducting all of its liabilities.



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the economic entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

STANDARD/ INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT:
iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	The impact of the interpretation is not material
GRAP 25 (as revised): Employee Benefits	01 April 2023	The impact of the standard is not material
GRAP 2020: Improvements to the Standards of GRAP 2020	01 April 2023	The impact of the standard is not material
GRAP 1 (amended): Presentation of Financial Statements (Materiality)	01 April 2023	The impact of the standard is not material

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

2.2 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity’s accounting periods beginning on or after 01 April 2024 or later periods:

STANDARD/ INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT:
GRAP 2023 Improvements to the Standards of GRAP 2023	to be determined	Unlikely there will be a material impact
GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	to be determined	Unlikely there will be a material impact
iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
GRAP 104 (as revised): Financial Instruments	01 April 2025	Impact is currently being assessed

2.3 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE OR RELEVANT

The following standards and interpretations have been published and are mandatory for the economic entity’s accounting periods beginning on or after 01 April 2024 or later periods but are not relevant to its operations:

STANDARD/ INTERPRETATION:	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT:
GRAP 107 Mergers	to be determined	Unlikely there will be a material impact
GRAP 105 Transfer of Functions Between Entities Under Common Control	to be determined	Unlikely there will be a material impact
GRAP 103 (as revised): Heritage Assets	to be determined	Unlikely there will be a material impact



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

3. LOANS AND RECEIVABLES - ADVANCES

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Gross advances				
Opening balances	4 528 590	4 475 806	3 083 403	3 088 903
Disbursements	415 851	780 754	406 328	740 899
Interest	582 962	471 263	353 745	272 409
Repayments	(991 228)	(1 148 832)	(756 056)	(945 117)
Amounts previously impaired, written off	(9 777)	(55 455)	(2 228)	(78 594)
Fees	5 893	5 054	5 893	4 903
Balance at the end of the year	4 532 291	4 528 590	3 091 085	3 083 403
Impairments on advances				
Balances at the beginning of the year	(314 562)	(321 486)	(222 346)	(267 352)
Increase in impairments on advances	(54 046)	(74 250)	(32 951)	(70 452)
Impairments reversed during the year	8 659	81 174	-	115 458
Net impairments (raised)/reversed	(45 388)	6 924	(32 951)	45 006
Balance at the end of the year	(359 949)	(314 562)	(255 297)	(222 346)
Specific impairments	(320 088)	(274 551)	(215 436)	(182 335)
General impairments	(39 862)	(40 011)	(39 862)	(40 011)
Net advances	4 172 342	4 214 028	2 835 788	2 861 057
Maturity analysis				
Receivable within one year	755 625	654 205	741 965	640 207
Receivable within one to two years	676 473	290 977	512 571	125 078
Receivable within two to three years	1 141 741	805 168	576 662	307 470
Receivable beyond three years	1 598 503	2 463 678	1 004 590	1 788 302
Net advances	4 172 342	4 214 028	2 835 788	2 861 057
Loans and advances - NHFC	2 836 076	2 884 763	2 835 788	2 861 057
Loans and advances - Subsidiaries	-	28	-	-
Loans and advances - HiP	1 336 266	1 329 237	-	-
Total loans and advances	4 172 342	4 214 028	2 835 788	2 861 057
Non-current assets	3 416 717	3 559 823	2 091 554	2 220 850
Current assets	755 625	654 205	744 234	640 207
	4 172 342	4 214 028	2 835 788	2 861 057

Impairments were reversed as a result of certain loans and advances being renegotiated and settled and irrecoverable amounts which are subsequently written off.

Loan terms issued to clients vary from one year to 20 years.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

4. LOANS TO SUBSIDIARIES

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Gross advances				
Opening balances	-	-	96 738	85 893
Disbursements	-	-	16 794	18 229
Repayments	-	-	(1 098)	(7 384)
Balance at the end of the year	-	-	112 434	96 738
Impairments on advances				
Balances at the beginning of the year	-	-	(62 955)	(67 000)
Impairments reversed during the year	-	-	104	4 045
Balance at the end of the year	-	-	(62 851)	(62 955)
Net advances	-	-	49 583	33 783

5. INVESTMENTS IN NON-CONTROLLED ENTITIES

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Blue Financial Services Limited				
Shares at cost - ordinary shares				
Investments in shares at cost	30 000	30 000	30 000	30 000
Fair value adjustment	(30 000)	(30 000)	(30 000)	(30 000)
Carrying amount of shares at 31 March	-	-	-	-

As part of a debt restructuring agreement, the NHFC acquired 67 415 730 ordinary shares by converting a R30 million interest bearing loan owed by Blue Financial Services Limited to equity. This was equivalent to 0.88% of the issued capital. The conversion took place in July 2012 at an agreed share price of 44.5 cents per share. The equity investment in Blue Financial Services was devalued during July 2013 following a significant decrease in the share price to 13 cents, a further devaluation was taken in March 2016 as a prudent measure given the uncertainties surrounding the company's underlying performance in its operations, the prolonged suspension from the

JSE and the lack of audited financial statements. Other factors that inherently affect the company's future prospects include the raising of funding and the settlement of the Debt Restructuring Agreement lenders.

As there is no quoted share price or reliable financial information, the investment in Blue Financial Services is measured at cost less accumulated impairments in accordance with GRAP. In the absence of a quoted share price, the carrying value has been fully impaired.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED
EVOLUTION CREDIT LIMITED

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Investment at cost	56 590	56 590	56 590	56 590
Amounts disbursed during the year	-	-	-	-
	56 590	56 590	56 590	56 590
Fair value changes	(37 348)	(33 822)	(37 348)	(33 822)
Cumulative changes	(33 822)	(38 432)	(33 822)	(38 432)
Current year changes	(3 526)	4 610	(3 526)	4 610
Carrying amount at 31 March	19 242	22 768	19 242	22 768

As a result of a restructuring in Evolution Credit in December 2017, the NHFC converted portion of its senior debt investment in Evolution Credit into Payment in Kind (“PIK”) notes, a quasi-equity investment. R131.9 million senior debt facility (including interest) were restructured.

The ordinary shares held in Evolution Credit by the NHFC equated to 6.69% of the issued ordinary shares in the company which was acquired at a nominal

amount of R80.4. As at March 2018 bulk of the equity and quasi-equity exposure was held in the E PIK Notes at a gross value of R52.8 million. Since March 2018, the E PIK notes and ordinary share capital investment in Evolution Credit has been fair valued on an annual basis. In the financial year ended 31 March 2024, a downward fair value occurred due to the protracted capital raising process and lower projected disbursements, both negatively affecting the discount cash flow of the investment.

IHS FUND II SA COLLECTOR, L.P. (INTERNATIONAL HOUSING SOLUTIONS) (IHS)

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Investment at cost	300 889	300 889	300 889	300 889
Amounts disbursed in current year	-	-	-	-
	300 889	300 889	300 889	300 889
Cumulative fair value changes since inception	(79 482)	(85 614)	(79 482)	(85 614)
Cumulative changes from prior years	(85 614)	(76 005)	(85 614)	(76 005)
Current year changes	6 132	(9 609)	6 132	(9 609)
Carrying value at 31 March	221 407	215 275	221 407	215 275

The Fund’s primary purpose is to invest in affordable housing projects, including completed projects that are to be renovated, and projects in development. Fund investments may be in the form of equity interests, interests in trusts, debt, subordinated debt or preferred equity in housing projects. As a limited partner, the NHFC participates in the profits and losses generated by the Fund. Its revenue therefore

is accrued from the profits or losses generated per reporting period.

The Fund made distribution to NHFC as a Limited Partners (LPs) of R nil (R nil in 2023). The investment in IHS was reclassified from loans and advances to investment in non controlled entities on the statement of financial position.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED
IHS SOCIAL HOUSING SA (PROPRIETARY) LIMITED

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Investments in shares at cost	5 479	-	5 479	-
The R5.4 million for IHS Social Housing SA (Proprietary) Limited was disbursed during the current year.				
Total investment in non-controlling entities	246 128	238 043	246 128	238 043

6. INVESTMENTS IN CONTROLLED ENTITIES

INVESTMENT IN ABAHLALI HOUSING ASSOCIATION (NO 2) NPC

The NHFC took control of Abahlali Housing Association and the bank accounts in 2007 when the company was in financial distress. When tenants decide to settle the rental units, those settlements proceeds are deposited into the Abahlali bank account over which the NHFC has full control. Abahlali is considered a controlled entity as the NHFC appoints its directors.

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Abahlali Housing Association (No 2) NPC				
Investment at cost	-	-	-	-
Accumulated impairments	-	-	-	-
Carrying amount of the investment in Abahlali	-	-	-	-

INVESTMENT IN GATEWAY HOME LOANS (PROPRIETARY) LIMITED

Gateway Home Loans (Proprietary) Limited is a wholly owned subsidiary of National Housing Finance Corporation SOC Limited and is currently not trading.

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Gateway Home Loans (Proprietary) Limited				
Investment at cost	-	-	50 000	50 000
Accumulated impairments	-	-	(50 000)	(50 000)
Carrying amount of the investment in Gateway Home Loans	-	-	-	-

CAPE TOWN COMMUNITY HOUSING COMPANY (PROPRIETARY) LIMITED

The Cape Town Community Housing Company (Proprietary) Limited (CTCHC) is a wholly owned subsidiary of National Housing Finance Corporation SOC Limited.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Investment at cost	-	-	28 816	28 816
Accumulated fair value changes from prior years	-	-	(13 656)	(28 816)
Current year fair value adjustment			445	15 160
Carrying amount of the investment in CTCHC			15 605	15 160

A total of 43 577 707 debentures were converted to 43 577 707 ordinary no par value shares in the share capital of Cape Town Community Housing Company (Proprietary) Limited for a gross value total premium of R51 518 225.81 in 2020.

The shareholder's loan of R121 708 494 has been capitalised by the issue of 102 949 529 ordinary no par value shares. All of NHFC outstanding debt granted has been converted to equity with the exception of that related to Harmony Village. The incurrence of finance cost has been ceased, with the NHFC no longer accruing any interest.

HOUSING INVESTMENT PARTNERSHIP TRUST

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Opening balance	-	-	296 422	287 136
Disbursements in the current year	-	-	2 314	9 286
	-	-	298 736	296 422
Accumulated fair values	-	-	(110 655)	(50 287)
Accumulated fair value from prior years	-	-	(50 287)	(29 491)
Fair value for the current year	-	-	(60 368)	(20 796)
Carrying amount of the investment in HiP	-	-	188 081	246 135

The NHFC is the sole investor in the junior debt instruments in Housing Investment Partners Trust (Trust 1) and Vulumnyango Trust (Trust 2) has resident interests in the two trusts are controlled entities.

NHFC has applied a discounted cash flow (DCF) method in arriving at the equity valuation of the two trusts. The projections of the trusts have been reviewed to understand the reasonableness in projected earnings along with the working capital changes and repayments of senior and mezzanine debt. Due consideration has been given to the revenue prospects of the trusts, as well as whether the cost structures reasonably represents the required platform to achieve projected revenues. Cost of equity was computed using a risk-free rate subjectively adjusted with company and market risk and this was applied to the cash flows potentially distributable to equity investors.

OTHER SUBSIDIARIES

The following wholly owned subsidiaries of National Housing Finance Company are held at cost, the value of the individual subsidiaries equals to the share capital which is less than a R1 000:

- NHFC Management Services (Proprietary) Limited
- NURCHA Loan Fund (Proprietary) Limited
- NURCHA Development Finance (Proprietary) Limited
- NURCHA Equity Services (Proprietary) Limited
- NURCHA Bridging Fund (Proprietary) Limited
- NURCHA Finance Company (Proprietary) Limited
- Mortgage Default Insurance Company (Proprietary) Limited (MDIC).
- Gateway Home Loans 001 (Proprietary) Limited

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Total investment in controlled entities	-	-	203 686	261 295

7. INVESTMENTS IN ASSOCIATES

7.1 INVESTMENT IN ASSOCIATE - TUHF HOLDINGS LIMITED

The company is involved in the provision of commercial property finance in the form of bridging finance and long-term loans for the regeneration of South African inner city precincts and surrounding suburbs.

The NHFC effectively owns 35.48% (2023: 36.54%) of the issued share capital consisting of ordinary shares.

The following table illustrates the summarised financial information of NHFC's investment in TUHF:

	GROUP	
	2024 R '000	2023 R '000
Share of the associate's balance sheet		
Total assets	1 617 285	1 473 894
Total liabilities	(1 456 769)	(1 304 953)
Net asset	160 516	168 941
Investment at cost	33 282	33 282
Accumulated share of the associate's profit	87 252	96 583
Accumulated share of the associate's reserves	41 874	63 446
	162 408	193 311
Current year share of the associates profits	(10 466)	(9 331)
Other reserves	2 040	(21 572)
Carrying amount of the investment in TUHF ordinary shares	153 982	162 408
Share of the associate's revenue	201 867	149 462
Investment in C class ordinary shares		
Carrying amount of the investment in C class ordinary shares	6 533	6 533
Total carrying amount of investment in TUHF	160 516	168 941

*Other reserves include movements in employee share scheme, dividends declared and non distributable reserves.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

Summarised financial information for TUHF at 100%

	2024 R '000	2023 R '000
Current assets	324 098	192 629
Non-current assets	4 268 889	3 823 854
Current liabilities	(60 108)	(61 117)
Non-current liabilities	(4 045 778)	(3 510 183)
Revenue	659 431	439 824
Expenditure	(676 266)	(472 935)
Tax expense	(12 661)	7 575
Surplus or deficit	(29 497)	(25 535)

7.2 INVESTMENT IN ASSOCIATE - TUHF HOLDINGS LIMITED

The following table illustrates the summarised financial information in the company's books:

	COMPANY	
	2024 R '000	2023 R '000
Investment in ordinary shares at cost	33 282	33 282
Investment in C class ordinary shares at cost	6 533	6 533
Total cost of acquisition	39 815	39 815
Opening fair value changes	65 684	67 195
Current fair value changes	23 522	(1 511)
Cumulative fair value changes - Inception to date	89 206	65 684
Carrying amount of the investment in TUHF	129 021	105 499

The investment in TUHF has been valued at fair value. NHFC has applied a discounted cash flow (DCF) method in arriving at the valuation of TUHF. Company projections have been reviewed to understand the reasonableness of projected earnings along with the working capital changes. Due consideration has been given to the revenue prospects of the company, as well as whether the cost structures reasonably represent the required platform to achieve projected revenues. Cost of equity was computed using a risk-

free rate subjectively adjusted with company and market risk and this was applied to the cash flows potentially distributable to equity investors. The terminal value was determined using the perpetual growth approach unless not appropriate for that particular investment.

NHFC's shareholders loans to the value of R6.5 million were converted to C ordinary shares in the prior financial years.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

7.3 INVESTMENT IN ASSOCIATE - HOUSING INVESTMENT PARTNERS (PROPRIETARY) LIMITED (HiP)

The NHFC has a 33.33% equity shareholding in HiP, the fund management company that developed an income linked mortgage loan product and arranges and manages the debt funds that provide the mortgage loan funding.

The following table illustrates the summarised financial information of NHFC's investment in HiP:

	GROUP	
	2024 R '000	2023 R '000
Share of the associate's balance sheet		
Total assets	11 251	10 490
Total liabilities	(15 971)	(17 114)
Net asset	(4 720)	(6 624)
Share of the associate's revenue	9 797	10 559
Share of profit/(loss)	1 905	(8 408)

The Group's share of cumulative losses amounts to R33.8 million in 2024 (R33.8 million in 2023) which have been recognised in Shareholder loan investment account.

The Group's share of cumulative losses in the associate HiP have been recognised up to the cost of the investment, being R7.232 million.

The investee has a different reporting date of 31 December. There has not been any material impact for the current year as all losses have been written off against the investment at group level. The different reporting date has however been considered when preparing the valuation of the investment.

Summarised financial information for HiP at 100%

	2024 R '000	2023 R '000
Current assets	8 008	8 246
Non-current assets	25 749	23 226
Current liabilities	(4 608)	(4 819)
Non-current liabilities	(43 309)	(46 529)
Revenue	12 306	31 681
Expenditure	(10 401)	(56 908)
Surplus or deficit	1 905	(25 227)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

7.4 INVESTMENT IN ASSOCIATE - HOUSING INVESTMENT PARTNERS (PROPRIETARY) LIMITED (HIP)

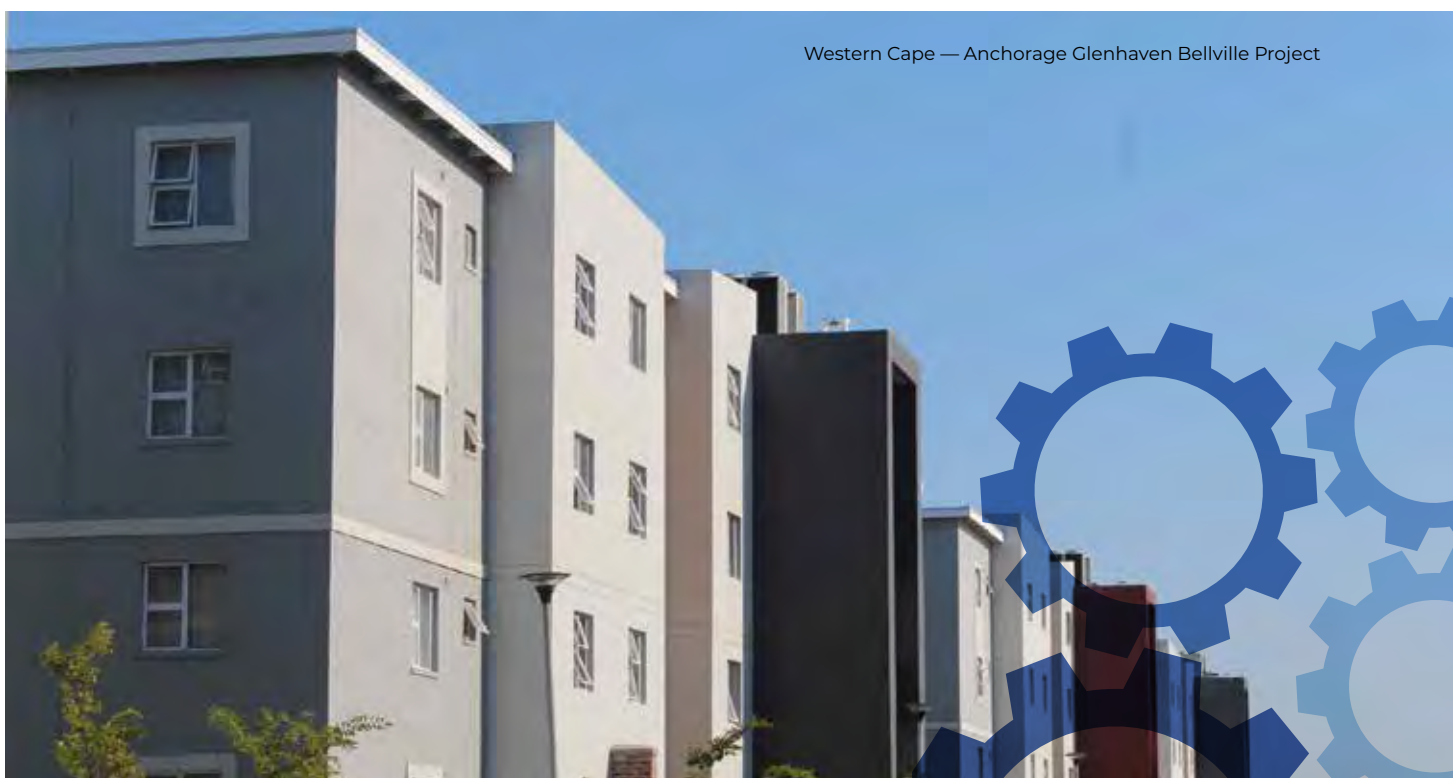
The following table illustrates the summarised financial information in the company’s books:

	COMPANY	
	2024 R '000	2023 R '000
Investment in shares opening balance	7 232	7 232
Accumulated fair value adjustments in prior years	(7 232)	(7 232)
Carrying amount of the investment in HiP	-	-

HiP is an entity established to operate as a fund manager that designed and developed an innovative income linked retail home loans product. HiP originates, manages and administers the debt funds that provide the mortgage loan funding. NHFC has applied a discounted cash flow (DCF) method in arriving at the valuation of HiP. Company projections have been reviewed to understand the reasonableness in projected earnings along with the working capital changes. Due consideration has been given to the revenue prospects of the company, as well as whether the cost structures reasonably represents the required platform to achieve projected revenues. Cost of equity was computed using a risk-free rate subjectively adjusted with company and market risk and this was applied to the cash flows potentially distributable to equity investors. No fair value adjustment was

processed in the current financial year. HiP as a fund manager, needs to significantly raise the funds under management (loan book) for the business to be financial sustainable. It continues to generate marginal operating profits. The investee has a different reporting date of 31 December. The different reporting date has however been considered when preparing the valuation of the investment.

A significant portion of the assets of the limited partnership that the NHFC is invested in, resides in properties which have been valued on a discounted cash flow basis to which an appropriate discount rate has been adopted based on the capitalisation rate of the property plus a premium based on project specific risk like, construction risk, lease up risk and rental escalation risk.



Western Cape — Anchorage Glenhaven Bellville Project

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

7.5 INVESTMENT IN ASSOCIATE - KANGA FINANCE (PROPRIETARY) LIMITED PREVIOUSLY LENDCOR (PROPRIETARY) LIMITED (KANGA)

The following table illustrates the summarised financial information of NHFC's investment in Kanga:

	GROUP	
	2024 R '000	2023 R '000
Share of the associate's balance sheet		
Total assets	87 780	63 936
Total liabilities	(75 882)	(52 208)
Net asset	11 898	11 728
Investment at cost	350	350
Accumulated share of profits	12 173	12 077
	12 523	12 427
Current year share of profits	(70)	96
Carrying amount of the investment in Kanga	12 453	12 523
Share of the associate's revenue	40 723	25 137

The groups share of cumulative equity amounts to R12.4 million.

Summarised financial information for Kanga at 100%

	2024 R '000	2023 R '000
Current assets	31 811	24 362
Non-current assets	407 089	304 550
Current liabilities	(34 034)	(22 999)
Non-current liabilities	(345 374)	(246 264)
Revenue	190 818	125 683
Expenditure	(191 515)	(125 405)
Tax expense	425	202
Surplus or deficit	(351)	481

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

7.6 INVESTMENT IN ASSOCIATE - KANGA FINANCE (PROPRIETARY) LIMITED PREVIOUSLY LENDCOR (PROPRIETARY) LIMITED (KANGA)

The following table illustrates the summarised financial information in the company's books:

	COMPANY	
	2024 R '000	2023 R '000
Investment in equity shares		
Investment in ordinary shares at cost	350	350
Total cost of acquisition	350	350
Opening accumulated fair values from prior years	8 829	7 246
Current year fair value changes	3 545	1 583
Cumulative accumulated fair value - inception to date	12 374	8 829
Carrying amount of the investment in Kanga	12 724	9 179

NHFC has a 20% interest in Kanga Finance (Proprietary) Limited and has a right to appoint a director. As the investee company has a February year end, adjustments have been processed to align the financials to the NHFC year end of March.

7.7 INVESTMENT IN ASSOCIATE - NORUFIN HOUSING (PROPRIETARY) LIMITED (NORUFIN)

The following table illustrates the summarised financial information of NHFC's investment in Norufin:

	GROUP	
	2024 R '000	2023 R '000
Share of the associate's balance sheet		
Total assets	-	-
Total liabilities	-	-
Net asset	-	-
Investment at cost	5 288	5 288
Accumulated share of profits	(4 441)	(4 441)
	847	847
Current year share of profits	-	-
Carrying amount of the investment in Norufin	847	847
Share of the associate's revenue	-	-

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

7.8 INVESTMENT IN ASSOCIATE - NORUFIN (PROPRIETARY) LIMITED (NORUFIN)

The following table illustrates the summarised financial information in the company's books.

	COMPANY	
	2024 R '000	2023 R '000
Investment in ordinary shares at cost	5 286	5 286
	5 286	5 286
Opening accumulated fair values from prior years	(5 286)	(5 286)
Current year fair value changes	-	-
Cumulative accumulated fair value - inception to date	(5 286)	(5 286)
Carrying amount of the investment in Norufin	-	-

As there is no quoted share price or reliable financial information, the investment in Norufin is measured at cost less accumulated impairments in accordance with GRAP.

7.9 INVESTMENT IN KABO FINANCIAL ENTERPRISE (PROPRIETARY) LIMITED

The Entity has a 20% interest in Kabo Financial Enterprise (Proprietary) Limited and has the right to appoint a director.

The following table illustrates summarised financial information of the Entity's investment in Kabo Financial Enterprise (Proprietary) Limited.

	GROUP	
	2024 R '000	2023 R '000
Accumulated share of profits/(losses)	(236)	(236)
Current year share of losses	-	-
Carrying amount of the investment in Kabo	(236)	(236)

As part of NHFC'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 NHFC's shares, Kabo is 100% black woman owned.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

7.10 INVESTMENT IN KABO FINANCIAL ENTERPRISE (PROPRIETARY) LIMITED

The following table illustrates the summarised financial information in the company's books:

	COMPANY	
	2024 R '000	2023 R '000
Investment in equity shares		
Original investment in Kabo	129	129
Accumulated impairment	(129)	(129)
Carrying amount of the investment in Kabo	-	-
Investment in preference shares		
Investment at cost	121	121
Cumulative impairments	(121)	(121)
Investment in preference shares in Kabo	-	-

As there is no quoted share price or reliable financial information, the investment in Kabo is measured at cost less accumulated impairments in accordance with GRAP.

7.11 INVESTMENT IN LEHAE HOUSING (PROPRIETARY) LIMITED

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

The following table illustrates summarised financial information of the Entity's investment in Lehae Housing (Proprietary) Limited.

	GROUP	
	2024 R '000	2023 R '000
Investment at Cost	800	800
Accumulated share of profits/(losses)	(800)	(800)
Carrying amount of the investment in Lehae	-	-

7.12 INVESTMENT IN LEHAE HOUSING (PROPRIETARY) LIMITED

The following table illustrates the summarised financial information in the company's books:

	COMPANY	
	2024 R '000	2023 R '000
Investment in equity shares		
Carrying amount investment in Lehae	41	41
Fair value adjustment in investment in Lehae	(41)	(41)
Carrying amount of the investment in Lehae	-	-

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	COMPANY	
	2024 R '000	2023 R '000
Investment in preference shares		
Investment at cost	754	754
Cumulative impairments	(754)	(754)
Investment in preference shares in Lehae	-	-

As there is no quoted share price or reliable financial information, the investment in Lehae is measured at cost less accumulated impairments in accordance with GRAP.

7.13 INVESTMENT IN THUTHUKANI HOUSING FINANCE (PROPRIETARY) LIMITED

The Entity has a 20% interest in Thuthukani Housing Finance (Proprietary) Limited and has the right to appoint a director. Thuthukani Housing Finance restructured in December 2022, our ordinary share holding has reduced from 30% to 20%. A new equity investor has come on board. The investee has a different reporting date of 31 December, adjustments have been processed to align the financials to the NHFC year end of March.

The following table illustrates summarised financial information of the Entity's investment in Thuthukani Housing Finance (Proprietary) Limited.

	GROUP	
	2024 R '000	2023 R '000
Share of associates balance sheet		
Total assets	19 546	19 770
Total liabilities	(11 530)	(12 162)
Net assets	8 016	7 608
Investment at cost	49 733	49 733
Accumulated share of profits/(losses)	(4 969)	(2 821)
	44 764	46 912
Current year share of profit/(losses)	408	(2 148)
Carrying amount of the investment in Thuthukani	45 172	44 764

Share of associates revenue is R5 523 000 (2023: R5 649 000)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

Summarised financial information for Thuthukani at 100%

	2024 R '000	2023 R '000
Current assets	12 829	46 589
Non-current assets	84 901	52 259
Current liabilities	(6 129)	(18 308)
Non-current liabilities	(51 522)	(42 499)
Revenue	38 508	33 643
Expenditure	(36 470)	(46 580)
Tax expense	-	2 197
Surplus or deficit	2 038	(10 740)

7.14 INVESTMENT IN THUTHUKANI HOUSING FINANCE (PROPRIETARY) LIMITED

The following table illustrates the summarised financial information in the company's books:

	COMPANY	
	2024 R '000	2023 R '000
Investment in equity shares		
Carrying amount investment in Thuthukani	49 733	49 733
Fair value adjustment in investment in Thuthukani	(49 733)	(49 733)
Carrying amount of the investment in Thuthukani	-	-
Total investment in associates	218 752	226 836
	141 746	114 678

8. INVESTMENT IN PREFERENCE SHARES

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Greenstart Proprietary Limited				
Investment at cost	2 500	2 500	2 500	2 500
Cumulative impairments	(2 500)	(2 500)	(2 500)	(2 500)
Dividends accrued	158	158	158	158
Dividends impaired	(158)	(158)	(158)	(158)
Investment in preference shares at fair value	-	-	-	-

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

Investment in Greenstart Homeloans – These are redeemable cumulative preference shares redeemable at the option of the issuer. The investment consists of 100 shares at a par value of R1 and a share premium of R24 999 per share. The total of the preference shares in Greenstart Homeloans Proprietary Limited is R2.5 million. Dividends in terms of the shareholders' agreement are set at 6.3% per annum on the aggregate subscription price of R2.5 million.

9. PROPERTY, PLANT AND EQUIPMENT

GROUP	2024			2023		
	COST R '000	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT R '000	CARRYING VALUE R '000	COST R '000	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT R '000	CARRYING VALUE R '000
Land	490	-	490	490	-	490
Furniture and fixtures	451	(448)	3	451	(420)	31
Motor vehicles	361	(361)	-	556	(556)	-
Office equipment	1 244	(1 035)	209	1 244	(895)	349
IT equipment	12 564	(10 704)	1 860	11 173	(9 510)	1 663
Leasehold improvements	-	-	-	2 702	(2 702)	-
Total	15 110	(12 548)	2 562	16 616	(14 083)	2 533

COMPANY	2024			2023		
	COST R '000	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT R '000	CARRYING VALUE R '000	COST R '000	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT R '000	CARRYING VALUE R '000
Land	490	-	490	490	-	490
Furniture and fixtures	234	(231)	3	234	(203)	31
Motor vehicles	241	(241)	-	436	(436)	-
Office equipment	1 130	(921)	209	1 130	(781)	349
IT equipment	12 235	(10 376)	1 859	10 844	(9 183)	1 661
Leasehold improvements	-	-	-	2 702	(2 702)	-
Total	14 330	(11 769)	2 561	15 836	(13 305)	2 531

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - GROUP - 2024

	OPENING BALANCE	ADDITIONS	DISPOSALS	DEPRECIATION	TOTAL
Land	490	-	-	-	490
Furniture and fixtures	31	-	-	(28)	3
Office equipment	349	-	-	(140)	209
IT equipment	1 663	1 497	(31)	(1 269)	1 860
	2 533	1 497	(31)	(1 437)	2 562

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - GROUP - 2023

	OPENING BALANCE	ADDITIONS	DISPOSALS	DEPRECIATION	TOTAL
Land	490	-	-	-	490
Furniture and fixtures	102	-	(43)	(28)	31
Office equipment	492	-	-	(142)	350
IT equipment	1 853	1 051	(21)	(1 219)	1 664
Leasehold improvements	63	-	-	(63)	-
	3 000	1 051	(64)	(1 452)	2 535



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED
RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - COMPANY - 2024

	OPENING BALANCE	ADDITIONS	DISPOSALS	DEPRECIATION	TOTAL
Land	490	-	-	-	490
Furniture and fixtures	31	-	-	(28)	3
Office equipment	349	-	-	(140)	209
IT equipment	1 661	1 497	(31)	(1 268)	1 859
	2 531	1 497	(31)	(1 436)	2 561

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - COMPANY - 2023

	OPENING BALANCE	ADDITIONS	DISPOSALS	DEPRECIATION	TOTAL
Land	490	-	-	-	490
Furniture and fixtures	102	-	(43)	(28)	31
Office equipment	492	-	-	(142)	349
IT equipment	1 846	1 049	(21)	(1 212)	1 661
Leasehold improvements	63	-	-	(63)	-
	2 993	1 049	(64)	(1 445)	2 531

The cost of fully depreciated assets that are still in use amounts to R8.8 million (2023: R10.9 million), and for the Group R9.3 million (2023: R11.5 million).

No property, plant and equipment has been pledged as security.

No significant amount was incurred to repair and maintain property, plant and equipment.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

10. INTANGIBLE ASSETS

GROUP	2024			2023		
	COST R '000	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT R '000	CARRYING VALUE R '000	COST R '000	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT R '000	CARRYING VALUE R '000
Computer software	14 206	(14 206)	-	14 206	(13 799)	407

COMPANY	2024			2023		
	COST R '000	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT R '000	CARRYING VALUE R '000	COST R '000	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT R '000	CARRYING VALUE R '000
Computer software	13 956	(13 956)	-	13 956	(13 549)	407

RECONCILIATION OF INTANGIBLE ASSETS - GROUP

	OPENING BALANCE R '000	AMORTISATION R '000	TOTAL R '000
Computer software - 2024	407	(407)	-

RECONCILIATION OF INTANGIBLE ASSETS - GROUP - 2023

	OPENING BALANCE R '000	AMORTISATION R '000	TOTAL R '000
Computer software - 2023	1 309	(902)	407

RECONCILIATION OF INTANGIBLE ASSETS - COMPANY

	OPENING BALANCE R '000	AMORTISATION R '000	TOTAL R '000
Computer software - 2024	407	(407)	-

RECONCILIATION OF INTANGIBLE ASSETS - COMPANY - 2023

	OPENING BALANCE R '000	AMORTISATION R '000	TOTAL R '000
Computer software - 2023	1 309	(902)	407

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

11. FINANCE LEASE RECEIVABLES

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Gross investment in the lease due				
- within one year	44 009	11 397	-	-
- in second to fifth year inclusive	46 351	39 489	-	-
- later than five years	61 106	103 643	-	-
	151 466	154 529	-	-
less: Unearned finance revenue	(53 211)	(48 642)	-	-
	98 255	105 887	-	-
Present value of minimum lease payments due				
- within one year	36 965	3 945	-	-
- in second to fifth year inclusive	18 811	13 174	-	-
- later than five years	42 479	88 768	-	-
	98 255	105 887	-	-
Non-current assets	61 290	101 942	-	-
Current assets	36 965	3 945	-	-
	98 255	105 887	-	-

The average term on the finance lease receivable is 15 years. The interest rate in the agreement is mostly variable at the contract date for the full period. NHFC considers that the fair values of the finance lease receivables does not differ materially from the carrying value.

The amount of R98.2 million (2023: R105.8 million) is the maximum exposure to credit risk.

12. INVESTMENT PROPERTY

GROUP	2024			2023		
	VALUATION R '000	ACCUMULATED IMPAIRMENT R '000	CARRYING VALUE R '000	VALUATION R '000	ACCUMULATED IMPAIRMENT R '000	CARRYING VALUE R '000
Investment property - Group	113 381	-	113 381	82 897	-	82 897

COMPANY	2024			2023		
	VALUATION R '000	ACCUMULATED IMPAIRMENT R '000	CARRYING VALUE R '000	VALUATION R '000	ACCUMULATED IMPAIRMENT R '000	CARRYING VALUE R '000
Investment property - Company	102 000	-	102 000	71 650	-	71 650

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

VRECONCILIATION OF INVESTMENT PROPERTY - GROUP - 2024

	OPENING BALANCE R '000	DISPOSALS R '000	FAIR VALUE ADJUSTMENTS R '000	TOTAL R '000
Investment property	82 897	(117)	30 601	113 381

RECONCILIATION OF INVESTMENT PROPERTY - GROUP - 2023

	OPENING BALANCE R '000	FAIR VALUE ADJUSTMENTS R '000	TOTAL R '000
Investment property	58 718	24 179	82 897

RECONCILIATION OF INVESTMENT PROPERTY - COMPANY

	OPENING BALANCE R '000	FAIR VALUE ADJUSTMENTS R '000	TOTAL R '000
Investment property - 2024	71 650	30 350	102 000
Investment property - 2023	48 000	23 650	71 650

NATURE AND IMPACT OF THE VALUATION

Investment property is stated at fair value determined, based on a valuation performed by an accredited independent valuer, Ms Thirusha Moonsamy (Registered Professional Associated Valuer at Leeanka Cost and Construction Consultants Proprietary Limited) on 1 May 2024. Ms Thirusha Moonsamy is an independent valuer and has experience in property valuations.

In order to determine which method or combination of methods applies to the subject property, cognisance was taken of the fact that the subject unit is an income producing property. Taking this into account, combination of the Income Capitalisation Method of Valuation and the Direct Comparable Sales Method of Valuations was considered to be most appropriate for the property. The Income Capitalisation method determines the net normalised annual income of the property, assuming the property is fully let at market related rentals, and market escalations, with an allowance made for vacancies (where applicable)

and bad debts. Market related operating expenses are incurred, resulting in a net annual income which is then capitalised at a market related rate.

The capitalisation rate is best determined by referring to market transactions of comparable properties as it is based on information derived from market analysis. The risk inherent in income producing properties is the degree of certainty that the income stream will be realised despite the uncertainty of the future, and therefore the higher the risk factor, the better return the investor will require.

The capitalisation rates have been considered in view of locality and quality of space offered, these range between 11% to 12% based on industry surveys. The valuer thus applied an average capitalisation rate of 11,00% in the calculation taking into account the age of the buildings, locality and condition as well as security of the income.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
The following amounts have been recognised in the income statement				
Fair value gain/(loss)	30 487	23 650	30 350	23 650
Net rental income	11 928	12 962	11 618	11 228
Direct operating expenses	(13 862)	(12 711)	(13 682)	(12 711)
Repairs and maintenance	(1 098)	(169)	(1 098)	(169)
	27 455	23 732	27 188	21 998
Details of investment property				
- Purchase price: 1 December 2008	26 361	26 361	21 654	21 654
- Additions since purchase or valuation	86 902	56 536	80 346	49 996
	113 263	82 897	102 000	71 650

a) Description: Erven 300 and 585 West Germiston, Germiston, Gauteng, known as President Place.

13. HELD-TO-MATURITY INVESTMENTS

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Standard Bank of South Africa Limited	86 461	71 974	86 461	71 974
Investec Bank Limited	121 464	121 123	121 464	121 123
Nedbank Limited	25 283	55 441	25 283	55 441
Rand Merchant Bank, a division of First Rand Bank	-	50 697	-	50 697
First National Bank Limited	97 229	64 783	97 229	64 783
National Treasury	362 315	166 656	362 315	166 656
Held-to-maturity money market investments - current	692 752	530 674	692 752	530 674
Land and Agricultural Bank of South Africa SOC Ltd*	51 958	69 852	51 958	69 852
Impairment on Land Bank	(33 244)	(33 244)	(33 244)	(33 244)
Non-current	18 714	36 608	18 714	36 608
Total held-to-maturity money market investments	711 466	567 282	711 466	567 282

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

Investments are made in line with NHFC investment policy counter party risk, refer to financial risk note 34.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

*The notes held in the counterpart were partially impaired in the 31 March 2020 and 31 March 2021 financial year following significant challenges experienced by the counterparty with the honouring the maturity values. Discussions are currently underway on a possible liability solution but there is no new information to justify additional impairments or the reversal of impairment in the current year.

14. OTHER RECEIVABLES AND PREPAYMENTS

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Employee costs in advance	4 919	4 670	4 919	4 670
Deposits	1 572	3 438	1 186	3 075
Inter-company loans	-	-	-	1 753
VAT	4 855	2 995	-	-
Other debtors receivables	3 822	33 614	688	616
President Place debtors	4 830	1 865	4 830	1 865
Levies on finance receivables	5 828	3 019	-	-
	25 826	49 601	11 623	11 979

Deposits mainly relate to office rental deposits.

Study loans included in staff debtors are non-interest bearing and are expensed as bursaries when studies are completed, or recovered if studies are not completed.

Other staff debtors are charged interest at the prime lending rate.



Gauteng — South Hills

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

15. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Short-term deposits - NHFC				
ABSA Bank Limited	1 917	1 777	-	-
Investec Bank Limited	282	39 904	282	39 904
Nedbank Limited	159 959	146 843	159 959	146 843
Standard Bank of South Africa Limited	1 222	19 852	1 222	19 851
Rand Merchant Bank, a division of First Rand Bank Limited	7 542	7 543	7 542	7 543
Stanlib Limited	67 332	61 878	67 332	61 878
South African Reserve Bank	458 583	375 754	445 483	333 644
First National Bank Limited	16 504	8 420	13 571	8 314
	713 341	661 971	695 391	617 977
Cash at bank and in hand - NHFC				
Cash on hand	7	7	-	-
Standard Bank of South Africa Limited	13 848	20 669	2 600	4 481
First National Bank Limited	11 235	22 518	6 344	17 232
Nedbank Limited	143 417	290 408	-	-
	168 507	333 602	8 944	21 713
Total cash and short-term deposits	881 848	995 573	704 335	639 690
Short-term deposit - third party funds				
Reserve Bank - First Home Finance	1 194 299	975 651	1 194 299	975 651
Standard Bank - First Home Finance	10	10	10	10
Reserve Bank - Rental Relief fund	-	203 159	-	203 159
First National Bank - CFDP	-	2 885	-	-
	1 194 309	1 181 705	1 194 309	1 178 820
Cash at bank and in hand - third party funds				
Standard Bank - First Home Finance	9 135	5 475	9 135	5 475
Standard bank - Rental Relief	-	3	-	3
First National Bank - First Home Finance	10	-	10	-

**NOTES TO THE CONSOLIDATED ANNUAL
FINANCIAL STATEMENTS CONTINUED**

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
First National Bank - Gqebera	4 997	23 182	-	-
First National Bank - CFDP	-	70	-	-
	14 142	28 730	9 145	5 478
Total third party funds	1 208 451	1 210 435	1 203 454	1 184 297
Total cash and cash equivalents	2 090 299	2 206 008	1 907 789	1 823 987
NHFC				
Short-term deposits	713 341	661 971	695 391	617 977
Cash at bank	168 507	333 602	8 944	21 713
	881 848	995 573	704 335	639 690
First Home Finance				
Short-term deposits	1 194 309	975 661	1 194 309	975 660
Cash on hand and at bank	9 145	5 475	9 145	5 475
	1 203 454	981 136	1 203 454	981 135
Covid Debt Relief Fund				
Short-term deposits	-	203 159	-	203 159
Cash on hand and at bank	-	3	-	3
	-	203 162	-	203 162
CFDP				
Short-term deposits	-	2 885	-	-
Cash on hand and at bank	-	70	-	-
	-	2 955	-	-
Gqebera				
Cash on hand and at bank	4 997	23 182	-	-
	-	-	-	-
Total cash and cash equivalents	2 090 299	2 206 008	1 907 788	1 823 987

*Funds under management refer to note 21.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

16. OTHER FINANCIAL LIABILITIES

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
At amortised cost				
Old Mutual Capital Holding Proprietary Limited				
Trust 1 Mezzanine loan- the loan bears interest at 3 months jibar + 5.5% payable monthly with a bullet payment for capital in June 2028 of R80 million; senior loan bears interest at 3 months jibar+3.5% payable with a bullet payment for capital in June 2028. Trust 2 Mezzanine loan - the loan bears interest at 3 months jibar+ 6.75% payable monthly with a bullet payment for capital of R350 million on the maturity date (Maturity date is April 2029 being the expected 5th anniversary of the CP fulfilment date).	526 776	519 725	-	-
Future Growth Asset Management Proprietary Limited				
Trust 2 Senior debt -the loan bears interest at 3 months jibar + 4.75% payable quarterly with a bullet payment of R450 million on the maturity date (Maturity date is April 2029 being the expected 5th anniversary of the CP fulfilment date).	464 737	664 072	-	-
Agence Francaise de Developpement (AFD)				
This loan bears interest at a fixed rate of 5.744% per annum and is repayable in equal semi-annual capital instalments of R5 965 615 (2023: R5 965 615) exclusive of interest. Interest and capital is paid biannually on 31 May and 30 November of each year.The final instalment is payable on 24 November 2024.	9 685	21 843	9 685	21 843
European Investment Bank (EIB)				
This loan bears interest at a quarterly variable rate of 3M Jibar with a margin of 0.40% per annum and is repayable in semiannual equal capital instalments of R8 308 077 (2023: R8 308 077) exclusive of interest. Interest and capital is paid biannually on 15 June and 15 December of each year. The final instalment is payable on 15 December 2025.	34 088	50 963	34 089	50 963
Development Bank of South Africa				
The loan bears interest at a fixed rate of 7.65% per annum payable half yearly on 15 June and 15 December of R6 557 841. Repayment of the 41 half yearly instalment commenced on 14 December 2014.	98 825	104 424	98 825	104 424
City of Cape Town				
The loan relates to a discount on interest raised on the debentures previously issued to the City of Cape Town to the Cape Town Community Housing Company (Proprietary) Limited. The loan is payable as and when the company (CTCHC) becomes profitable.	500	500	-	-
	1 134 611	1 361 527	142 599	177 230

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	GROUP		COMPANY	
	OPENING BALANCE R '000	DISPOSALS R '000	FAIR VALUE ADJUSTMENTS R '000	TOTAL R '000
Non-current liabilities				
At amortised cost	1 077 904	1 306 515	107 818	139 816
Current liabilities				
At amortised cost	56 707	55 012	34 781	37 414

17. PROVISIONS

RECONCILIATION OF PROVISIONS - GROUP - 2024

	OPENING BALANCE	ADDITIONS	UTILISED DURING THE YEAR	TOTAL
Lease payments	4 600	-	-	4 600
Municipal rates	2 117	205	(85)	2 237
Incentive bonus	3 804	1 490	(2 933)	2 361
	10 521	1 695	(3 018)	9 198

RECONCILIATION OF PROVISIONS - GROUP - 2023

	OPENING BALANCE	ADDITIONS	UTILISED DURING THE YEAR	TOTAL
Lease payments	4 600	-	-	4 600
Municipal rates	2 314	(197)	-	2 117
Incentive bonus	34 125	(19 427)	(10 894)	3 804
	41 039	(19 624)	(10 894)	10 521

RECONCILIATION OF PROVISIONS - COMPANY - 2024

	OPENING BALANCE	ADDITIONS	UTILISED DURING THE YEAR	TOTAL
Incentive bonus	3 804	1 490	(2 933)	2 361

RECONCILIATION OF PROVISIONS - COMPANY - 2023

	OPENING BALANCE	UTILISED DURING THE YEAR	REVERSED DURING THE YEAR	TOTAL
Incentive bonus	34 125	(19 427)	(10 894)	3 804

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

Provision for municipal rates covers the rates that are outstanding and is payable when certain erven are transferred into the name of CTCHC.

Provision for lease payments relates to the purchase price for CTCHC piece of land which was allocated by the Upington Municipality of which the purchase price will only be paid when the last house is transferred to the owner.

18. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Trade payables	12 560	24 395	11 409	14 661
Payments received in advance	128	7 877	-	7 821
Accrued leave pay	11 210	10 414	10 920	10 161
Accrued expense	42 613	57 815	7 890	16 133
Accrued audit fees	658	-	-	-
VAT	-	6 958	-	-
	67 169	107 459	30 219	48 776

Trade payables are non-interest bearing and are settled within 30-days.

19. ISSUED CAPITAL AND SHARE PREMIUM

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Issued and fully paid				
84 187 332 ordinary shares of R0.01 each	842	842	842	842
Share premium	879 158	879 158	879 158	879 158
	880 000	880 000	880 000	880 000

The 15 812 668 unissued shares are under the control of the shareholder.

20. GRANT CAPITAL

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Grants received	1 656 698	1 656 698	1 656 698	1 656 698

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

The initial grant of R200 million arose as a result of the merger of the Housing Equity Fund and the Housing Institutions Development Fund 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. During previous financial years additional grant capital amounting to R530 million was received from the shareholder and a further R80m was received during the 31 March 2019 year and R 50 million in the 31 March 2020 year.

A total of R442 million Government Grants (R20 million from the Department of Housing and R422 million from the National Department of Human Settlements) has been transferred to

the NHFC from NURCHA, these are considered to be permanent and are therefore included in Shareholder's equity. In addition, R18.3 million grant from the Open Society Institution of New York has transferred to the NHFC.

A total of R181 million Government Grants has been transferred to the NHFC from RHLF, these are considered to be permanent and are therefore included in Shareholder's equity. In addition, R154.8 million grant from KFW has transferred to the NHFC, the terms of the grant from the 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.

21. FUNDS UNDER MANAGEMENT

First Home Finance^(a)
Gqeberha^(b)
Covid Debt Relief fund^(c)

GROUP		COMPANY	
2024 R '000	2023 R '000	2024 R '000	2023 R '000
1 203 469	981 163	1 203 469	981 163
4 997	23 182	-	-
-	203 163	-	203 163
1 208 466	1 207 508	1 203 469	1 184 326

(a) The NHFC is managing funds on behalf of the national government human settlements departments for the First Home Finance programme.

(b) The NHFC is managing funds on behalf of the Umzi Wase Gqeberha Housing Development Association.

(c) Covid debt relief fund - the unused amounts were returned to National Treasury during the year.

The net income on these funds is capitalised. The cost of managing the implementation of First Home Finance is recovered on an annual basis.

Funds under management are invested in held-to-maturity investments (note 13) and short-term deposits (note 15).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

22. LONG TERM PAYABLES

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
VAT Payable	6 300	7 901	-	-

The VAT payable arises from CTCHC on the Harmony Village project and will be paid to SARS in annual instalments to match the manner in which revenue is received from customers.

23. REVENUE

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Interest on advances				
Interest on performing advances	288 382	209 025	288 382	225 907
Interest on impaired advances	65 363	46 502	65 363	46 502
Interest on finance leases receivable	12 853	10 750	-	-
Interest on advances from controlled entities	229 217	204 814	-	-
	595 815	471 091	353 745	272 409
Interest on investments				
Interest on short-term deposits and held-to-maturity investments	113 891	81 252	110 883	73 345
Rental income				
Rental income from investment property	11 928	12 962	11 618	11 228
Dividend received				
Dividend income from Greenstart	158	158	158	158
Sale of houses				
CTCHC sale of houses	304	217	-	-
Management Fees				
Fees charged to controlled entities	-	-	15 775	18 229
Programme management fees	4 331	68 844	-	-
First Home Finance recovery	19 585	18 824	19 585	18 824
	23 916	87 668	35 360	37 053

**NOTES TO THE CONSOLIDATED ANNUAL
FINANCIAL STATEMENTS CONTINUED**

**Share of residual interest in controlled entities -
Housing Investment Partners**

Fees on advances

GROUP		COMPANY	
2024 R '000	2023 R '000	2024 R '000	2023 R '000
-	-	6 956	22 108
5 893	5 054	5 893	4 903

24. COST OF SALES

Sale of goods

CTCHC cost of sale of houses

GROUP		COMPANY	
2024 R '000	2023 R '000	2024 R '000	2023 R '000
251	1 751	-	-

25. OTHER OPERATING INCOME

Other operating income is made up as follows:

Levies from finance lease receivable

Recoveries and refunds

Other interest received

Sundry income

Debt Relief Programme

GROUP		COMPANY	
2024 R '000	2023 R '000	2024 R '000	2023 R '000
2 505	2 081	-	-
15 657	12 277	14 148	11 678
2 208	1 574	2 207	1 573
6 278	7 850	12 825	20 206
-	7 844	-	-
26 648	31 626	29 180	33 457

26. OPERATING SURPLUS

Included in operating surplus are the following items:

Staff costs

Salaries

Medical aid

Provident fund

Bonus provision

GROUP		COMPANY	
2024 R '000	2023 R '000	2024 R '000	2023 R '000
122 858	105 835	119 410	102 360
105 104	95 239	102 029	92 116
4 399	4 075	4 399	4 075
11 255	10 760	10 882	10 408
2 100	(4 239)	2 100	(4 239)

**NOTES TO THE CONSOLIDATED ANNUAL
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	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Executive costs (refer to note 35)	30 328	18 095	30 328	18 095
Salaries	25 789	21 069	25 789	21 069
Medical aid	1 228	892	1 228	892
Provident fund	3 311	2 789	3 311	2 789
Bonus provision	-	(6 655)	-	(6 655)
Administration	7 303	6 401	4 757	5 946
Marketing	3 533	1 684	3 531	1 682
Consultancy	20 431	6 341	20 412	6 267
Directors' fees	7 257	7 664	7 257	7 664
Legal fees	6 000	7 063	5 629	6 667
Auditors' fees	10 733	9 225	10 079	8 560
Travel and entertainment	2 865	2 192	2 588	1 592
Communication	5 569	2 811	5 550	2 775
Computer expenses	9 975	11 580	9 593	11 282
Training and development	4 664	2 714	4 663	2 714
Office expenses	2 280	2 173	2 165	1 494
Depreciation and amortisation	1 845	2 354	1 844	2 347
Sundry and investment property expenses	8 474	11 572	630	11 572
Operating lease expense	4 872	9 974	2 854	7 729
	248 987	207 678	231 290	198 746
Management fees incurred in controlled entities	37 285	38 351	-	-
Total operating expenses	286 272	246 029	231 290	198 746
Impairments	47 773	663	35 089	(41 467)
Net impairment raised/(reversed) on loans and advances	32 951	(7 548)	32 951	(41 834)
Impairment from controlled entities	12 581	3 799	-	-
Impairment of dividend accrued Greenstart	158	158	158	158
Net impairment/(reversal) on loans to subsidiaries	-	-	(103)	(4 045)
Net impairment raised on President Place	2 083	4 254	2 083	4 254

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Housing Investment Partners Trust and Vulumnyango Trust (Trust 2)	-	-	(60 368)	(20 796)
Thuthukani Housing Finance Proprietary Limited	-	-		(45 770)
Kanga Finance Proprietary Limited	-	-	3 545	1 583
	2 606	(4 999)	(30 250)	(56 333)
Total	33 207	19 180	100	(32 683)

29. FINANCE COSTS

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Interest on other financial liabilities	145 698	124 929	11 864	12 887

30. TAXATION

Major components of the tax expense (income)

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Current				
Local income tax - current period	481	1 531	-	-
Local income tax - recognised in current tax for prior periods	(431)	-	-	-
	50	1 531	-	-
Deferred				
Arising from previously unrecognised tax deficit	6 224	(24 089)	-	-
	6 274	(22 558)	-	-

Tax expense is raised in the Group as some of the subsidiaries has used up its assessed losses as well as legislation from the prior year that only allows the maximum 80% of taxable income for the year to be utilised against losses in a financial year for those that still have accumulated tax losses.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

Income tax receivable: statement of financial position

Balance at the beginning of the year	
Interest earned	
Net tax receivable/(payable) by subsidiaries	
Balance at the end of the year	

GROUP		COMPANY	
2024 R '000	2023 R '000	2024 R '000	2023 R '000
39 290	38 000	41 552	38 000
12 337	3 552	12 337	3 552
1 793	(2 262)	-	-
53 420	39 290	53 889	41 552

The NHFC is exempt from normal taxation as per Taxation Laws Amendment Act No. 15 of 2016 published in the Government Gazette on 19 January 2017 under notice 40562. However, the NHFC complies with all other South African taxes, including employees' tax and Value Added Tax.

Deferred tax asset

Tax losses available for set off against future taxable income	
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GROUP		COMPANY	
2024 R '000	2023 R '000	2024 R '000	2023 R '000
17 865	24 089	-	-

31. RELATED PARTIES

The consolidated financial statements include the financial statements of National Housing Finance Corporation SOC Ltd, its subsidiaries and associates as listed below.

	2024 % EQUITY INTEREST	2023 % EQUITY INTEREST
Gateway Home Loans (Proprietary) Limited	100	100
Gateway Home Loans 001 (Proprietary) Limited	100	100
Cape Town Community Housing Company (Proprietary) Limited	100	100
Mortgage Default Insurance Company (Proprietary) Limited	100	100
NHFC Management Services (Proprietary) Limited	100	100
NURCHA Finance Company (Proprietary) Limited	100	100
NURCHA Equity Services (Proprietary) Limited	100	100
NURCHA Development Finance (Proprietary) Limited	100	100
NURCHA Bridging Fund (Proprietary) Limited	100	100
NURCHA Loan Fund (Proprietary) Limited	100	100

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	2024 % EQUITY INTEREST	2023 % EQUITY INTEREST
TUHF Holdings Limited	35	37
Housing Investment Partners (Proprietary) Limited	33	33
Kanga Finance (Proprietary) Limited	20	20
Norufin Housing (Proprietary) Limited	20	20
Kabo Financial Investments Limited	20	20
Lehae Housing (Proprietary) Limited	20	20
Thuthukani Housing Finance (Proprietary) Limited	20	20
Housing Investment Partners Trust*	-	-
Vulumnyango Trust*	-	-
Abahlali Housing Association (No 2) NPC^	-	-

* NHFC is invested in Junior debt facility.

^ NHFC controls Abahlali Housing Association and its bank account.

The National Government through the Minister of the Department of Human Settlements has ultimate control of the entity on behalf of the Government in terms of the PFMA.

The following table provides the total amounts of transactions and outstanding balances which have been entered into with related parties:

	COMPANY		COMPANY	
	AMOUNTS OWED BY/ TO RELATED PARTIES 2024 R '000	TRANSACTIONS WITH RELATED PARTIES 2024 R '000	AMOUNTS OWED BY/ TO RELATED PARTIES 2023 R '000	TRANSACTIONS WITH RELATED PARTIES 2023 R '000
Cape Town Community Housing Company (Proprietary) Limited				
- Advances*	18 021	-	27 021	-
- Payroll administration	-	2 834	-	2 806
- Bad debts recovered	-	9 000	-	9 750
Housing Investment Partners (Proprietary) Limited				
- Working capital loan	33 832	-	33 832	-
Housing Investment Partners Trust				
- Equity	52 303	-	55 620	-

**NOTES TO THE
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	COMPANY		COMPANY	
	AMOUNTS OWED BY/ TO RELATED PARTIES 2024 R '000	TRANSACTIONS WITH RELATED PARTIES 2024 R '000	AMOUNTS OWED BY/ TO RELATED PARTIES 2023 R '000	TRANSACTIONS WITH RELATED PARTIES 2023 R '000
Vulumnyango Trust	-	-	-	-
- Equity	135 777	-	190 513	-
Abahlali Housing Association (No 2) NPC				
- Advances*	36 461	-	36 460	-
TUHF Holdings Limited				
C Class ordinary shares	6 533	-	6 533	-
- Interest received	-	29 124	-	25 971
- Loans	244 306	-	278 281	-
- Equity investment	129 021	-	105 499	-
NHFC Management Services (Proprietary) Limited				
Administrative fees	-	15 775	-	18 229
Loans	95 405	-	79 618	-
Provided for	(46 286)	-	(46 286)	-
NURCHA Finance Company (Proprietary) Limited				
Loans*	13 893	-	13 912	-
NURCHA Equity Services (Proprietary) Limited				
Loans*	13 015	-	13 015	-
NURCHA Development Finance (Proprietary) Limited				
Loans*	14 639	-	14 314	-
NURCHA Bridging Fund (Proprietary) Limited				
Loans*	8 232	-	8 335	-
NURCHA Loan Fund (Proprietary) Limited				
Loans*	8 468	-	8 757	-
Kanga Finance (Proprietary) Limited				
Loans	69 279	-	121 702	-
Interest received	-	10 912	-	14 498

**NOTES TO THE
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	COMPANY		COMPANY	
	AMOUNTS OWED BY/ TO RELATED PARTIES 2024 R '000	TRANSACTIONS WITH RELATED PARTIES 2024 R '000	AMOUNTS OWED BY/ TO RELATED PARTIES 2023 R '000	TRANSACTIONS WITH RELATED PARTIES 2023 R '000
Equity	12 725	-	9 179	-
Norufin Housing (Proprietary) Limited				
Equity	5 286	-	5 286	-
Impaired	(5 286)	-	(5 286)	-
Thuthukani Housing Finance (Proprietary) Limited				
Interest received	-	7 187	-	9 887
Loans	44 647	-	52 878	-
Department of Human Settlements				
Funds under management - First Home Finance	1 203 469		981 163	
Grant - First Home Finance		19 585		18 824

The NHFC has paid CIPC fees for all its subsidiaries excluding CTCHC during the year, where its less than R1 000 each.

*The NHFC has written off these loan balances in its books.

TERMS AND CONDITIONS WITH RELATED PARTIES

Transactions with related parties are done on terms equivalent to those that prevail in arm's length transactions which would occur in the ordinary course of business.

Except for advances, accounts receivable are interest free and settlement occurs in cash within 30 days. There have been no guarantees provided or received for any related receivables.

Although the NHFC has a relationship with our sole shareholder, the Department of Human Settlements, and acts as agent in certain instances, GRAP 20 states that the NHFC need not disclose balances or the value of transactions between the parties.

Transactions with key management personnel are disclosed under note 35.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

32. CASH FLOWS FROM OPERATING ACTIVITIES

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Net profit before tax	269 274	199 259	273 502	181 448
Non-cash and separately presented items	18 840	81 582	34 174	22 882
Working capital changes	(18 050)	2 515	(19 645)	9 945
Tax paid	(12 337)	-	(12 337)	-
Decrease/(increase) in advances	3 337	(123 008)	(3 661)	(68 191)
Net cash flows generated from/(used in) operations	261 064	160 348	272 033	146 084
Non-cash and separately presented items				
Depreciation and amortisation	1 844	2 388	1 843	2 381
Dividends accrued	158	158	158	158
Impairments and bad debts	59 663	52 442	37 331	28 931
Share of profit of an associate	6 183	29 935	-	-
First Home Finance non-cash	(7 821)	-	(7 821)	-
Fair value adjustment on equity investments	(2 606)	4 470	30 250	56 333
Fair value adjustment on property investment	(30 601)	(23 650)	(30 350)	(23 650)
Accrued interest income	(9 834)	(16 887)	(9 834)	(16 887)
Intercompany fees	-	-	(15 775)	(18 229)
Accrued finance cost	596	-	596	3 770
Interest on SARS asset	-	(3 552)	-	(3 552)
Other non-cash items	1 258	36 278	27 776	(6 373)
Net cash flows used in operations	18 840	81 582	34 174	22 882
Working capital changes				
(Increase)/decrease in properties developed for sale	-	11 238	-	-
(Increase)/decrease in finance lease receivable	(212)	(5 700)	-	-
(Increase)/decrease in accounts receivable	23 775	(4 628)	356	20 750
Increase/(decrease) in accounts payables	(40 290)	32 524	(18 558)	19 515
(Decrease)/increase in provisions	(1 323)	(30 554)	(1 443)	(30 320)
	(18 050)	2 515	(19 645)	9 945

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

33. CONTINGENT LIABILITIES AND COMMITMENTS CONTINGENT LIABILITIES SURRENDER OF SURPLUS

Legislation requires schedule 3A public entities to surrender any surplus funds to the National Treasury. The NHFC applies for the retention of surplus which is subject to the National Treasury's approval. There is a possible obligation to return the cash surplus that arises from the NHFC having cash surplus as at 31 March 2024, the existence of that possible obligation will be confirmed by the approval or not

approval of the National Treasury on the request for the retention of surplus submission, at this point it is not probable that the surplus will be returned to the National Treasury based on the past practices since the inception of the NHFC that the National Treasury always approves the request for the retention of surplus as the NHFC was formed to be a self-sustaining entity.

The current estimated surplus for the financial year ended 31 March 2024 is R648 million.

Commitments in respect of lending activities

Loans approved and contracted for:

Exceeding availability

Still within availability period

Approved but not yet contracted for

Operational contracts

Programme management portfolio

GROUP		COMPANY	
2024 R '000	2023 R '000	2024 R '000	2023 R '000
33 322	58 127	33 322	58 127
1 528 298	1 737 956	1 528 298	1 737 956
1 561 620	1 796 083	1 561 620	1 796 083
345 719	806 568	345 719	806 568
1 907 339	2 602 651	1 907 339	2 602 651
36 144	14 059	36 144	14 059
637	82 282	-	-
36 781	96 341	36 144	14 059

OPERATING LEASE COMMITMENT - GROUP AS LESSEE

The Group entered into a commercial lease with the Isle of Houghton lease was effective from 1 April 2012 to 31 March 2017. The lease had an escalation clause of 8% per annum. The lease has been extended for 18 months from 1 April 2019 to 30 September 2020 with a deposit guarantee of R533 500 and the lease was further extended by another two years from 1 October 2020 to 30 September 2022. From October 2022, the NHFC has entered into a month-to-month lease agreement with Isle of Houghton, The NHFC moved with effect 31 March 2023 into its temporary home at 90 Grayston Drive.

90 Grayston Drive has now been concluded in April 2024 as our permanent office with beneficial occupation on 1 March 2024 with occupation starting June 2024 for a period of three years.

The lease in Gqeberha at Fairview Office was entered into in November 2022 for a period of three years. The Cape Town lease was entered into in July 2019 for a period of five years.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

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

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
National Housing Finance Corporation SOC Limited	2 962	445	2 962	445
Cape Town Community Housing Proprietary Limited	146	628	-	-
NHFC Management Services	397	337	-	-
Within one year	3 505	1 410	2 962	445
National Housing Finance Corporation SOC Limited	7 824	-	7 824	-
Cape Town Community Housing Proprietary Limited	-	146	-	-
NHFC Management Services	240	605	-	-
After one year but not more than five years	8 064	751	7 824	-
Total office operating lease commitments - office buildings	11 569	2 161	10 786	445

OPERATING LEASE COMMITMENTS - OFFICE PHOTOCOPIERS

The Group entered into operating leases for photocopiers. The new lease was entered into in March 2024 for a period of three years.

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Within one year	155	84	155	84
After one year but not more than five years	297	-	297	-
	452	84	452	84
Total Group commitments	12 021	2 245	11 238	529

34. FINANCIAL RISK MANAGEMENT

The Group has various financial assets such as loans and receivables, finance lease receivables, other receivables, investments in preference shares, 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, other financial liabilities and trade and other payables.

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

The Board is ultimately responsible for the overall risk management process and reviews and approves policies for the managing of each of these risks. The Board has delegated certain matters to the Audit Committee, the Board Information Technology and Risk Committee and the Board Credit and Investment Committee.

The Group's senior management oversees the management of these risks and is supported by a Management Assets and Liabilities Committee, Management Credit and Investment Committee and Enterprise Risk Management Framework.

These committees provide assurance that risks are governed by appropriate policies and procedures and that financial risks are identified, measured, mitigated and managed in accordance with Group policies and Group risk appetite. It is the Group's policy that no trading for speculative purposes shall be undertaken.

CREDIT RISK

Credit risk is the risk of an economic loss arising from the failure of a counterparty to fulfil its contractual obligations. The Group is exposed to credit risk from its operating activities, primarily advances in the form of senior debt, sub-ordinated debt and investments (short-term deposits and money market instruments).

EQUITY RISK

Investment in equity and quasi-equity instruments such as ordinary shares, preference shares, junior and mezzanine debt is regulated through the Board approved policy. This is typically done for entities that are start-ups and providing innovative funding solutions in the affordable housing market. These kinds of instruments are unsecured and high risk in nature. They are used for leveraging private sector funding, maximising impact and transforming the human settlements supply chain.

LOANS AND RECEIVABLES – ADVANCES

The credit risk arising from advances and the credit value chain is managed by the Credit Division and is subject to the Group's established policy, procedures and controls as well as the risk appetite of the Group. The risk appetite statement and credit policy are reviewed and approved by the Board regularly.

The credit policy provides for comprehensive sanctioning structures and credit risk acceptance processes including robust assessment and monitoring procedures at individual counterparty level, to generate quality credit assets, relative to the risk/reward inherent in the transaction.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentrations of risk, the risk appetite statement includes specific guidelines to focus on maintaining a diversified portfolio. Provision is also made for prudential limits. Identified concentrations of credit risks are controlled and managed accordingly. Advances are presented net of the allowance for impairment. The requirement for an impairment is analysed at regular intervals guided by an impairment policy.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

Advances are presented net of the allowance for impairment. The requirement for an impairment is analysed at regular intervals guided by an impairment policy.

FINANCIAL INSTRUMENTS AND CASH DEPOSITS

The credit risk arising from financial instruments is managed within the Treasury department. The Treasury Policy and Risk Appetite Statement of the Group provides a framework that regulates the treasury management activities, operations conducted, management and control of risk.

Short-term deposits and held-to-maturity money market investments are placed with financial institutions rated at least P-3 or better in terms of short-term credit ratings by a reputable rating agency. Counterparty limits are reviewed by the Board of Directors on an annual basis. Limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. The Group exposure at year-end is within approved counterparty limits.

Financial assets exposed to credit risk at year end were as follows:

Maximum exposure to credit risk

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Loans and receivables - advances	4 172 342	4 214 028	2 835 788	2 861 057
Finance lease receivables	98 255	105 887	-	-
Held-to-maturity investments	711 466	567 282	711 466	567 282
Cash and short-term deposits	2 090 299	2 206 008	1 907 788	1 823 987
Other receivables and prepayments	25 826	46 163	11 623	8 904
	7 098 188	7 139 368	5 466 665	5 261 230

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

Collateral and other credit enhancements – loans and receivables advances

To mitigate credit risk, the Group 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.

- Cession of income and bank account;
- Guarantees;
- Personal suretyship of principals;
- Pledge of call account or fixed deposits; and
- Cession of shares.

The main types of collateral taken against loans and receivables – advances subject to credit risk are:

- Mortgage bonds over properties;
- Cession of debtors books;

Credit risk mitigation policies and procedures ensure that the credit risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of

operational management for legal, practical and timely enforcement.

Credit quality of loans and receivables

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

Neither past due nor impaired

Past due but not impaired*

Impaired**

12 months turnaround period

Less: Specific impairments

General impairments

Net advances

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Neither past due nor impaired	3 313 538	3 382 283	2 069 533	2 103 425
Past due but not impaired*	394 013	277 443	397 042	277 443
Impaired**	824 741	761 713	624 511	596 838
12 months turnaround period	-	107 151	-	107 151
	4 532 292	4 528 590	3 091 086	3 083 403
Less: Specific impairments	(320 088)	(274 551)	(215 436)	(182 335)
General impairments	(39 862)	(40 011)	(39 862)	(40 011)
Net advances	4 172 342	4 214 028	2 835 788	2 861 057

* Past due but not impaired balance is the full outstanding capital as at the date on which the client defaulted.

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

AGEING OF AMOUNTS DUE							
	TOTAL BALANCE R '000	CAPITAL INSTALMENT R '000	CURRENT TO 30 DAYS R '000	31 TO 60 DAYS R '000	61 TO 90 DAYS R '000	91 TO 180+ DAYS R '000	
Group							
Ageing analysis of advances that are past due, but not impaired:	2024	394 013	205 467	77 629	3 354	4 883	102 680
Ageing analysis of advances that are past due, but not impaired:	2023	277 443	196 572	6 439	3 275	3 267	67 890
Company							
Ageing analysis of advances that are past due, but not impaired:	2024	397 042	208 496	77 629	3 354	4 883	102 680
Ageing analysis of advances that are past due, but not impaired:	2023	277 443	196 572	6 439	3 275	3 267	67 890

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; and
- The debt is more than 90 days in arrears.

The fair value of collateral that the Group holds relating to past due or impaired loans and receivables at 31 March 2024 amounts to R1 662 million (2023: R1 637 million).

During the current and previous year the Group did not take possession of any guarantees or debtors books.

The carrying amounts of advances that would otherwise be past due whose terms have been renegotiated in the last 12 months amounts to R0 million (2023: R107.1 million).



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

Credit quality and concentration of other financial assets

Counterparties with external credit ratings of at least F1

- Held-to-maturity investments – money market
- Cash and short-term deposits

Counterparties assessed by reference to historical information about counterparty default rates

- Finance lease receivables

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
- Held-to-maturity investments – money market	711 466	567 282	711 466	567 282
- Cash and short-term deposits	2 090 299	2 206 008	1 907 788	1 823 987
- Finance lease receivables	98 255	105 887	-	-

Other receivables and prepayments are considered current and are not considered impaired.

Concentration risk of equity loans and receivables by operation:

	Group	Company
Strategic investment	7%	18%
Incremental housing loans	5%	7%
Home ownership	32%	3%
Private Rental Housing	16%	20%
Social Rental Housing	22%	29%
Affordable Housing	18%	23%
Subsidy Housing	0%	0%

INTEREST RATE RISK

Interest rate risk is the exposure of the Group to increased financing cost and reduced revenue due to adverse changes in interest rates.

The objectives of managing interest rate risk are to:

- Identify and quantify interest rate risk and to structure assets and liabilities to reduce the impact of changes in interest rates;
- minimise the negative impact of adverse interest rate movement on the Group’s returns within an acceptable risk profile;

- reduce the cost of capital and minimise the effect of interest rate volatility on funding cost;
- manage exposures by ensuring an appropriate ratio of floating rate exposures to fixed rate exposures; and
- take advantage of interest rate cycles.



Interest rate risk is the **exposure** of the Group to **increased financing cost** and **reduced revenue** due to adverse changes in interest rates.

**NOTES TO THE CONSOLIDATED ANNUAL
FINANCIAL STATEMENTS CONTINUED**

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

Assets

Loan and receivables – advances rates vary between 5.00% and 14.00% p.a.

Finance lease receivables average interest rate of 10.50% p.a.

Held-to-maturity investment rates vary between 7.30% and 11.75% p.a.

Cash and short-term deposits rates vary between 7.20% and 8.95% p.a.

Liabilities

Funds under management vary between 7.20% to 8.25%

AFD loan – the rate is fixed at 5.761%

EIB loan – the rate varies between 8.75% and 8.875%

DBSA loan – the rate is fixed at 7.65% p.a.

Future Growth Asset Management Proprietary Limited

Old Mutual Capital Holding Proprietary Limited

GROUP 2024		GROUP 2023	
FIXED RATE R '000	PRIME LINKED RATE R '000	FIXED RATE R '000	PRIME LINKED RATE R '000
107 287	4 065 055	185 452	4 028 576
98 255	-	105 887	-
-	711 466	-	567 282
-	2 090 299	-	2 206 008
-	1 208 466	-	1 207 508
9 685	-	21 843	-
-	34 089	-	50 963
98 825	-	104 424	-
-	464 737	-	664 072
-	526 776	-	519 725

Assets

Loan and receivables – advances rates vary between 5.00% and 14.00% p.a.

Held-to-maturity investment rates vary between 7.30% and 11.75% p.a.

Cash and short-term deposits rates vary between 7.20% and 8.95% p.a.

Liabilities

Funds under management vary between 7.20% to 8.25%

AFD loan – the rate is fixed at 6.078%

EIB loan – the rate varies between 8.75% and 8.875%

DBSA loan – the rate is fixed at 7.65% p.a.

COMPANY 2024		COMPANY 2023	
FIXED RATE R '000	PRIME LINKED RATE R '000	FIXED RATE R '000	PRIME LINKED RATE R '000
107 287	2 728 501	185 452	2 675 605
-	711 466	-	567 282
-	1 907 788	-	1 823 987
-	1 203 469	-	1 184 326
9 685	-	21 843	-
-	34 089	-	50 963
98 825	-	104 424	-

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

INTEREST RATE SENSITIVITY

Our business model is mostly affected by the interest rate and therefore an assessment of interest rate sensitivity is performed.

The impact of 1% move in interest rates, which is deemed reasonable based on the interest rate forecasts, with all other variables held constant is reflected below.

	INCREASE/ DECREASE %	GROUP		COMPANY	
		EFFECT ON PROFIT 2024	EFFECT ON PROFIT 2023	EFFECT ON PROFIT 2024	EFFECT ON PROFIT 2023
Loans and receivables – advances	1	40 651	40 286	27 285	26 756
	(1)	(40 651)	(40 286)	(27 285)	(26 756)
Held-to-maturity investments	1	7 115	5 672	7 115	5 672
	(1)	(7 115)	(5 672)	(7 115)	(5 672)
Cash and short-term deposits	1	20 903	22 060	19 078	18 240
	(1)	(20 903)	(22 060)	(19 078)	(18 240)
Financial liabilities and Funds under management	1	(22 341)	(24 423)	(12 376)	(12 353)
	(1)	22 341	24 423	12 376	12 353
The Group earns interest as follows:					
Interest on advances		595 815	471 091	353 745	272 409
Interest on investment		113 891	81 252	110 883	73 345
		709 706	552 343	464 628	345 754
The Group's interest obligations are as follows:					
Interest on other financial liabilities		145 698	124 929	11 864	12 887

LIQUIDITY RISK

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to honour its financial commitments on a cost effective and timeous basis.

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;
- limiting capital market investments to 30% of the portfolio; and
- mobilisation of funding.

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

As at 31 March 2024

	LESS THAN 3 MONTHS R '000	3 TO 12 MONTHS R '000	>1 YEAR R '000	TOTAL R '000
Trade and other payables	55 831	-	-	55 831
Funds under management	-	1 208 466	-	1 208 466
Long-term payables	-	-	6 300	6 300
Other financial liabilities	-	56 707	1 077 904	1 134 611
	55 831	1 265 173	1 084 204	2 405 208

As at 31 March 2023

Trade and other payables	82 210	-	-	82 210
Funds under management	-	1 207 508	-	1 207 508
Long-term payables	-	-	7 901	7 901
Other financial liabilities	-	55 012	1 306 515	1 361 527
	82 210	1 262 520	1 314 416	2 659 146

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 and generates sufficient capital to support its business objectives and maximise shareholder value.

The Group monitors capital using the debt to equity ratio, which is the interest-bearing debt divided by the equity. The Group's policy is to keep the ratio at 65% and below.

	>1 YEAR R '000	TOTAL R '000
Total interest bearing debt	1 134 111	1 361 027
Total equity	5 324 552	5 061 552
Debt to equity ratio	21 %	27%

CREDIT RATING

The credit ratings below are provided by the Global Credit Rating Co.

NATIONAL

Long term A (ZA)
Short term A1 (ZA)

INTERNATIONAL

Long term B+
Short term B

Positive Influences: Excellent liquidity.

Negative Influences: Weak asset quality and above average strategic investment risk.

The outlook for both National and International rating is Stable.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

FAIR VALUE HIERARCHY

Fair value is the amount for which an asset could be exchanged or liability settled between knowledgeable willing parties in an arm's length transaction. This requires disclosure of fair value measurements by level according to the following fair value measurement hierarchies:

- Level 1: Values are determined using readily and regularly available quoted prices in an active market for identical assets or liabilities. These prices would primarily originate from the Johannesburg Stock Exchange, the Bond Exchange of South Africa or an international stock or bond exchange.
- Level 2: Values are determined using valuation techniques or models, based on assumptions supported by observable market prices or rates either directly (that is, as prices) or indirectly (that is, derived from prices) prevailing at the financial position date. The valuation techniques or models are periodically reviewed and the outputs validated.
- Level 3: Values are estimated indirectly using valuation techniques or models for which one or more of the significant inputs are reasonable assumptions (that is unobservable inputs), based on market conditions.

	GROUP			
	LEVEL 1 R '000	LEVEL 3 R '000	LEVEL 3 R '000	TOTAL R '000
2024				
Unlisted equity investments in non-controlled entities	-	-	246 128	246 128

2023				
Unlisted equity investments in non-controlled entities	-	-	243 043	243 043

	COMPANY			
	LEVEL 1 R '000	LEVEL 3 R '000	LEVEL 3 R '000	TOTAL R '000
2024				
Unlisted equity investments in non-controlled entities	-	-	246 128	246 128
Unlisted equity investments in associates	-	-	141 746	141 746
Unlisted equity investments in controlled entities	-	-	203 686	203 686
Total			591 560	591 560

2023				
Unlisted equity investments in non-controlled entities	-	-	238 043	238 043
Unlisted equity investments in associates	-	-	114 678	114 678
Unlisted equity investments in controlled entities	-	-	261 295	261 295
Total			614 016	614 016

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	INVESTMENT IN NON CONTROLLED ENTITIES	INVESTMENT IN CONTROLLED ENTITIES	INVESTMENT IN ASSOCIATES
Company - Level 3 additional disclosure (R'000)			
Opening balance	243 042	257 645	149 607
Disbursements	-	9 287	-
Fair value movement (IS)	(4 999)	(5 637)	(34 929)
Carrying value March 2023	238 043	261 295	114 678
Disbursements	5 479	2 314	-
Fair value movement (IS)	2 606	(59 923)	27 068
Carrying value at 31 March 2024	246 128	203 686	141 746

	INVESTMENT IN NON CONTROLLED ENTITIES
Opening balance	243 042
Fair value movement (IS)	(4 999)
Carrying value at 31 March 2023	238 043
Disbursements	5 479
Fair value movement (IS)	2 606
Carrying value at 31 March 2024	246 128

FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	FAIR VALUE R '000	COST R '000	AMORTISED COST R '000	TOTAL R '000
Group 2024				
Unlisted equity investments in non-controlled entities	246 128	-	-	246 128
Loans and receivables – advances	-	-	4 172 342	4 172 342
Finance lease receivables	-	-	98 255	98 255
Held-to-maturity investments	-	-	711 466	711 466
Cash and short-term deposits	-	-	2 090 299	2 090 299
Other receivables	-	-	20 971	20 971
	246 128	-	7 093 333	7 339 461

**NOTES TO THE CONSOLIDATED ANNUAL
FINANCIAL STATEMENTS CONTINUED**

	FAIR VALUE R '000	COST R '000	AMORTISED COST R '000	TOTAL R '000
Group 2023				
Unlisted equity investments in non-controlled entities	238 043	-	-	238 043
Loans and receivables – advances	-	-	4 214 028	4 214 028
Finance lease receivables	-	-	105 887	105 887
Held-to-maturity investments	-	-	567 282	567 282
Cash and short-term deposits	-	-	2 206 008	2 206 008
Other receivables	-	-	43 168	43 168
	238 043	-	7 136 373	7 374 416

Company 2024

Unlisted equity investments in non-controlled entities	246 128	-	-	246 128
Unlisted equity investments in associates	141 746	-	-	141 746
Unlisted equity investments in controlled entities	203 686	-	-	203 686
Loans and receivables – advances	-	-	2 835 788	2 835 788
Loans to subsidiaries	-	49 539	-	49 539
Held-to-maturity investments	-	-	711 466	711 466
Cash and short-term deposits	-	-	1 907 788	1 907 788
Other receivables	-	-	11 623	10 437
	591 560	49 539	5 466 665	6 106 578

Company 2023

Unlisted equity investments in non-controlled entities	238 043	-	-	238 043
Unlisted equity investments in associates	114 678	-	-	114 678
Unlisted equity investments in controlled entities	261 295	-	-	261 295
Loans and receivables – advances	-	-	2 861 057	2 861 057
Loans to subsidiaries	-	33 783	-	33 783
Held-to-maturity investments	-	-	567 282	567 282
Cash and short-term deposits	-	-	1 823 987	1 823 987
Other receivables	-	-	8 904	8 904
	614 016	33 783	5 261 230	5 909 029

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	FAIR VALUE R '000	COST R '000	AMORTISED COST R '000	TOTAL R '000
Group 2024				
Financial liabilities	-	-	1 134 611	1 134 611
Trade and other payables	55 831	-	-	55 831
Funds under management	-	1 208 466	-	1 208 466
	55 831	1 208 466	1 134 611	2 398 908

Group 2023				
Financial liabilities	-	-	1 361 527	1 361 527
Trade and other payables	82 210	-	-	82 210
Funds under management	-	1 207 508	-	1 207 508
	82 210	1 207 508	1 361 527	2 651 245

Company 2024				
Financial liabilities	-	-	142 599	142 599
Trade and other payables	19 300	-	-	19 300
Funds under management	-	1 203 469	-	1 203 469
	19 300	1 203 469	142 599	1 365 368

Company 2023				
Financial liabilities	-	-	177 230	177 230
Trade and other payables	30 795	-	-	30 795
Funds under management	-	1 184 326	-	1 184 326
	30 795	1 184 326	177 230	1 392 351

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

35. DIRECTORS' AND PRESCRIBED OFFICERS'/EXECUTIVE MANAGERS' EMOLUMENTS

The amounts disclosed in the table below are the amounts recognised as an expense during the reporting period related to key management personnel.

NATIONAL HOUSING FINANCE CORPORATION SOC LTD

Figures in Rand thousand	FEES	COMMITTEES FEES	TOTAL 2024	TOTAL 2023
Non-executive Chairman				
Mr L Vutula	1 100	-	1 100	1 386
Directors - independent non-executives				
Ms S Bolipombo	1 051	-	1 051	1 102
Mr P Heeger	1 040	-	1 040	1 019
Ms T Chiliza	882	-	882	1 017
Ms P Mthethwa ¹	242	-	242	-
Ms P Kadi ²	329	-	329	924
Mr T Mabaso ³	198	-	198	620
Ms A Seedat	607	-	607	614
Mr T Bonakele	875	-	875	384
Ms T Kobile ⁴	574	-	574	272
Mr V Dube ⁵	-	-	-	52
Mr J Coetzee ⁶	-	91	91	143
Mr S Moraba ⁷	-	179	179	131
Ms T Thankge ⁸	-	83	83	-
Directors' fees	6 898	353	7 251	7 664

- Ms P Mthethwa did not earn fees until December 2023 as she was in the full time employ of the National Empowerment Fund.
- Ms P Kadi did not earn fees from August 2023 as she is in the full time employ of National Heritage Council.
- Mr T Mabaso did not earn fees between August 2023 and February 2024 as he is in the full time employ of the Office of Deputy Minister of Transport.
- Ms T Kobile only started earning fees from November 2022.
- Mr V Dube does not earn fees as he is in the employ of the Western Cape Government.

- Mr J Coetzee was nominated by the NHFC to its strategic investments and continues to represent the NHFC in HiP Management company and on HiP Trust 1 and 2.
- Mr S Moraba was nominated by the NHFC to its strategic investment and continues to represent the NHFC in HiP Management Company, HIP Trust 1 and 2, and on various companies in the TUHF Holdings group.
- Ms T Thankge serves as a co-opted member of HCC in the position of HCC Advisor.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

Figures in Rand thousand	SALARIES	BONUSES	POST EMPLOYMENT PENSION AND MEDICAL BENEFITS	TOTAL 2024	TOTAL 2023
Chief Executive Officer and executive director					
Ms A Mayekiso ⁹	4 242	-	871	5 113	427
Executive managers / and Prescribed officers					
Mr A Higgs ¹²	-	-	-	-	61
Mr B Gordon	2 744	423	605	3 772	2 726
Mr J Fakazi	2 664	251	517	3 432	2 476
Ms M Mamatela	2 195	440	311	2 946	1 719
Mr M Oepeng	1 692	56	255	2 003	1 587
Ms N Mongali ¹⁰	1 638	-	210	1 848	134
Ms N Ntshingila	1 939	400	545	2 884	1 747
Ms T Ramotsehoa	1 844	71	220	2 135	1 614
Mr V Gqwetha	2 934	305	689	3 928	2 646
Ms V Menye	2 454	566	354	3 374	1 831
Mr Z Lupondwana ¹¹	1 167	421	238	1 826	1 737
Mr S Nxusani ¹²	-	-	-	-	(610)
Management costs	25 513	2 933	4 815	33 261	18 095

9. Ms A Mayekiso was appointed as the CEO effective 1 March 2023.

10. Ms N Mongali was appointed as the Company Secretary effective 6 March 2023.

11. Mr Z Lupondwana retired on 31 October 2023.

12. Mr A Higgs and Mr S Nxusani have retired from the NHFC.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

DIRECTORS' AND SENIOR MANAGEMENT EMOLUMENTS - CAPE TOWN COMMUNITY HOUSING COMPANY (PROPRIETARY) LIMITED

Figures in Rand thousand	SALARIES	BONUSES	POST EMPLOYMENT PENSION AND MEDICAL BENEFITS	TOTAL 2024	TOTAL 2023
Chairman					
Mr S Tati	-	-	-	-	-
Directors - Non-executives					
Ms A Mayekiso	-	-	-	-	-
Mr M Oepeng	-	-	-	-	-
Mr A Chabalala	-	-	-	-	-
Directors' fees	-	-	-	-	-
Key members of management	-	-	-	-	-
Management costs		-	-	-	-

Ms A Mayekiso and Mr M Oepeng are executives of the holding company and currently serve on the subsidiary's board. Mr A Chabalala is an employee of the holding company. However they receive no remuneration as board members.



NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

36. PRIOR PERIOD ERRORS

There were loans that cannot be legally recovered and were not written off in the prior year for the Company. There were restatements in share of deficits and loan and advances in HiP at Group level in addition to Company movements.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position

	GROUP 31 MARCH 2023			COMPANY 31 MARCH 2023		
	PREVIOUSLY REPORTED R '000	CORRECTION R '000	RESTATED R '000	PREVIOUSLY REPORTED R '000	CORRECTION R '000	RESTATED R '000
Assets						
Loans and advances	4 183 062	30 966	4 214 028	2 869 831	(8 774)	2 861 057
Investment in associates	228 629	(1 793)	226 836	-	-	-
Liabilities						
Trade and other payables	106 893	566	107 459	-	-	-
Provisions	10 633	(112)	10 521	-	-	-
Net Assets						
Accumulated surplus	2 306 775	28 719	2 335 494	1 948 560	(8 774)	1 939 786

Statement of Financial Performance

	GROUP 31 MARCH 2023			COMPANY 31 MARCH 2023		
	PREVIOUSLY REPORTED R '000	CORRECTION R '000	RESTATED R '000	PREVIOUSLY REPORTED R '000	CORRECTION R '000	RESTATED R '000
Interest on advances	468 034	3 057	471 091	-	-	-
Net impairments and bad debts	(52 442)	(16 232)	(68 674)	(28 931)	(5 011)	(33 942)
Programme implementation costs	(51 842)	(365)	(52 207)	-	-	-
Deficit from associates	(29 935)	(11 428)	(41 363)	-	-	-
Finance costs	(124 927)	(2)	(124 929)	-	-	-
Surplus for the year	221 817	(24 970)	196 847	181 448	(5 011)	176 437

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

37. IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

	GROUP		COMPANY	
	2024 R '000	2023 R '000	2024 R '000	2023 R '000
Irregular expenditure	6 351	8 587	6 351	8 587
Fruitless and wasteful expenditure	320	229	10	229
	6 671	8 816	6 361	8 816

Refer to reconciling notes in the Integrated Annual Report.

The fruitless and wasteful expenditure is relating to penalties from SARS and CIPC.

38. EVENTS AFTER THE REPORTING DATE

Subsequent to the submission date, there was a revised statement from the South African Revenue Service and the tax receivable have be amended from R 51.1 million to the current effect of R 53.9 million.

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
GROUP**

Statement of Financial Performance

	APPROVED BUDGET R '000	ACTUAL AMOUNTS ON COMPARABLE BASIS R '000	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL R '000	REFERENCE
Revenue				
Interest on advances	537 012	595 815	58 803	A
Interest received on investments	56 267	113 891	57 624	B
Rental income	12 871	11 928	(943)	
Dividends received	8 200	158	(8 042)	C
Sale of houses	-	304	304	
Management fees	87 361	23 916	(63 445)	
Other income	2 032	26 648	24 616	D
Fees on advances	9 928	5 893	(4 035)	
Total revenue	713 671	778 553	64 882	
Expenditure				
Impairment and bad debts	(87 100)	(59 663)	27 437	E
Cost of sales	-	(251)	(251)	
Programme implementation cost	(49 738)	(44 515)	5 223	
Operating expenses	(373 267)	(286 267)	87 000	F
Total expenditure	(510 105)	(390 696)	119 409	
Profit on disposal	-	91	91	
Finance cost	(108 126)	(145 698)	(37 572)	
Fair value adjustments	-	33 207	33 207	G
Share of surpluses/(deficits) from associates	8 292	(6 183)	(14 475)	H
Surplus before taxation	103 732	269 274	165 542	I
Taxation	-	(6 274)	(6 274)	
Surplus for the year	103 732	263 000	159 268	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS CONTINUED

COMPANY

Statement of Financial Performance

The results group financial performance includes the following subsidiaries:

	APPROVED BUDGET R '000	ACTUAL AMOUNTS ON COMPARABLE BASIS R '000	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL R '000	REFERENCE
Revenue				
Interest on advances	291 275	353 745	62 470	A
Interest received on investments	56 000	110 883	54 883	B
Rental income	12 720	11 618	(1 102)	
Dividends received	8 200	158	(8 042)	C
Management fees	41 009	35 360	(5 649)	
Other income	-	29 180	29 180	D
Share of residual interest in controlled entities	45 292	6 956	(38 336)	
Fees on advances	9 928	5 893	(4 035)	
Total revenue	464 424	553 793	89 369	
Expenditure				
Impairment and bad debts	(83 117)	(37 331)	45 786	E
Operating expenses	(323 472)	(231 288)	92 184	F
Total expenditure	(406 589)	(268 619)	137 970	
Profit/(loss) on disposal	-	91	91	
Finance cost	(10 415)	(11 864)	(1 449)	
Fair value adjustments	-	101	(101)	G
Surplus for the year	47 420	273 502	226 082	I

ACTIVE ENTITIES:

- Cape Town Community Housing Company (Proprietary) Limited (CTCHC),
- Housing Investment Partners Trust,
- Vulumnyako Trust,
- NHFC Management Services (Proprietary) Limited, and
- Abahlali Housing Association (No 2) NPC

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS CONTINUED

DORMANT ENTITIES:

- Mortgage Default Insurance Company (Proprietary) Limited (MDIC),
- Gateway Home Loans (Proprietary) Limited,
- Gateway Home Loans 001 (Proprietary) Limited,
- NURCHA Finance Company (Proprietary) Limited,
- NURCHA Equity Services (Proprietary) Limited,
- NURCHA Development Finance (Proprietary) Limited,
- NURCHA Bridging Finance (Proprietary) Limited, and
- NURCHA Loan Fund (Proprietary) Limited.

In addition the financial statements have included the results of associate companies being Trust for Urban Housing Finance Holdings (Proprietary) Limited (TUHF), Housing Investment Partners (Proprietary) Limited (HIP), Kanga Finance (Proprietary) Limited, Thuthukani Housing Finance (Proprietary) Limited, Norufin (Proprietary) Limited, Kabo Financial Enterprise (Proprietary) Limited and Lehae Housing (Proprietary) Limited.

CONSOLIDATION PROCESS

The main difference between NHFC group and NHFC company results is the inclusion of the subsidiaries results in the Group account to reflect their underlying economic performance, funding arrangements and asset performance. Intercompany finding arrangements and management fees are eliminated. The Groups associate companies have been included using the equity accounting method as prescribed by the GRAP standards.

ECONOMIC OVERVIEW

An overview of the economic and operational trading environment is provided in the message from the Chairman and CEO's report.

BUDGET

The budget reflected is as submitted to the NDoHS and was tabled and approved in parliament in January 2023.

CONTROLLED AND NON-CONTROLLED ENTITIES IMPACT ON GROUP AND COMPANY PERFORMANCE

The group has a residual interest in some of the quasi-equity investments. This impacts the manner and the timing in which the revenue from these investments is recognised in the statement of comprehensive income, the GRAP requirements are driven by the extent of the residual interest and therefore required different inclusion of the economic performance differs at group and company level.

• Statement of Comprehensive income impact in the Group Financial statements

The following additional amounts have been included in the group statement of comprehensive income for the 31 March 2024 financial year:

- △ Interest on loans and advances R229.2 million
- △ Impairments and bad debts R12.6 million
- △ Operating expenses R37.3 million
- △ Finance cost R131.6 million

• Statement of Comprehensive Income in the Company Financial Statements

The following additional amounts have been included in the company statement of comprehensive income for the 31 March 2024 financial year:

- △ Share of residual income in controlled entities R6.95 million
- △ Dividends received R0 million

CURRENT YEAR PERFORMANCE

A. INTEREST ON ADVANCES

As a lending institution, the critical aspects are the loan book growth, quality of the loan book that impacts the level of impairments and write offs and the operational efficiency. On the asset growth, the group achieved disbursements of R413 million against a budget of R859 million for the financial year disbursement.

Interest on advances are over budget as a result of the interest rate hikes.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS CONTINUED

B. INTEREST ON INVESTMENTS

Over budget as a result of the Interest rate hikes, and excess cash held from the repayment of the short-term products.

C. DIVIDENDS RECEIVED

No dividends have been received from our investee companies.

D. OTHER INCOME

This is mainly the bad debts recovered.

E. IMPAIRMENT AND BAD DEBTS

Savings on impairments and bad debt is due to net reversal of impairment on some of the clients that have settled their debt and other net reversals of impairment due to the high level of security.

F. OPERATING EXPENSES

In the operating expenses, the group realised a saving of R95 million and with company R92 million due to the delay in procurement on some of the projects.

G. FAIR VALUE ADJUSTMENTS

Fair value adjustment as a reflection of the performance of the investee companies. From the group's point of view, investment in non-controlled entities are the only ones fair valued and the rest of the investments are either eliminated or equity accounted.

H. SHARE OF SURPLUS/(LOSSES) FROM ASSOCIATES

The share of surplus/losses are a reflection of the performance of the some of the investee companies.

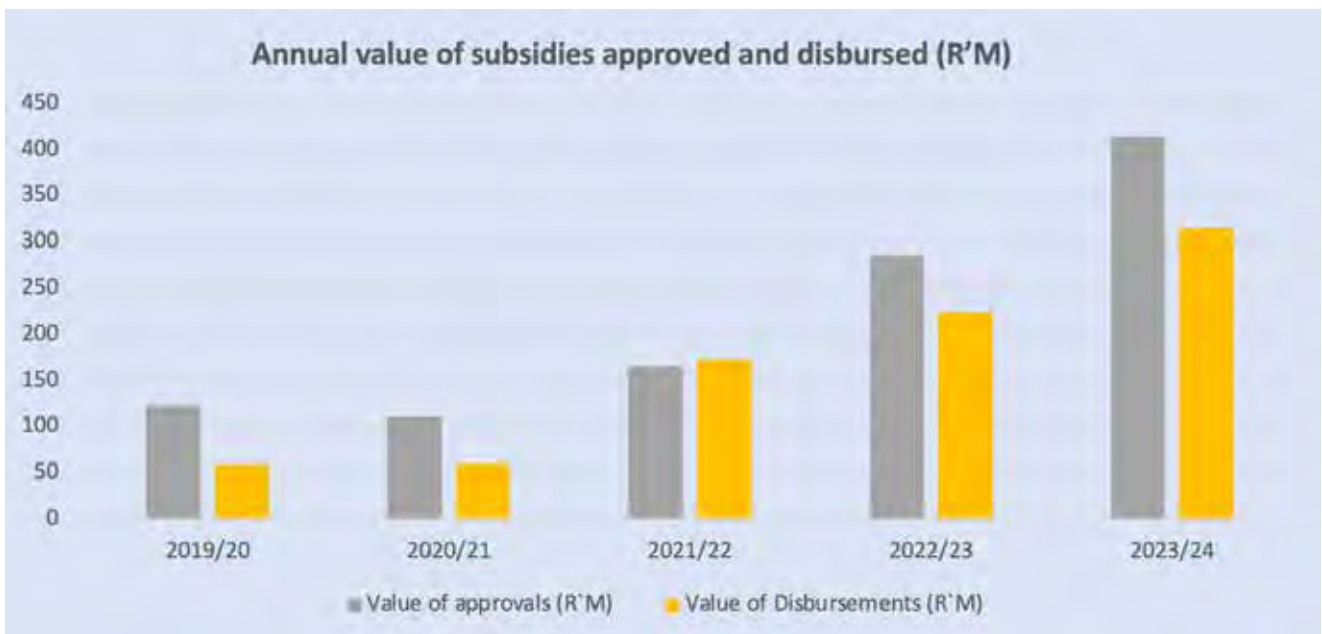
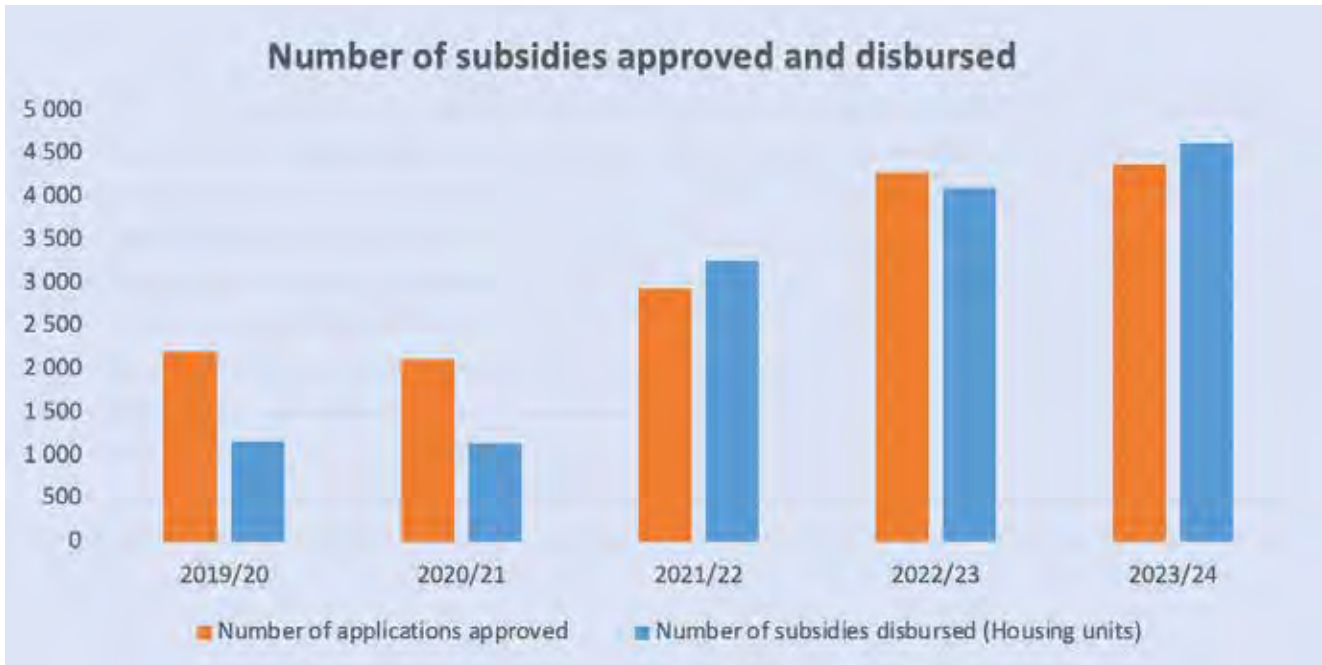
I. PROFIT BEFORE TAX

Overall performance, the group surplus for the year is over budget by R159 million and R226 million on a company level as a result of the savings in impairment, operating cost and more than budgeted interest rate hikes during the year.



The NHFC's revenue has benefited from the interest rate hikes.

FIRST HOME FINANCE PERFORMANCE MTSF: 2019—2024



FHF subsidy leverages huge private sector finance (R`M)



Output indicators	MTSF Performance Report: 2019--2024					
	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Number of applications approved	2 212	2 120	2 935	4 283	4 391	15 941
Value of approvals (R`M)	123	111	166	285	415	1 100
Value of Disbursements (R`M)	60	61	173	224	315	833
Number of subsidies disbursed	1 167	1 136	3 268	4 107	4 623	14 301
Amount leveraged from private sector (R`M)	943	1 030.60	1 519.40	2 260.00	1 901.00	7 654.00
Leverage factor	7.7	9.3	9.2	7.9	4.6	7.0

MTSF TREND – APPROVALS AND DISBURSEMENTS

APPROVALS

- Approvals are a lead indicator that determines disbursement and housing opportunity performance
- Demonstrating the Debt approvals trend Informed by Interest Rates
- Direct correlation between interest rates and approvals
- Interest rates fluctuated from 8.75% - current 11.75% during the period
- During low interest rates approvals grew to above a R1 Billion
- When interest rates increased, approvals dropped as a result of compromised financial viability particularly of the long term products
- Approvals declined were due to limited financial viability informed by interest rates, capacity associated with emerging developers

DISBURSEMENTS

- Disbursements are informed by approvals committed
- Demonstrating disbursements over the 5 year period
- Direct correlation between approvals and disbursements
- The trend demonstrates a downward trajectory informed by the approvals
- Various initiatives that have been introduced will address the risks of declining applications: Developer Incubator, Equity Instrument Restructure, PMU Technical Support to Core Business and Concessionary Pricing for black owned developers to improve viability

