



(ASSOCIATION NOT FOR GAIN INCORPORATED UNDER SECTION 21)

(REG NO. 1996/10988/08)

Annual Financial Statements 31 MARCH 2011

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Directors' Responsibility Statement for the Annual Financial Statements

The Board of Directors is responsible for monitoring and reviewing the preparation, integrity and reliability of the financial statements, accounting policies and related information. The external auditors are engaged to conduct an audit and express an independent opinion on the financial statements.

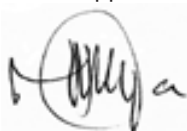
The financial statements have been prepared in accordance with Statements of Generally Recognised Accounting Practice (GRAP) and in the absence of a suitable statement of GRAP, South African Statements of Generally Accepted Accounting Practice (GAAP). They are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Board of Directors acknowledge that they are ultimately responsible for the system of internal financial control and that they place reliance on the Audit and Risk Committee to oversee management's implementation of sound internal control systems and procedures. Policies, procedures and approval frameworks are in place to maintain a strong control environment. Nothing suggests to the Board of Directors that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Board of Directors is of the opinion, based on the information and explanations given by management, the internal auditors and independent external 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 Board of Directors is satisfied that the annual financial statements, which were prepared on a going concern basis, fairly present the company's financial results and position at the end of the financial year and that the company will be a going concern for the year ahead.

The financial statements of the Rural Housing Loan Fund for the year ended 31 March 2011, as set out on pages 32 to 80, were approved by the Board of Directors on 16 August 2011 and are signed on its behalf by:



T CHILIZA
Chairperson



JJ FAKAZI
Chief Executive Officer

CERTIFICATION BY COMPANY SECRETARY

It is hereby certified in terms of Section 268(G) of the Companies Act of South Africa, 1973 as amended, that for the year ended 31 March 2011, the Company has lodged with the Registrar of Companies all such returns as are required of a company incorporated under s21 of the Companies Act of South Africa, 1973 in terms of this Act and that all such returns are true, correct and up to date.



H POTGIETER
Company Secretary

Corporate Governance Statement

31 March 2011

FINANCIAL STATEMENTS

It is the Board of Directors' responsibility to prepare annual financial statements that fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations for the year then ended. The external auditors are responsible for independently reviewing and reporting on these financial statements.

The financial statements set out in this report have been prepared by management in accordance with Statements of Generally Recognised Accounting Practice (GRAP) and in the absence of a suitable statement of GRAP, South African Statements of Generally Accepted Accounting Practice (GAAP), and in compliance with the Companies Act of South Africa, 1973 as amended. They are based on appropriate accounting policies that are supported by reasonable and prudent judgments and estimates.

BOARD OF DIRECTORS

The composition of the Board of Directors provides for a majority of non-executive directors, including a non-executive chairperson.

The Board of Directors retains full and effective control over the Company, monitors management and ensures that decisions on material matters are in the hands of the board.

Details of the non-executive chairperson and members of the Board of Directors are provided in the Directors' report.

All directors have access to the advice and services of the Company Secretary and are entitled to seek independent professional advice about the company's affairs at the Company's expense.

A number of Board committees, which are discussed below, have been established by the Board of Directors; these committees have the necessary delegated authority for them to deal effectively with the management of the Company, and to support the Board of Directors in discharging its responsibilities.

AUDIT AND RISK COMMITTEE

The external and internal auditors have free access to this committee. The committee meets periodically with management and the external and internal auditors to review the financial statements (including quarterly reports), accounting policies and risk management, the effectiveness of management information and other systems of internal control. They also review and discuss the auditors' findings. The auditors are appointed each year based on the recommendation of the Audit and Risk Committee.

Corporate Governance Statement *(continued)*

31 March 2011

CREDIT AND DEVELOPMENT COMMITTEE

The Credit and Development Committee meets regularly to approve the granting of new facilities to clients, to approve changes to existing facilities and to monitor credit and related risks in terms of the Risk Management Policy. The committee is also charged with monitoring the developmental impact that the Company achieves.

HUMAN RESOURCES, ETHICS AND REMUNERATION COMMITTEE

The Human Resources, Ethics and Remuneration Committee is charged with the management of human resources, the provision of guidance and monitoring with regard to ethical issues and the review of employee remuneration.

MANAGEMENT

To fulfil its responsibilities, management has developed and maintained systems of internal control and adequate accounting records.

INTERNAL AUDITING

The internal audit function is an independent appraisal function to examine and evaluate the Company's activities, including the management of the Company. Its objective is to assist members of executive management in the effective discharge of their responsibilities. The scope of the internal audit function is to review the reliability and integrity of financial and management information, the systems of internal control, the safeguarding of assets, the efficient management of the Company's resources, and the effective conduct of its operations. The internal auditors have unrestricted access to the chair of the Audit and Risk Committee and the Chairperson of the board.

GOING CONCERN

The Board of Directors has reviewed the Company's cash flow forecast for the year to 31 March 2012 and, in the light of this review and the current financial position, it is satisfied that the Company has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

Board and Sub Committee meetings attendance record

31 March 2011

	2010									2011			Total
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
Board Meetings													
Date			8		10			23				15	
Ms T Memela-Khambule			A		x			R				R	1
Mr M Hathorn			x		x			x				x	4
Mr M Pule			x		A			A				A	1
Mr M Silinga			A		A			R				R	0
Mr KR Oliver			x		x			x				x	4
Mrs N Makiwane			x		x			R				R	2
Ms T Chiliza			x		x			x				x	4
Mrs N Sihlwayi			A		A			x				x	2
Mrs AD Egbers			N/A		N/A			x				x	2
Mrs VJ Klein			N/A		N/A			x				x	2
Mrs MM Manyama-Matome			N/A		N/A			x				x	2
Mr JM Mathibe			N/A		N/A			x				x	2
Mrs A Thakor			N/A		N/A			x				A	1
Board Credit Committee													
Date	20	26					26	16			15		
Mr M Pule							x	x			x		3
Mr M Hathorn	x	x					x	x			x		5
Mr KR Oliver	x	x					x	x			x		5
Mrs VJ Klein	N/A	N/A					N/A	N/A			A		0
Audit and Risk Committee													
Date				28						25			
Mr KR Oliver				x						x			2
Mr M Silinga				A						R			0
Mrs N Makiwane				x						R			1
M Pule				x									1
Mrs AD Egbers				N/A						x			1
Mrs M Manyama-Matome				N/A						x			1
Mrs A Thakor				N/A						x			1
HRER Committee													
Date					10			23					
Mr M Hathorn					x			x					2
Ms T Memela-Khambule					x			R					1
Ms T Chiliza					x			x					2
Mrs N Sihlwayi					A			A					0
Mr JM Mathibe					N/A			N/A					N/A

A: Absent with permission

N/A: Not yet appointed

R: Resigned

Report of the Audit and Risk Committee

The Board of Directors of the Rural Housing Loan Fund (RHLF) reviewed and approved the Audit and Risk Committee charter during the 2010/2011 financial year.

In terms of Treasury regulations 27.1.7 and 27.1.10 (b) and (c), and as required by the Public Finance Management Act of 1999, as amended by Act 29 of 1999, we are pleased to present our report for the financial year ended 31 March 2011.

AUDIT COMMITTEE RESPONSIBILITY

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51(1) (a) of the PFMA and Treasury Regulation 27.1.

Section 51(1) (a) of the PFMA states the following:

The accounting authority must ensure that the public entity has and maintains-

- Effective, efficient and transparent systems of financial and risk management and internal control
- A system of internal audit under the control and direction of the audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77
- An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective.

The Audit and Risk Committee also reports that it has regulated its affairs in compliance with its charter and has discharged all its responsibilities as contained therein.

EFFECTIVENESS OF INTERNAL CONTROL

The Audit and Risk Committee is of the opinion, based on information and explanations given by management and discussions with the internal and independent external auditors on the results of their audits and the status in addressing any matters raised, that the internal accounting controls are operating satisfactorily, so as to ensure that the financial records may be relied upon for preparing the annual financial statements, and that accountability for assets and liabilities is maintained.

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

RISK AREAS

There were no major sources of risk identified in the scope for internal audit for the period under review.

Report of the Audit and Risk Committee *(continued)*

INTERNAL AUDIT

The internal audit function focused its attention on areas of financial management, budget review, property plant and equipment, procurement, human resources, cash and bank, income and expenditure, investments, other assets, IT systems, fraud prevention and company secretarial practice. The general conclusion reached by internal audit in terms of their report dated January 2011 was that the control environment at RHLF was found to be acceptable and adequate.

THE QUALITY OF MONTHLY AND QUARTERLY MANAGEMENT REPORTS SUBMITTED IN TERMS OF PFMA

The Audit and Risk Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued during the year under review.

LEGAL COMPLIANCE

The Company has complied with all legislative and regulatory provisions.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The Audit and Risk Committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the independent external auditor and the Accounting Authority.
- Reviewed and discussed the independent external auditor's management letter and management's response thereto.

There were no adjustments to the annual financial statements as a result of the audit.

The Audit and Risk Committee concurs and accepts the independent external auditors' conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the independent external auditors.



K OLIVER

Chairperson of the Audit and Risk Committee

Date 16 August 2011

Statement of reporting against performance objectives

The Board of Directors of the Rural Housing Loan Fund (RHLF) reviewed and approved the Statement on reporting against performance objectives for the 2010/2011 financial year.

The summarised performance for the current year against budget, as required by Section 55(2) of the PFMA, is presented below. This information is based on equity accounting for associates as presented within the company's approved corporate plans.

Reconciliation of budget surplus with the surplus in the statement of financial performance

Net surplus per the statement of financial performance

Adjusted for:

Impairments recognised

Increased Finance revenue earned

Increased Other income earned

Savings on Finance cost

Savings on Operating expenses

Loss on foreign exchange differences

Taxation

Net surplus per approved budget

	2011	2010
	R	R
Net surplus per the statement of financial performance	18,250,847	28,944,330
Adjusted for:		
Impairments recognised	(15,680,000)	1,799,000
Increased Finance revenue earned	(387,928)	2,033,378
Increased Other income earned	(1,836,476)	(20,897,516)
Savings on Finance cost	(381,397)	(360,459)
Savings on Operating expenses	(2,365,719)	(3,456,837)
Loss on foreign exchange differences	33,031	200,581
Taxation	5,217,205	1,616,729
Net surplus per approved budget	2,849,563	9,879,206

Key performance indicators

Strategic goal	Strategic objective	Key performance indicator	Actual	Budget
Empower rural people to maximize their housing options and improve their living conditions with access to credit from sustainable retail lenders.	Broaden and deepen the reach of rural housing finance.	Number of end-user loans per year	40,289	44,933
		Value of cash disbursements (R millions)	113.6	112.0
		Value of total disbursements (R millions)	224.4	202.2
		% of disbursements outside metropolitan areas	85%	80%
		% of borrowers earning R3500 p.m. or less	53%	65%
		% of borrowers earning R9500 p.m. or more	10%	20%
Long term financial sustainability	Real Capital Preservation	Operating cost as % of revenue net of finance cost	25%	31%
		Loans receivable impairment as % of total loan book	18%	24%

Explanations of variances:

- Finance revenue was in line with original budget.
- Other income was significantly higher than budget, this can all be attributed to the dividends received from RHLF equity investments.
- Finance costs was in line with original budget.
- Net impairments of advances were significantly lower than budget. The economic downturn in 2009/2010 had an adverse affect on the quality of RHLF's security at a few clients. This resulted in a need to aggressively increase the impairment provision in the previous financial year. During the past year RHLF's portfolio at risk remained steady and there was no need to further impair the receivables loan book.
- Operating expenses were well below budget mainly due to savings on staff cost, marketing and travel expenditure.
- The resulting increase in RHLF's surplus before tax resulted in a marked increase in the taxation cost for the year.
- The lower than expected number of loans can be attributed to an increase in the average loan size. This increase is mainly due to price increase of building material as well as market competition from small banks offering much higher unsecured loans to qualifying clients.
- Value of cash disbursements was in line with the original budget.
- Loans to borrowers earning less than R3500 p.m. was below budget. This is mainly due to affordability constraints in that segment of the market. High levels of unemployment combined with high levels of personal debt is having a negative affect on borrowers earning less than R3500 p.m.

Report of the Independent Auditors

To the Minister of Human Settlements and members of Rural Housing Loan Fund

31 March 2011

REPORT ON THE FINANCIAL STATEMENTS

We have audited the annual financial statements of Rural Housing Loan Fund, which comprise the Statement of Financial Position as at 31 March 2011, the Statement of Comprehensive Income, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 43 to 80.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with Generally Recognised Accounting Practice (GRAP) in the absence of a suitable statement of GRAP, South African statements of Generally Accepted Accounting Practice (GAAP), in the manner required by the Companies Act 1973 and Public Finance Management Act of 1999. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the annual financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the company as of 31 March 2011, and of its financial performance and its cash flows for the year then ended in accordance with Generally Recognised Accounting Practice (GRAP) and in the absence of a suitable statement of GRAP, South African statements of Generally Accepted Accounting Practice (GAAP), in the manner required by the Companies Act of South Africa, 1973 and Public Finance Management Act, 1999.

Report of the Independent Auditors

To the Minister of Human Settlements and members of Rural Housing Loan Fund

31 March 2011

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the Public Audit Act of South Africa and General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, we report on the following:

RESPONSIBILITIES ON PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

We are required by the Auditor-General to undertake a limited assurance engagement on the 'Performance against the shareholders compact', as set out on page 40 of the Annual Financial Statements in the section headed STATEMENT OF REPORTING AGAINST PERFORMANCE OBJECTIVES, in which the actual performance of the company for the year ended 31 March 2011 is compared with the target key performance indicators (predetermined objectives), and report thereon to those charged with governance.

In this Report we are required to report our findings from our engagement relating to non-compliance with regulatory requirements, where the reported information was inadequately presented or not received timeously, and where we have evaluated reported information to be not useful and reliable. We report that there are no material findings on the performance against the shareholder compact.

COMPLIANCE WITH LAWS AND REGULATIONS

We are required to report on compliance with laws and regulations in accordance with the guidance contained in the applicable R3: Reporting Guide of the Auditor-General. We report that there were no deficiencies identified during our audit that resulted in a modification of the auditors' opinion on the financial statements and material findings on predetermined objectives and compliance with laws and regulations.

INTERNAL CONTROL

We considered internal control relevant to our audit of the financial statements, and the reports on predetermined objectives and compliance with laws and regulations, but not for the purpose of expressing an opinion on the effectiveness of internal control. We report that there were no deficiencies identified during our audit that resulted in a modification of the auditors' opinion on the financial statements and material findings on predetermined objectives and compliance with laws and regulations.

OTHER REPORTS

Agreed upon procedures engagements

Report of factual findings to the KfW disposition fund.



Gobodo Incorporated

Registered Auditors

Per: Chico Patel CA (SA)

Director

Johannesburg

July 2011

Report of the Directors

31 March 2011

The directors have pleasure in presenting their report on the activities of the Company for the year ended 31 March 2011.

NATURE OF ACTIVITIES

The Rural Housing Loan Fund was incorporated on 19 August 1996, in the Republic of South Africa, as a non-profit company in terms of the Companies Act of South Africa, 1973. The Company is listed as a Schedule 3A public entity in terms of the Public Finance Management Act, of 1999.

The Company operates its business in the Republic of South Africa and acts as a wholesale lender of funds to retail lending intermediaries which provide finance to low income persons living in rural areas, for purposes of providing or improving housing.

RESULTS OF OPERATIONS

The financial results of the Company for the year, and its financial position at year-end are set out on pages 46 to 80.

CONTROLLING ENTITY

The membership of the Company consists of nominees of the Department of Human Settlements of the South African Government.

ADDITIONAL FUNDING

During the financial year RHLF received R49,5 million in grant capital from the National Department of Human Settlements. This funding is to be used to grow the RHLF loan book. No other funding was received during the current financial year.

POST BALANCE SHEET EVENTS

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

Report of the Directors *(continued)*

31 March 2011

DIRECTORS EMOLUMENTS

Board of Directors

Non Executives	Directors Fees	Executives	Directors Fees
Ms T Memela-Khambule	R 8,000	Mr JJ Fakazi	- Basic Salary R 1,125,394
Mr M Pule	R 20,000		- Expenses Allowances R 48,000
Mr M Silinga	R 0		- Medical Aid R 50,973
Mr KR Oliver	R 48,000		- Provident Fund R 186,490
Mrs N Makiwane	R 12,000		- Incentive Bonus R 188,700
Ms T Chiliza	R 32,000		<u>R 1,599,557</u>
Mrs N Sihlwayi	R 8,000		
Mrs AD Egbers	R 12,000		
Mrs VJ Klein	R 8,000		
Mrs MM Manyama-Matome	R 12,000		
Mr JM Mathibe	R 8,000		
	<u>R 168,000</u>		

The following non-executive directors fees were paid to the non-executive director's employer:

Mr M Hathorn	R 44,000
Mrs A Thakor	R 8,000
	<u>R 52,000</u>
Total	<u>R 220,000</u>

Report of the Directors *(continued)*

31 March 2011

DIRECTORS AND SECRETARY

The directors in office during the year and as at the date of this report are:

Chair	Date Appointed	Date Resigned
Ms T Chiliza	27 July 2006	
Ms T Memela-Khambule	27 May 1998	10 August 2010
Executive Director	Date Appointed	Date Resigned
Mr JJ Fakazi	05 January 2009	
Non - Executive Director	Date Appointed	Date Resigned
Mr M Hathorn	27 May 1998	
Mr M Pule	27 May 1998	
Mr KR Oliver	23 February 2000	
Mrs N Sihlwayi	27 July 2006	
Mrs AD Egbers	22 October 2010	
Mrs VJ Klein	22 October 2010	
Mrs MM Manyama-Matome	22 October 2010	
Mr JM Mathibe	22 October 2010	
Mrs A Thakor	22 October 2010	
Mr M Silinga	27 May 1998	10 August 2010
Mrs N Makiwane	27 July 2006	10 August 2010
Company Secretary	Date Appointed	Date Resigned
Mr H Potgieter	01 October 2008	

Business address:

2nd Floor, Liberty Gardens
10 South Boulevard
BRUMA
2198

Postal address:

P O Box 645
BRUMA
2026

Website:

www.rhlf.co.za

Statement of Financial Position

31 March 2011

	NOTES	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
ASSETS					
Non Current Assets					
Loans and receivables	2	165,391,359	115,256,341	165,391,359	115,256,341
Investments in associates	3	3,925,847	3,150,198	250,951	250,951
Property, plant and equipment	4	221,194	126,720	221,194	126,720
Intangible assets	5	2,659	11,083	2,659	11,083
Held to maturity financial assets	6	-	-	-	-
Deferred tax asset	7	10,223,043	10,178,972	10,223,043	10,178,972
		179,764,102	128,723,314	176,089,206	125,824,067
Current Assets					
Cash and cash equivalents	8	155,304,072	103,291,849	155,304,072	103,291,849
Loans and receivables	2	58,813,446	67,515,731	58,813,446	67,515,731
Other receivables and prepayments	9	1,508,016	28,331,455	1,508,016	28,331,455
Taxation receivable	7	340,934	-	340,934	-
		215,966,468	199,139,035	215,966,468	199,139,035
Available for sale financial assets	10	1,481,590	1,481,590	1,481,590	1,481,590
TOTAL ASSETS		397,212,160	329,343,939	393,537,264	326,444,692
EQUITY					
Capital and reserves attributable to equity holders					
Grant capital	11	204,262,590	154,762,590	204,262,590	154,762,590
Retained earnings		28,347,743	10,096,896	24,672,847	7,197,649
Other reserves		23,014,494	23,014,494	23,014,494	23,014,494
TOTAL EQUITY		255,624,827	187,873,980	251,949,931	184,974,733
LIABILITIES					
Non Current Liabilities					
Long term liabilities	12	136,673,959	136,673,959	136,673,959	136,673,959
Current Liabilities					
Current portion of long term liabilities	12	2,968,207	2,968,207	2,968,207	2,968,207
Taxation payable	7	-	45,667	-	45,667
Provisions	13	1,069,643	920,864	1,069,643	920,864
Trade and other payables	14	875,524	861,262	875,524	861,262
		4,913,374	4,796,000	4,913,374	4,796,000
TOTAL LIABILITIES		141,587,333	141,469,959	141,587,333	141,469,959
TOTAL EQUITY AND LIABILITIES		397,212,160	329,343,939	393,537,264	326,444,692

Statement of Comprehensive Income

31 March 2011

	NOTES	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
REVENUE	15	45,054,753	42,565,560	45,054,753	42,565,560
Finance costs	16	(10,285,086)	(9,842,384)	(10,285,086)	(9,842,384)
Net impairment of advances	2	-	(10,504,500)	-	(10,504,500)
INTEREST MARGIN NET OF IMPAIRMENTS		34,769,667	22,218,676	34,769,667	22,218,676
Non Interest Income	17	304	-	304	-
Loss on foreign exchange differences		(33,031)	(200,581)	(33,031)	(200,581)
SURPLUS FROM OPERATIONS		34,736,940	22,018,095	34,736,940	22,018,095
Operating expenses	17	(10,936,374)	(9,012,639)	(10,936,374)	(9,012,639)
NET SURPLUS FROM OPERATIONS		23,800,566	13,005,456	23,800,566	13,005,456
Share of earnings from associate companies	3	775,649	722,600	-	-
NET SURPLUS BEFORE TAXATION		24,576,215	13,728,056	23,800,566	13,005,456
Taxation	7	(6,325,368)	(2,563,876)	(6,325,368)	(2,563,876)
NET SURPLUS AFTER TAXATION		18,250,847	11,164,180	17,475,198	10,441,580
OTHER COMPREHENSIVE INCOME					
Available for sale investments		-	17,780,150	-	17,780,150
Realisation of available for sale assets		-	20,674,916	-	20,674,916
Taxation	7	-	(2,894,766)	-	(2,894,766)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		18,250,847	28,944,330	17,475,198	28,221,730

Statement of Changes in Equity

31 March 2011

	Group			
	Grant capital	Accumulated deficit / Retained earnings	Other reserves	Total
	R	R	R	R
Balance at 31 March 2009	154,762,590	(1,067,284)	5,234,344	158,929,650
Total comprehensive income for the year	-	11,164,180	17,780,150	28,944,330
Surplus for the year	-	11,164,180	-	11,164,180
Other comprehensive income	-	-	17,780,150	17,780,150
Balance at 31 March 2010	154,762,590	10,096,896	23,014,494	187,873,980
Total comprehensive income for the year	-	18,250,847	-	18,250,847
Surplus for the year	-	18,250,847	-	18,250,847
Other comprehensive income	-	-	-	-
Grant capital received	49,500,000			49,500,000
Balance at 31 March 2011	204,262,590	28,347,743	23,014,494	255,624,827

	Company			
	Grant capital	Accumulated deficit / Retained earnings	Other reserves	Total
	R	R	R	R
Balance at 31 March 2009	154,762,590	(3,243,931)	5,234,344	156,753,003
Total comprehensive income for the year	-	10,441,580	17,780,150	28,221,730
Surplus for the year	-	10,441,580	-	10,441,580
Other comprehensive income	-	-	17,780,150	17,780,150
Balance at 31 March 2010	154,762,590	7,197,649	23,014,494	184,974,733
Total comprehensive income for the year	-	17,475,198	-	17,475,198
Surplus for the year	-	17,475,198	-	17,475,198
Other comprehensive income	-	-	-	-
Grant capital received	49,500,000			49,500,000
Balance at 31 March 2011	204,262,590	24,672,847	23,014,494	251,949,931

Statement of Cash Flow

31 March 2011

		Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
	NOTE				
CASH FLOWS (UTILISED IN) / GENERATED FROM OPERATING ACTIVITIES					
Loan interest received		35,377,403	31,970,104	35,377,403	31,970,104
Interest paid		(10,224,910)	(9,405,172)	(10,224,910)	(9,405,172)
Cash paid to employees and suppliers		(10,683,672)	(7,309,861)	(10,683,672)	(7,309,861)
Loans and receivables disbursed		(113,600,000)	(57,000,000)	(113,600,000)	(57,000,000)
Loan capital repayments received		72,167,267	54,143,704	72,167,267	54,143,704
Cash utilised in operations		(26,963,912)	12,398,775	(26,963,912)	12,398,775
Investment interest received		8,366,827	7,627,464	8,366,827	7,627,464
Dividends received		1,161,241	2,948,063	1,161,241	2,948,063
Taxation paid	7	(6,762,111)	(7,880,955)	(6,762,111)	(7,880,955)
Cash flows (utilised in) / generated from operating activities		(24,197,955)	15,093,347	(24,197,955)	15,093,347
CASH FLOWS GENERATED FROM (UTILISED IN) INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	4	(201,341)	(20,425)	(201,341)	(20,425)
Acquisition of intangible assets	5	-	(6,839)	-	(6,839)
Proceeds on disposal of Investments		26,910,000	-	26,910,000	-
Proceeds on disposal of property, plant and equipment		1,519	-	1,519	-
Cash flows generated from / (utilised in) investment activities		26,710,178	(27,264)	26,710,178	(27,264)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		-	20,133,902	-	20,133,902
Grant Capital received		49,500,000	-	49,500,000	-
Cash flows from financing activities		49,500,000	20,133,902	49,500,000	20,133,902
Net increase in cash and cash equivalents		52,012,223	35,199,985	52,012,223	35,199,985
Cash and cash equivalents at beginning of period		103,291,849	68,091,864	103,291,849	68,091,864
Cash and cash equivalents at end of period	8	155,304,072	103,291,849	155,304,072	103,291,849

Notes to the Annual Financial Statements

for the year ended 31 March 2011

1. ACCOUNTING POLICIES

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

1.1 General information

The Rural Housing Loan Fund (RHLF), registration number 1996/10988/08, is a non-profit company incorporated under the Companies Act of South Africa, 1973. The Company is listed as a Schedule 3A public entity in terms of the Public Finance and Management Act, 1999 and resides under the executive authority of the Minister of Human Settlements.

The Company operates its business in the Republic of South Africa and acts as a wholesale lender of funds to retail lending intermediaries which provide finance to low income persons living in rural areas, for purposes of providing or improving housing.

1.2 Basis of preparation

The financial statements set out in this report have been prepared by management in accordance with Statements of Generally Recognised Accounting Practice (GRAP) and in the absence of a suitable statement of GRAP, South African Statements of Generally Accepted Accounting Practice (GAAP).

The financial statements have been prepared on the historical cost basis, except where otherwise indicated.

The accounting policies adopted and applied in the Company's annual financial statements are consistent, in all material respects, with those of the previous financial year.

The financial statements have been prepared in South African Rands.

1.3 Use of estimates, judgments and assumptions made in the preparation of the financial statements

In preparing the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgment are inherent in the formation of estimates. The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below.

Impairment of loans and receivables

Management have estimated future cash flows and discounted these cash flows at the effective interest rate of the related loans and receivables. Shortfalls between these discounted cash flows and the gross carrying values have been raised as impairments. Objective evidence utilised in assessing future cash flows arise from the scrutiny of the clients underlying debtors book's, collection experience, vintage analysis and management accounts. Further details on the impairment provision are contained in note 2.

Notes to the Annual Financial Statements

for the year ended 31 March 2011

Available for sale financial assets

The value of available for sale financial assets has been determined by reference to similar transactions in similar instruments. This was necessary as these financial assets are unlisted and consequently do not have a readily observable market price. Further details are disclosed in note 10.

Deferred tax asset

Management have recognised deferred income tax assets for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. Further details are disclosed in note 7.

Other

Other judgments made relate to classifying financial assets and liabilities into categories.

1.4 Financial Instruments

Financial instruments are contracts that give rise to both a financial asset to one entity and a financial liability or equity instrument to another. Financial instruments carried on the statement of financial position include cash and cash equivalents, loans and receivables, available for sale investments, held to maturity investments and trade and other payables. Financial instruments are recognised at fair value on the statement of financial position when the Company becomes party to the contractual provisions of the instruments.

Financial assets are derecognised when, and only when, the Company loses control of the contractual rights that comprise the financial asset through realisation, expiration or surrender. Financial liabilities are derecognised when, and only when, the liability is extinguished, either through settlement, cancellation or expiration. Gains or losses on derecognition are recognised as part of net profit at the date of derecognition.

The Company classifies its financial assets in the following categories:

- At fair value through profit and loss,
- Held to maturity,
- Loans and receivables and
- Available for sale.

The Company classifies its financial liabilities at fair value through profit and loss.

The classification depends on the purpose for which the Company acquired the financial instrument.

1.4.1 Financial assets at fair value through profit and loss

Cash and cash equivalents are classified as financial assets at fair value through profit and loss. Cash and cash equivalents consist of cash in banks and short term deposits.

Notes to the Annual Financial Statements for the year ended 31 March 2011

Cash and cash equivalents are measured at their fair value, with gains and losses recognized in profit and loss.

Interest income, calculated on the effective interest rate method, is included in revenue.

1.4.2 Held to maturity

Held to maturity investments are non-derivative instruments with a fixed maturity date and where the Company has a firm intention and the ability to hold investments to such date.

These investments are initially measured at the fair value including any transaction costs. These investments are subsequently held at amortised cost and reviewed for impairment where appropriate.

Dividend income is recognized when the Company's right to payment has been established and it is included in revenue.

1.4.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money directly to a debtor with no intention to trade the receivable.

Loans and receivables are measured at fair value upon initial recognition and subsequently at amortised cost using the effective interest method, less any impairment losses.

Interest income, calculated on the effective interest rate method, is included in revenue.

Other receivables are classified as originated by the Company. These are initially measured at the fair value required to originate the receivable, including any transaction costs. Other receivables are subsequent to initial recognition measured at amortised cost.

1.4.4 Available for sale financial assets

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. Investments which have no fixed date of maturity and investments where less than 20% of the investee is held are classified as available for sale. These instruments are held for indefinite periods and may be sold in response to changes in economic conditions.

After initial recognition, investments, which are classified as available-for-sale, are measured at fair value. Gains or losses on available-for-sale investments are recognised in other comprehensive income and accumulated in equity under other reserves.

Notes to the Annual Financial Statements for the year ended 31 March 2011

For investments where there is no quoted market price, fair value is determined by applying recognised valuation techniques. Standard methods applied include reference to the discounted expected cash flows of the underlying net asset base of the investment and recent transactional price data of trades within the instrument.

1.4.5 Financial liabilities at fair value through profit and loss

Significant financial liabilities including trade and other payables are classified as financial liabilities at fair value through profit and loss.

These are initially measured at the fair value required to originate the payable, including any transaction costs. Subsequent to initial recognition these are measured at amortised cost.

Interest expense, calculated using the effective interest method, is included in finance cost.

1.5 Impairment

Financial assets are impaired if their carrying amount is greater than their estimated recoverable amount.

Assets that are individually significant are considered separately for impairment.

A previously recognized impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized in prior years.

1.5.1 Impairment of other financial assets carried at amortised cost

The company calculates the impairment loss for assets carried at amortised cost as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate. Impairment loss is recognised in the statement of comprehensive income.

1.5.2 Impairment of held to maturity financial assets

Impairment losses are recognized on financial assets held to maturity when there is objective evidence of impairment.

An impairment loss is recognized in profit and loss when the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount is calculated as the present value of estimated future cash flows discounted at the original effective interest rate of the instrument.

The company uses the following criteria to determine whether there is objective evidence of impairment:

- The issuer of an instrument experiences financial difficulty,

Notes to the Annual Financial Statements for the year ended 31 March 2011

- There is a breach of the contract,
- Interest rates significantly increase during the given financial period, and
- The overall economic circumstances are adverse.

1.5.3 Impairment of loans and receivables financial assets

Loans and receivables are stated net of specific impairments. An impairment of loans and receivables is made if there is objective evidence that the Company will be unable to collect all amounts due on a claim according to the original contractual terms. Loans and receivables are subjected to regular evaluations that take cognizance of, inter alia, past experience, the customer's overall risk profile and payment record and the realizable value of any collateral.

Impairment is measured and allowances for credit losses are established for the difference between the carrying amount and advances and its estimated recoverable amount. The estimated recoverable amount is the present value of expected future cash flows excluding those which may result from restructuring, liquidation or collateral held.

All impaired loans and receivables are reviewed on a regular basis and any changes to the amount and timing of the expected future cash flows compared with previous estimates can result in a change to the charge for impairment of loans and receivables in the statement of comprehensive income.

The carrying value of impaired financial assets is reduced directly only when a write off takes place. In all other circumstances an allowance account is used for movement of carrying value. No amounts are ever written off directly against the allowance account.

1.5.4 Impairment of available for sale financial assets

An available for sale financial asset is impaired when there is a significant or prolonged decline in the fair value of the asset below its cost price or amortised cost. At such a point, any cumulative gains or losses that have been accumulated in equity are removed from equity as a reclassification adjustment and are recognized in profit or loss. Any subsequent impairment losses are recognized directly in profit or loss.

1.5.5 Impairment of other assets

The carrying amounts of the Company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

1.5.6 Associates

After the application of the equity method, a determination of whether an additional impairment loss is required through the use of any objective evidence. If this is the case, impairment is calculated as the difference between the fair value of the associate and the acquisition cost and is recognised in the statement of comprehensive income.

Notes to the Annual Financial Statements

for the year ended 31 March 2011

1.6 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally in conjunction with the shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls the other entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and deconsolidated from the date that control ceases.

At company level, investments in subsidiaries are held at cost less any accumulated impairment.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given and liabilities incurred at the date of exchange plus any attributable costs. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at the fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Company's share of identifiable net assets is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly to the statement of comprehensive income.

Intercompany transactions, balances and income and expenses are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Currently the Company has no subsidiaries.

Investment in associates

Associates are entities in which the Company has a long term investment and over which the Company has the power to exercise significant influence over the financial and operating policies. Associates are neither subsidiaries nor joint ventures. Significant influence is normally evidenced by ownership of 20% or more of the Company's voting rights. The financial statements of the associate are used by the Company to apply the equity method of accounting. If the most recent available financial statements are for an accounting period which ended more than three months prior to company's year-end, then the most recently available management accounting results have been brought into account.

The investments in associates are carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the associates, less any impairment value. The statement of comprehensive income reflects the share of the results of operations of the associates.

Where the Company's share of losses of an associate exceeds the carrying amount of the associate, the associate is carried at nil. Additional losses are only recognised to the extent that the Company has incurred obligations or made payments on behalf of the associate.

Notes to the Annual Financial Statements

for the year ended 31 March 2011

The investments in associates in the separate financial statements of the Company are carried at cost less any associated impairment.

1.7 Goodwill and negative goodwill

Goodwill is an excess of the cost of an acquisition over the entity's interest in the fair value of the net identifiable assets and liabilities acquired.

Goodwill is carried at cost, less accumulated amortization and accumulated impairment losses. In accordance with IFRS3, the amortisation of goodwill ceased with effect from 1 April 2004. Previously goodwill was amortised using the straight line method over the estimated useful life. The carrying amount of goodwill is reviewed annually for indications of impairment or changes in estimated future benefits. A write down is made if the carrying amount exceeds the recoverable amount.

Negative goodwill arising on an acquisition represents any excess of the fair value of the Company's share of the net identifiable assets acquired over the cost of the acquisition. To the extent that negative goodwill relates to an expectation of future losses and expenses that is identified in the plan of acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, it is recognised in the statement of comprehensive income when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the statement of comprehensive income over the weighted average useful life of those assets. The balance of negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the statement of comprehensive income.

1.8 Property, Plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on historical cost using the straight-line basis over the expected economic life, using the following depreciation rates:

Computer hardware	33.33%
Furniture and fittings	16.67%
Leasehold improvements	33.33%
Motor vehicles	20.00%

The residual values and useful lives of the assets are reassessed annually for any changes. The impact thereof is recognised in the statement of comprehensive income.

The carrying values of plant and equipment are reviewed for impairment either annually, or when events or changes in circumstances indicate the carrying value may not be recoverable (whichever is earlier). If any such indications exist and where the carrying values exceed the estimated recoverable amount, the assets are written down to the recoverable amount. The recoverable amount is the greater of the net selling price and value in use.

Notes to the Annual Financial Statements

for the year ended 31 March 2011

In assessing 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 comprehensive income.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognized.

1.9 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets, acquired in a business combination is considered fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life reflect the expected pattern of consumption of future economic benefits embodied in the asset and are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible assets. The current rate of amortisation for the intangible asset of computer software is 33% per annum.

Intangible assets with indefinite useful lives are tested for impairment annually, individually or in the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continue to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

1.10 Provisions

Provisions are recognised when the Company has a present obligation, either legal or constructive, as a result of a past event, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in provision due to the passage of time is recognised as a finance cost.

Notes to the Annual Financial Statements

for the year ended 31 March 2011

1.11 Revenue recognition

Revenue comprises interest received on advances and investment income. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

The following specific criteria must also be met before revenue is recognised:

- Interest is recognised on the time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity. In terms of AC133, interest is also accrued in respect of impaired advances, based on the original effective interest rate used to determine the recoverable amount.
- Dividends are recognised when the right to receive payment is established.

The Company's turnover relates mainly to its lending and investing activities, and comprises interest from funds invested.

1.12 Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. Gains and losses arising on translation are credited to or charged against income. The functional currency and presentation currency of the Company is the South African Rand (R).

1.13 Leases

The Company classifies leases of assets where the lessor effectively retains the risks and rewards associated with ownership as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term. Nominal rentals due after year end are reflected under commitments.

1.14 Tax

Current taxation

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

Deferred taxation

Deferred income tax is provided, using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

Notes to the Annual Financial Statements for the year ended 31 March 2011

- 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 profit nor taxable profit or loss; 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.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from 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 profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

1.15 Irregular, fruitless and wasteful expenditure

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

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

All irregular and fruitless and wasteful expenditure is charged against income in the period in which they are incurred.

No instances of irregular, fruitless and wasteful expenditure have occurred.

Notes to the Annual Financial Statements

for the year ended 31 March 2011

1.16 Retirement benefits

Contributions to the defined contribution fund are charged as an expense in the period in which they are incurred.

1.17 Related party transactions

All related party transactions are at arm's length and in the ordinary course of business.

1.18 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs are not directly attributed to the acquisition, construction or production of qualifying assets, and are therefore not capitalised to the cost of these assets.

1.19 New Accounting Standards

The following standards have been issued but are not yet effective and will be applicable to the Company:

GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions
GRAP 25	Employee Benefits
GRAP 26	Impairment of cash-generating asset
GRAP 104	Financial Instruments

These accounting standards will have no financial impact on future financial statements but will require additional disclosures.

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
2. LOANS AND RECEIVABLES				
2.1 Gross loans and receivables				
Opening balance	230,414,581	227,911,016	230,414,581	227,911,016
Disbursements	113,600,000	57,000,000	113,600,000	57,000,000
Interest accrued	35,377,403	31,970,104	35,377,403	31,970,104
Receipts	(107,544,670)	(86,113,808)	(107,544,670)	(86,113,808)
Disposed	-	(352,731)	-	(352,731)
Closing balance	271,847,314	230,414,581	271,847,314	230,414,581
Less: Impairment provision				
Opening balance	(47,642,509)	(37,138,009)	(47,642,509)	(37,138,009)
Impairments raised	-	(10,504,500)	-	(10,504,500)
Closing balance	(47,642,509)	(47,642,509)	(47,642,509)	(47,642,509)
Less: Balance transferred to current assets	(58,813,446)	(67,515,731)	(58,813,446)	(67,515,731)
Net loans and receivables	165,391,359	115,256,341	165,391,359	115,256,341
2.2 Statement of comprehensive income charges				
Loans and receivables				
Impairments raised	-	10,504,500	-	10,504,500
	-	10,504,500	-	10,504,500
2.3 Maturity analysis of loans and receivables	Group and Company 2011 R			
	Within 1 year	1 - 2 years	Beyond 2 years	Total
Repayment profile	58,813,446	101,339,935	111,693,933	271,847,314
	2010 R			
	Within 1 year	1 - 2 years	Beyond 2 years	Total
Repayment profile	67,515,731	80,553,684	82,345,166	230,414,581

Notes to the Annual Financial Statements

for the year ended 31 March 2011

2.4 Terms and conditions of loans and receivables

Loans and receivables are made to clients to fund end user loans. The repayment term of loan advances are linked to the repayment term of the underlying end user loans. Interest rates are determined by the Bond Exchange of South Africa yield curve for the same maturity plus a risk margin, or the Repo rate as set by the South African Reserve Bank plus a risk margin.

2.5 Key assumptions

Key assumptions to the valuation of the loans and receivables portfolio relate to the impairment provision. Management have estimated future cash flows and discounted these cash flows at the effective interest rate of the related loans and receivables. Any shortfall between these discounted cash flows and the gross carrying value have been raised as impairments. Objective evidence utilised in assessing future cash flows arise from the scrutiny of the clients underlying debtors book's, collection experience, vintage analysis and management accounts.

2.6 Collateral

Loans and receivable are secured by the underlying loans and receivable books of the company's clients. The end user loans that make up these loans receivable books are unsecured.

2.7 Subordinated loans

Included within the loans and receivable balance are subordinated loans in favour of other creditors at clients amounting to R76,7 million (2010: R62 million). These loans carry higher credit risk due to their backranking to other creditors. The pricing of these loans reflects these additional risks.

2.8 Concentration risk

The loans and receivables portfolio is subject to client concentration risk which is mitigated by exposure limits as described in more detail in note 25. The loans and receivables portfolio is further subject to industry concentration risk which arises through exposure to the housing microfinance sector. This risk is not mitigated and is accepted in terms of the company's mandate from its members.

2.9 Cession to the Development Bank of Southern Africa

The loan agreement with the Development Bank of Southern Africa (DBSA), allows DBSA to take cession of the loans and receivables if RHLF defaults on the loan agreement. Refer to 12 note.

Notes to the Annual Financial Statements

for the year ended 31 March 2011

Group		
Lendcor (Pty) Ltd	Indlu Finance (Pty) Ltd	Total
R	R	R

3 INVESTMENTS IN ASSOCIATES

3.1 Carrying amount of associates 2011

Carrying amount analysis

Carrying amount at the beginning of the year	3,150,198	-	3,150,198
Share of earnings from associated companies	775,649	-	775,649
Carrying amount at the end of the year	3,925,847	-	3,925,847

Summarised Statement of Financial Position as at 31 March 2011

Current assets	7,771,021	402,773	8,173,794
Non-current assets	3,194,399	2,918,887	6,113,286
Current liabilities	(2,725,650)	(102,042)	(2,827,692)
Non-current liabilities	(5,505,191)	(3,840,438)	(9,345,629)
Net asset value	2,734,579	(620,820)	2,113,759

Summarised Statement of Financial Performance for the year ending 31 March 2011

Revenue	6,280,899	1,513,472	7,794,370
Profit / (Loss) after taxation	775,649	(1,781,889)	(1,006,239)

Share of aggregate post acquisition reserves of associates for 2011

3,674,897	-	3,674,897
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2010

Carrying amount analysis

Carrying amount at the beginning of the year	2,427,598	-	2,427,598
Share of earnings from associated companies	722,600	-	722,600
Carrying amount at the end of the year	3,150,198	-	3,150,198

Summarised Statement of Financial Position as at 31 March 2010

Current assets	6,785,350	212,648	6,997,998
Non-current assets	3,062,880	4,404,190	7,467,070
Current liabilities	(660,653)	(10,914)	(671,567)
Non-current liabilities	(7,228,647)	(4,016,009)	(11,244,656)
Net asset value	1,958,930	589,915	2,548,845

Summarised Statement of Financial Performance for the year ending 31 March 2010

Revenue	6,254,833	1,874,921	8,129,753
Profit / (Loss) after taxation	722,600	(419,823)	302,777

Share of aggregate post acquisition reserves of associates for 2010

2,899,247	-	2,899,247
------------------	----------	------------------

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Group		
	Lendcor (Pty) Ltd R	Indlu Finance (Pty) Ltd R	Total R
3.2 Related party disclosures with associates			
2011			
Interest bearing loans and receivables	39,165,985	19,777,384	58,943,369
Provision for doubtful debts	-	(19,777,384)	(19,777,384)
Disbursements to associate	27,500,000	-	27,500,000
Receipts from associate	27,976,279	2,033,627	30,009,906
2010			
Interest bearing loans and receivables	35,342,647	20,159,124	55,501,771
Provision for doubtful debts	-	(16,795,047)	(16,795,047)
Disbursements to associate	8,500,000	6,000,000	14,500,000
Receipts from associate	7,199,902	4,933,474	12,133,376

The interest bearing loans and receivables arose from loan facilities granted to these clients which are associates. The advances are secured by cession of the clients underlying debtors books. Settlement of these advances arises in the form of cash receipts. These amounts are included in the loans and receivables balance.

	Group		
	Lendcor (Pty) Ltd R	Indlu Finance (Pty) Ltd R	Total R
3.3 List of significant unlisted associates			
2011			
Group			
Effective holding	20%	15%	
Number of shares held	501	300,000	
Carrying amount	3,925,848	-	3,925,848
Directors' valuation	3,925,848	-	3,925,848
Company			
Cost	250,951	300,000	550,951
Less: Impairment	-	(300,000)	(300,000)
Carrying amount	250,951	-	250,951
Directors' valuation	3,925,848	-	3,925,848
2010			
Group			
Effective holding	20%	15%	
Number of shares held	501	300,000	
Carrying amount	3,150,198	-	3,150,198
Directors' valuation	3,150,198	-	3,150,198
Company			
Cost	250,951	300,000	550,951
Less: Impairment	-	(300,000)	(300,000)
Carrying amount	250,951	-	250,951
Directors' valuation	3,150,198	-	3,150,198

The nature of the business of both associates is to provide finance to the low income market in respect of low cost housing. Indlu Finance (Pty) Ltd has a August year end and Lendcor (Pty) Ltd has a December year end. The results of the companies were accounted for until their respective year ends except for Indlu Finance (Pty) Ltd where management accounts were utilised for 6 months to report their current position. RHLF has not given any form of guarantee relating to the loss made by Indlu Finance (Pty) Ltd and as such the maximum exposure for RHLF is limited to the original equity investment made.

Notes to the Annual Financial Statements for the year ended 31 March 2011

4 PROPERTY, PLANT AND EQUIPMENT

	Group			
	Cost	Accumulated Depreciation	2011 Carrying Value	2010 Carrying Value
	R	R	R	R
Computer hardware	305,437	126,248	179,189	46,329
Leasehold improvements	59,703	59,703	-	19,901
Office equipment	120,218	93,692	26,526	45,696
Furniture and fittings	519,400	503,921	15,479	14,794
Motor vehicles	166,545	166,545	-	-
	1,171,303	950,109	221,194	126,720

MOVEMENT

	Computer Hardware	Leasehold Improvements	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
	R	R	R	R	R	R
31 March 2011						
Opening balance	46,329	19,901	45,696	14,794	-	126,720
Additions	191,097	-	-	10,244	-	201,341
Disposals	(1,215)	-	-	-	-	(1,215)
Depreciation	(57,022)	(19,901)	(19,170)	(9,559)	-	(105,652)
	179,189	-	26,526	15,479	-	221,194
31 March 2010						
Opening balance	73,510	43,782	64,866	23,518	19,430	225,106
Additions	11,890	-	-	8,535	-	20,425
Disposals	-	-	-	-	-	-
Depreciation	(39,071)	(23,881)	(19,170)	(17,259)	(19,430)	(118,811)
	46,329	19,901	45,696	14,794	-	126,720

Cost of fully depreciated assets that are still in use amount to R792,634 (2010: R707,115).

Notes to the Annual Financial Statements for the year ended 31 March 2011

PROPERTY, PLANT AND EQUIPMENT

	Company			
	Cost	Accumulated	2011	2010
		Depreciation	Carrying	Carrying
	R	R	Value	Value
		R	R	
Computer hardware	305,437	126,248	179,189	46,329
Leasehold improvements	59,703	59,703	-	19,901
Office equipment	120,218	93,692	26,526	45,696
Furniture and fittings	519,400	503,921	15,479	14,794
Motor vehicles	166,545	166,545	-	-
	1,171,303	950,109	221,194	126,720

MOVEMENT

	Computer	Leasehold	Office	Furniture &	Motor	Total
	Hardware	Improvements	Equipment	Fittings	Vehicles	
	R	R	R	R	R	R
31 March 2011						
Opening balance	46,329	19,901	45,696	14,794	-	126,720
Additions	191,097	-	-	10,244	-	201,341
Disposals	(1,215)	-	-	-	-	(1,215)
Depreciation	(57,022)	(19,901)	(19,170)	(9,559)	-	(105,652)
	179,189	-	26,526	15,479	-	221,194
31 March 2010						
Opening balance	73,510	43,782	64,866	23,518	19,430	225,106
Additions	11,890	-	-	8,535	-	20,425
Disposals	-	-	-	-	-	-
Depreciation	(39,071)	(23,881)	(19,170)	(17,259)	(19,430)	(118,811)
	46,329	19,901	45,696	14,794	-	126,720

Cost of fully depreciated assets that are still in use amount to R792,634 (2010: R707,115).

Notes to the Annual Financial Statements for the year ended 31 March 2011

5 INTANGIBLE ASSETS

	Group			
	Cost	Accumulated	2011	2010
	R	Amortisation	Carrying Value	Carrying Value
Computer software	204,486	201,827	2,659	11,083
	204,486	201,827	2,659	11,083

MOVEMENT

	Computer Software	Total
31 March 2011	R	R
Opening balance	11,083	11,083
Amortisation	(8,424)	(8,424)
	2,659	2,659
31 March 2010	R	R
Opening balance	13,165	13,165
Additions	6,839	6,839
Amortisation	(8,921)	(8,921)
	11,083	11,083

Cost of fully amortised assets that are still in use amount to R197,649 (2010: R294,906).

	Company			
	Cost	Accumulated	2011	2010
	R	Amortisation	Carrying Value	Carrying Value
Computer software	204,486	201,827	2,659	11,083
	204,486	201,827	2,659	11,083

MOVEMENT

	Computer Software	Total
31 March 2011	R	R
Opening balance	11,083	11,083
Amortisation	(8,424)	(8,424)
	2,659	2,659
31 March 2010	R	R
Opening balance	13,165	13,165
Additions	6,839	6,839
Amortisation	(8,921)	(8,921)
	11,083	11,083

Cost of fully amortised assets that are still in use amount to R197,649 (2010: R294,906).

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
6 HELD TO MATURITY FINANCIAL ASSETS				
Preference shares				
Opening balance	4,370,000	4,370,000	4,370,000	4,370,000
Closing balance	4,370,000	4,370,000	4,370,000	4,370,000
Gross held to maturity assets	4,370,000	4,370,000	4,370,000	4,370,000
Less: Impairment provision				
Opening balance	4,370,000	4,370,000	4,370,000	4,370,000
Closing balance	4,370,000	4,370,000	4,370,000	4,370,000
Net held to maturity financial assets	-	-	-	-

Terms and conditions of preference shares

Preference share advances are made in instruments that are cumulative, convertible and redeemable. The dividend is linked to 75% of the prevailing prime rate from time to time and is redeemable in 4 equal tranches at a premium of 20%. The preference shares include an option exercisable by the holder to convert to ordinary shares in the event of a default by the issuer. Redemption is due to commence in March 2012.

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
7 TAXATION				
7.1 Tax charge for the year				
Tax charge to the income statement				
South African Normal Taxation	6,369,438	5,029,601	6,369,438	5,029,601
- Current year	6,340,697	5,031,474	6,340,697	5,031,474
- Prior year	28,741	(1,873)	28,741	(1,873)
Deferred Taxation	(44,070)	(2,465,725)	(44,070)	(2,465,725)
- Current year	(44,070)	(2,465,725)	(44,070)	(2,465,725)
	6,325,368	2,563,876	6,325,368	2,563,876
Tax charge to equity				
South African Normal Taxation	-	3,563,942	-	3,563,942
- Current year	-	3,563,942	-	3,563,942
Deferred Taxation	-	(669,176)	-	(669,176)
- Current year	-	(669,176)	-	(669,176)
	-	2,894,766	-	2,894,766
7.2 Tax rate reconciliation				
The applicable current tax rate is 28% (2010: 28%).				
Effective tax rate	26%	16%	27%	16%
Temporary difference arising from non-deductible expenses	0%	1%	0%	1%
Permanent difference arising from non-taxable income	2%	11%	2%	11%
Permanent difference arising from prior periods	-0%	0%	-0%	0%
Statutory rate	28%	28%	28%	28%
7.3 Deferred tax asset				
The deferred tax balance consists of the following temporary differences:				
- Loans and receivables impairment	10,004,927	10,004,927	10,004,927	10,004,927
- Pre payments	(20,961)	(23,374)	(20,961)	(23,374)
- Provisions	299,500	257,842	299,500	257,842
- Deferred capital gains	(60,423)	(60,423)	(60,423)	(60,423)
	10,223,043	10,178,972	10,223,043	10,178,972
7.4 Taxation paid				
Amount due/receivable at beginning of year	45,667	(646,992)	45,667	45,667
Interest accrued on amount receivable	6,072	(19,929)	6,072	(19,929)
Current tax charge per income statement	6,369,438	8,593,543	6,369,438	8,593,543
Amount receivable/due at end of year	340,934	(45,667)	340,934	(45,667)
Taxation paid	6,762,111	7,880,955	6,762,111	8,573,614

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
8 CASH AND CASH EQUIVALENTS				
Cash on hand	-	314	-	314
Investec Bank - South Africa	151,133,315	99,458,387	151,133,315	99,458,387
Standard Bank - Jersey	9,025	732,623	9,025	732,623
Standard Bank - South Africa	4,161,732	3,100,525	4,161,732	3,100,525
	155,304,072	103,291,849	155,304,072	103,291,849

Foreign balances of € 940 (2010: € 73,628) were translated at a rate of R9.6/€ (2010: R9,9/€). An amount of R 93 300 is ceded as security for a guarantee issued for the same amount as required by the terms of the building lease.

9 OTHER RECEIVABLES AND PREPAYMENTS				
Guarantee fee	1,283,872	1,337,978	1,283,872	1,337,978
Deposits and prepayments	74,862	83,477	74,862	83,477
Other receivables	149,282	26,910,000	149,282	26,910,000
	1,508,016	28,331,455	1,508,016	28,331,455

Guarantee fee relates to a guarantee issued by the South African National Treasury on behalf of the Rural Housing Loan Fund in favour of the Development Bank of Southern Africa for the €12,535 million loan from Kreditanstalt für Wiederaufbau (KfW) (Note12). The fee is written off over the loan period of 30 years.

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

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

Notes to the Annual Financial Statements for the year ended 31 March 2011

				Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
10 AVAILABLE FOR SALE FINANCIAL ASSETS							
Unlisted investments							
Carrying amount				1,481,590	1,481,590	1,481,590	1,481,590
2011							
Name	Class of Investment	Number of shares	Effective Holding	Amount Invested	Carrying Amount	Amount Invested	Carrying Amount
Mafori Finance (Pty) Ltd	Ordinary	16	2%	1,000,000	-	1,000,000	-
Izwe Loans (Pty) Ltd	Ordinary	500	5%	50,000	1,481,590	50,000	1,481,590
				1,050,000	1,481,590	1,050,000	1,481,590

The fair value for the available for sale investments was determined by reference to transactions and sale prices in these instruments and other valuation techniques. Izwe Loans (Pty) Ltd was last revalued during the 2006/2007 financial year and Mafori Finance (Pty) Ltd during the 2008/2009 financial year.

2010							
Name	Class of Investment	Number of shares	Effective Holding	Amount Invested	Carrying Amount	Amount Invested	Carrying Amount
Mafori Finance (Pty) Ltd	Ordinary	16	3%	1,000,000	-	1,000,000	-
Izwe Loans (Pty) Ltd	Ordinary	500	5%	50,000	1,481,590	50,000	1,481,590
				1,050,000	1,481,590	1,050,000	1,481,590

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
11 GRANT CAPITAL				
Kreditanstalt für Wiederaufbau	154,762,590	154,762,590	154,762,590	154,762,590
National Department of Human Settlements	49,500,000	-	49,500,000	-
	204,262,590	154,762,590	204,262,590	154,762,590

The agreement with the Kreditanstalt für Wiederaufbau (KfW) provides for the company to use the financial contributions exclusively for purposes qualifying in terms of the agreement. The National Department of Human Settlements invested further grant capital in the company. This additional funding is to be used to increase the impact that the Rural Housing Loan Fund has in terms of its mandate. Further disclosures on the management of capital are included in note 25.

12 LONG TERM LIABILITIES

Development Bank of Southern Africa - Capital	136,673,959	136,673,959	136,673,959	136,673,959
Development Bank of Southern Africa - Interest	2,968,207	2,968,207	2,968,207	2,968,207
	139,642,166	139,642,166	139,642,166	139,642,166
Less amount transferred to current liabilities	(2,968,207)	(2,968,207)	(2,968,207)	(2,968,207)
	136,673,959	136,673,959	136,673,959	136,673,959
Contractual maturity analysis				
Current				
Within 1 year	2,968,207	2,968,207	2,968,207	2,968,207
Non current				
2 to 5 years	10,000,533	3,333,511	10,000,533	3,333,511
Over 5 years	126,673,426	133,340,448	126,673,426	133,340,448
	136,673,959	136,673,959	136,673,959	136,673,959
Total borrowings	139,642,166	139,642,166	139,642,166	139,642,166

This loan arose as a result of a back to back loan agreement of €12,535 million between the Development Bank of Southern Africa (DBSA) and Kreditanstalt für Wiederaufbau (KfW). These funds were in turn the source of a Rand equivalent loan between the DBSA and RHLF. The loan bears interest at a fixed rate of 7.56% and interest is repayable half yearly on 15 June and 15 December, respectively. Capital is repayable in 41 equal half yearly instalments commencing on 15 December 2014. The loan agreement additionally allows DBSA to obtain security in the form of a cession of RHLF's loan receivables book (Note 2.9) and also provides for the recovery of guarantee costs. An amount of R1,5 million has been provided for the guarantee costs in the outstanding balance (Note 9).

Refer to note 22 in respect of amounts paid to DBSA as a related party.

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Group 2011 R	Group 2011 R	Company 2011 R	Company 2010 R
13 PROVISIONS				
Provision for leave pay	126,287	109,154	126,287	109,154
Provision for incentive bonuses	943,356	811,710	943,356	811,710
	1,069,643	920,864	1,069,643	920,864
Provision for leave pay				
Opening balance	109,154	176,698	109,154	176,698
Leave pay provision raised	170,489	169,020	170,489	169,020
Leave pay provision utilised	(153,356)	(203,302)	(153,356)	(203,302)
Leave paid out	-	(33,262)	-	(33,262)
Closing balance	126,287	109,154	126,287	109,154
Provision for incentive bonuses				
Opening balance	811,710	715,147	811,710	715,147
Bonus provision raised	1,160,947	907,764	1,160,947	907,764
Bonus paid out	(1,029,301)	(811,201)	(1,029,301)	(811,201)
Closing balance	943,356	811,710	943,356	811,710

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

Provision for incentive bonuses is expected to be realised when bonuses are paid in the 2012 financial year.

14 TRADE AND OTHER PAYABLES

Trade payables	254,991	203,483	254,991	203,483
Accrued expenses	620,533	624,699	620,533	624,699
Accrual for lease payments	-	33,080	-	33,080
	875,524	861,262	875,524	861,262

Accrued expenses include employee benefit accruals, audit fee accruals and sundry suppliers. These liabilities are normally settled within 30 days.

Accrual for lease payments is as a result of straight lining the office lease payments over the term of the agreement (Note 19.2).

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
15 REVENUE				
Interest on advances	35,377,403	31,970,104	35,377,403	31,970,104
Investment interest	8,366,827	7,647,393	8,366,827	7,647,393
Dividends received - Unlisted investments	1,310,523	2,948,063	1,310,523	2,948,063
	45,054,753	42,565,560	45,054,753	42,565,560
16 FINANCE COSTS				
Interest raised on borrowings	10,274,817	9,842,384	10,274,817	9,842,384
Other interest paid	10,269	-	10,269	-
	10,285,086	9,842,384	10,285,086	9,842,384
17 NET SURPLUS FROM OPERATIONS				
Net surplus from operations includes amongst other:				
Non Interest Income				
Profit on disposal of property, plant and equipment	304	-	304	-
	304	-	304	-
Operating expenses				
Auditor's remuneration				
- Current year audit fees	538,080	578,427	538,080	578,427
Consulting and advisory services				
- Fees for services	778,034	314,408	778,034	314,408
Depreciation and amortisation	114,076	127,732	114,076	127,732
Directors fees - Non Executives	220,000	168,000	220,000	168,000
Donations	55,768	22,000	55,768	22,000
General administration	349,076	286,080	349,076	286,080
Legal fees	156,298	79,025	156,298	79,025
Marketing expenses	527,938	532,837	527,938	532,837
Operating lease rentals - buildings	611,690	575,591	611,690	575,591
Office expenses	547,077	740,054	547,077	740,054
Staff Costs - The company has 10 full time employees. (2010: 8 employees)	6,718,199	5,287,039	6,718,199	5,287,039
- Salaries	5,805,291	4,560,293	5,805,291	4,560,293
- Medical aid contributions	250,100	192,996	250,100	192,996
- Provident fund contributions	662,808	533,750	662,808	533,750
Travel and entertainment	320,138	301,446	320,138	301,446
	10,936,374	9,012,639	10,936,374	9,012,639

Notes to the Annual Financial Statements for the year ended 31 March 2011

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
18 DIRECTORS' EMOLUMENTS				
Directors Emoluments				
Non-executive	220,000	168,000	220,000	168,000
Executive	1,410,857	1,040,932	1,410,857	1,040,932
	1,630,857	1,208,932	1,630,857	1,208,932
Basic Salary	1,125,394	685,560	936,694	685,560
Bonus	188,700	48,000	188,700	48,000
Expense allowances	48,000	43,356	48,000	43,356
Medical aid contributions	50,973	123,216	50,973	123,216
Provident fund contributions	186,490	140,800	186,490	140,800
	1,599,557	1,040,932	1,410,857	1,040,932

During the current financial year the position of chief executive officer was held by the following person:

Mr. J.J. Fakazi

The executive director does not have a fixed term contract.

19 COMMITMENTS

19.1 Facilities

The Rural Housing Loan Fund has approved a total of R 110,4 million (2010: R84,9 million) in loan facilities as at 31 March 2011, of which R 74,8 million (2010: R56,4 million) has not yet been drawn by clients (Note20.3)

19.2 Future minimum lease payments under non cancellable operating leases.

Future lease commitments are:

Buildings

Within 1 year	634,425
Within 2 to 5 years	1,371,789
	2,006,214

The lease for buildings was renewed on 21 January 2011 with a commencement date of 01 March 2011 and expires on 28 February 2014. The lease escalates at 8,5% per annum.

Notes to the Annual Financial Statements for the year ended 31 March 2011

20 RISKS ARISING FROM FINANCIAL INSTRUMENTS

The company has various financial assets such as loans and receivables, held to maturity investments, available for sale investments, investments in associates and cash and cash equivalents, which arise directly from its operations.

The company's principal financial liability comprises of long term borrowings.

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

20.1 Credit risk

Financial assets, which could potentially subject the company to concentrations of credit risk, consist principally of loans and receivables. Loans and receivables are presented net of impairments. Credit risk with regard to loans and receivables is limited in terms of credit policy, which provides for prudent counter-party limits in respect of client exposures as a percentage of the total advances portfolio. The loans and receivables as at year-end reflect that the company has exposures within approved counter-party limits. Refer to note 24.

Further details on the exposure to credit risk with regard to loans and receivables, are provided in Note 2.

The company's cash equivalents and short-term deposits are placed with high credit quality financial institutions rated as at least A1 or better in terms of short-term credit ratings by at least two recognised rating agencies.

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Credit quality of loans and receivables				
Neither past due nor impaired	188,150,781	164,442,207	188,150,781	164,442,207
Impaired	83,696,533	65,972,374	83,696,533	65,972,374
	271,847,314	230,414,581	271,847,314	230,414,581
Less: specific impairments	(47,642,509)	(47,642,509)	(47,642,509)	(47,642,509)
Net advances per statement of financial position	224,204,805	182,772,072	224,204,805	182,772,072

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

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

The fair value of collateral that the company holds relating to impaired loans and receivables at 31 March 2011 amounts to R36 million (2010: R18,3 million).

Notes to the Annual Financial Statements for the year ended 31 March 2011

20.2 Interest rate risk

The company's loans and receivables include loans with fixed rates of interest and loans which have an underlying reviewable margin above a fixed rate. The rates applicable to the loans with a reviewable margin are adjusted when such a review deems this necessary. The rates applicable to fixed interest rate loans are based on agreed market rates at the date of the disbursements and remain fixed for the full term of the loan.

The composition of the year end loans and receivables is as follows:

Fixed rate advances	117,598,534	75,137,721	117,598,534	75,137,721
Semi fixed rate advances	154,248,780	155,276,860	154,248,780	155,276,860
Less: Impairments	(47,642,509)	(47,642,509)	(47,642,509)	(47,642,509)
Net advances per statement of financial position	224,204,805	182,772,072	224,204,805	182,772,072

The company is neither exposed to significant interest rate risk nor is it exposed to significant cash flow risk. This arises from the manner in which disbursements are priced to clients. The interest rate on each disbursement is fixed for the period of the loan but each disbursement is priced according to prevailing market interest rates thereby tracking the yield curve.

	Group		Company	
	Fixed Rate R	Floating Rate R	Fixed Rate R	Floating Rate R
2011				
Gross loans and receivables	117,598,534	154,248,780	117,598,534	154,248,780
Notice deposits	-	70,770,088	-	70,770,088
Bank balances	-	84,533,984	-	84,533,984
	117,598,534	309,552,852	117,598,534	309,552,852
2010				
Gross loans and receivables	75,137,721	155,276,860	75,137,721	155,276,860
Notice deposits	-	91,387,751	-	91,387,751
Bank balances	-	11,904,098	-	11,904,098
	75,137,721	258,568,709	75,137,721	258,568,709

Interest rate sensitivity

Loans and receivables

The average loan receivables for the year amounted to R259,2 million (2010: R229,6 million) yielding 13,65% (2010: 13,95%). A 1% change in the level of interest rates would have affected the surplus before taxation, with all other variables held constant, by R2.6 million (2010: R2,1 million).

Notes to the Annual Financial Statements for the year ended 31 March 2011

20.3 Liquidity risk

Liquidity risk is the risk of failure to fund a cash shortfall as and when required, without incurring financial loss. It therefore encompasses both the risk of failing to obtain sufficient funds at favourable market rates, and the risk of failing to liquidate an asset in a timely manner, and without significant deviation from the prevailing market price. Liquidity risk at the company is managed within the framework of a conservative policy, which requires that the company at all times retain liquid assets equivalent to the sum of six months operating expenditure and six months disbursements. Liquidity risk management is performed by management. The liquidity is held primarily in the form of call deposits and notice deposits. In addition to ensuring that an adequate level of liquidity is maintained, the company further seeks to ensure a diverse range of funding sources.

Additional methodologies used to assess and monitor the company's liquidity requirements and risk levels include cash flow forecasts and cumulative maturity gap analyses. As at year end the company had outstanding commitments in respect of facilities granted of R74,8 million (2010: R56,4 million) (Note 19.1).

20.4 Market Risk

The company holds a small foreign exchange exposure amounting to €940 (2010: €73 628). A 5% move in the exchange rate would result in an exchange movement of R451 (2010:R36 518).

20.5 Fair Values

At 31 March 2011, the carrying amounts of cash and cash equivalents, trade and other payables and accrued expenses approximated their fair values due to the short maturity of these asset and liabilities.

21 RETIREMENT BENEFITS

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Contributions paid over	662,808	533,750	662,808	533,750

The Rural Housing Loan Fund Provident Fund is a defined contribution fund administered by Robson Savage, and is subject to the Pensions Fund Act of 1956. All 10 (2010: 8) employees of the company participate in the fund and the company makes all contributions.

The Rural Housing Loan Fund is not liable for post retirement benefits.

Notes to the Annual Financial Statements

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22 RELATED PARTIES

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions. Related party relationships exist with associates listed in Note 3.2. Interest bearing loans have been extended to these entities and these loans are disclosed in the same note. Key management compensation and transactions with entities under common control are disclosed below.

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Key management personnel				
Salaries	2,578,593	1,620,792	2,578,593	1,620,792
Provident fund contributions	312,549	232,140	312,549	232,140
	2,891,142	1,852,932	2,891,142	1,852,932

2011

Entities under common control

	DBSA	SARS
Transaction amount	10,220,712	6,762,111
(Outstanding) / Receivable balance	(136,673,959)	340,934

2010

Entities under common control

	DBSA	SARS
Transaction amount	9,405,172	9,224,816
Outstanding balance	(136,673,959)	(45,667)

The relationship between the company and the disclosed entities under common control arises as a result of all the entities being owned by the South African government. The transactions with the DBSA are as a result of interest paid to this entity, the transactions with SARS relate to employee deductions and income tax.

23 MATERIALITY FRAMEWORK

The company has adopted a materiality framework which defines limits on levels of authorisation on significant transactions which require executive authority approval. The framework excludes disbursement transactions related to the business of the company as these transactions are in terms of the mandate approved by the executive authority.

Notes to the Annual Financial Statements for the year ended 31 March 2011

24 MANAGEMENT OF CAPITAL

The company considers its grant capital, accumulated surpluses and deficits, other reserves, interest bearing debt and committed long term funding as capital. Its main objectives in managing capital are to allow for the organic growth of the company, to honour its debt obligations and to safeguard the sustainability of the company. This is achieved by ensuring the following requirements are met:

- Equity investments may not exceed 10% of total capital
- No single equity exposure may exceed 2% of total capital
- No single debt exposure may exceed 15% of total capital

The company is also subject to a liquidity requirement to hold liquid funds amounting to the maximum of 6 months of disbursements and 6 months of operating expenditure or 30% of total capital.

Total capital inclusive of committed capital at year end amounted to R397,2 million (2010: R329,8 million).

25 PROCUREMENT FRAMEWORK

The company operates within the Preferential Procurement Regulations of the Preferential Procurement Policy Framework of Act 5 of 2000. It follows the 80/20 principle for all procurement exceeding R30 000 and falling below R500 000 and the 90/10 principle for all procurement exceeding R500 000.