



Rural Housing Loan Fund  
Quarterly Integrated Report  
Quarter 2 2015/16  
Period ended  
30 September 2015

A handwritten signature in black ink, appearing to be 'R. Haman', written over a horizontal line.

**Mr R. Haman**  
Chairperson of Audit and Risk Committee

A handwritten signature in black ink, appearing to be 'J. J. Fakazi', written over a horizontal line.

**Mr J. J. Fakazi**  
Chief Executive Officer

A handwritten signature in black ink, appearing to be 'B.C. Gordon', written over a horizontal line.

**Mr B.C. Gordon**  
Chief Financial Officer



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**Mandate:** The mandate of Rural Housing Loan Fund is to facilitate funding to enable rural low income earners to better their living conditions through improving their housing situation

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

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

## Values

We subscribe to the following values:

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

## Executive Summary

In this report we highlight our performance against second quarter targets set out in the 2015/16 Annual Performance Plan before providing a detailed integrated quarterly report to show the connections and continuity between our developmental, financial and other capitals. The governance compliance is included as an annexure to this report.

### Performance Information and report against quarterly targets

The domestic economy remained subdued in the first half of the financial year with slow economic growth and high unemployment being key areas of concern. The high levels of indebtedness of borrowers remain a concern and lenders continue to reject high proportion of loan applications, in some instances as high as 90% as we have observed in our intermediary stable.

The adverse impact of poor market conditions is reflected below in the second quarter and first half of the year performance in key development indicators: number of loans and disbursements. The following tables present information on the Rural Housing Loan Fund's performance as at the end of the second quarter of 2016 financial year, and also present cumulative performance at the end of the first half of the year.

#### Stakeholder Perspective: Broaden and deepen the reach of rural housing delivery

	Budget for year	Quarter 1	Quarter 2			Half year			Commentary
		Actual	Actual	Budget	Variance	Actual	Budget	Variance	
End user loans disbursed (Units)	43,457	9,295	10,846	11,351	(505)	20,141	23,198	(3,057)	The below budget achievement is a consequence of high levels of indebtedness and unemployment
Qualifying housing use target (% of loan instances) - higher is better	88.0%	99.7%	95.9%	88.0%	7.9%	97.8%	88.0%	9.8%	Despite raising the target from previous years RHLF is still exceeding its goals
Loans to households earning R15,000 or more (%) - lower is better	20.0%	5.0%	5.0%	20.0%	5.6%	5.0%	20.0%	15.0%	Target exceeded
Loans to households earning R3,500 or less (%) - higher is better	60.0%	77.3%	76.0%	60.0%	16.0%	76.7%	60.0%	16.7%	Target exceeded

#### Financial Perspective: Capital Preservation

	Budget for year	Quarter 1	Quarter 2			Half year			Commentary
		Actual	Actual	Budget	Variance	Actual	Budget	Variance	
Expenditure excluding debtors provision (R000)	(19,205)	(4,071)	(4,651)	(4,743)	92	(8,722)	(9,365)	643	Lower employee costs due to slow recruitment as well as lower depreciation due to delay in issuing IT tender
Operating surplus after taxation (R000)	13,010	4,976	2,712	1,173	1,539	7,688	4,698	2,990	Lower revenue than budgeted was offset by increased interest on cash holdings and lower expenses

## Business Process

	Budget for year	Quarter 1		Quarter 2		Half year			Commentary
		Actual	Actual	Budget	Variance	Actual	Budget	Variance	
Loan verification visits	10	4	2	3	-1	6	6	0	Target achieved
Disbursements to retail intermediaries including rollover funds R000	258,329	24,193	16,933	67,476	-50,543	41,126	137,901	-96,775	The ongoing weakness in the credit market is leading to intermediaries not drawing as much as was budgeted.

## Learning and Growth Perspective

	Budget for year	Quarter 1		Quarter 2		Half year		
		Actual	Actual	Budget	Variance	Actual	Budget	Variance
Training expense R000	152	10	223	57	166	233	86	147

## Reporting against Medium Term Strategic Framework targets

Hereunder we report our performance against the MTSF targets that are set in our Five Strategic Plan

	Previous term		Current term					% Achieved to date	
	Target	Audited	Target	Year 1 audited	Half Year 2	Outcomes to date			
Incremental rural housing loans (number)	181,111	209,866	233,636	40,185	20,141	60,326	25.8%	The more loans issued the better RHLF's influence on the living standards of rural people	
Percentage used for housing	80.0%	94.0%	88.0%	96.0%	97.8%	96.9%	NA	The higher the % the more loans are used appropriately	
Percentage to people earning over R15,000 (R9,800 in previous term)	20.0%	12.7%	12.0%	2.0%	5.0%	3.5%	NA	The lower this % is, the fewer loans are issued to people outside of RHLF's target income	
Percentage to people earning under R3,500	60.0%	72.0%	60.0%	75.0%	76.7%	75.8%	NA	The higher this % the more loans are issued to people earning below R3,500	

## About this Report

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### Reporting to stakeholders

The Rural Housing Loan Fund has a wide range of stakeholders with varied information needs. This quarterly integrated report is the main means of communication to our shareholder and is made available to all stakeholders.

### Integrated thinking

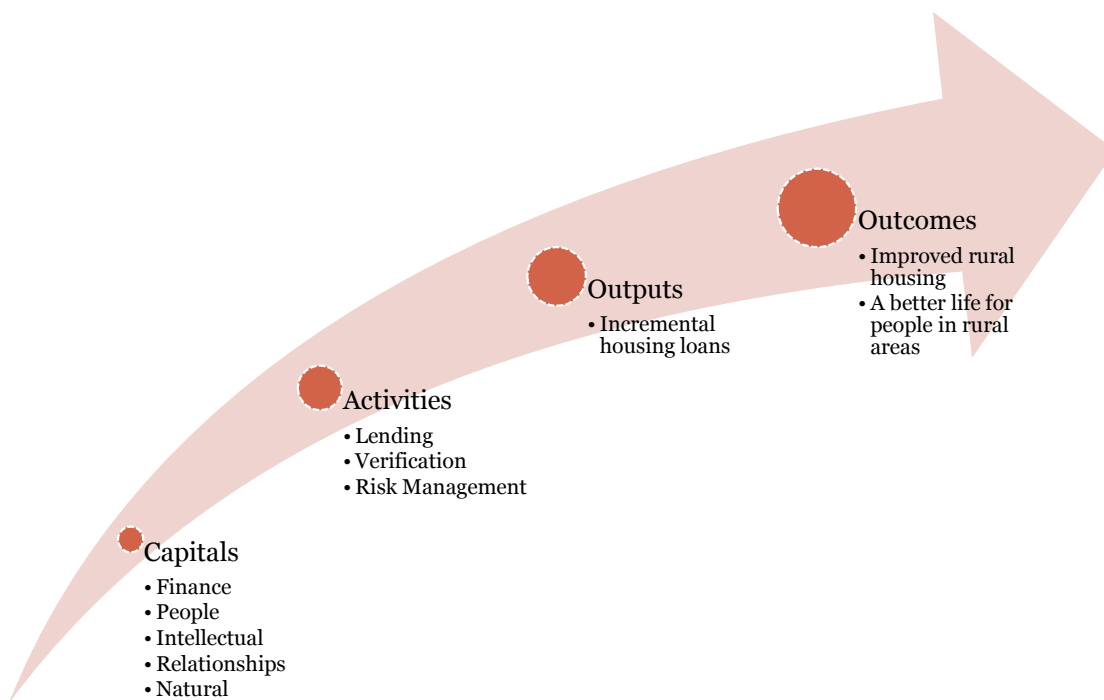
In preparing our first annual integrated report, we were guided by The International <IR> Framework issued by the International Integrated Reporting Committee (IIRC) in December 2013. Using the principles in this Framework we have embraced integrated thinking in our operations to improve both the delivery on our mandate and the supply information to our stakeholders.

The Rural Housing Loan Fund exists to create value for itself and its stakeholders and depends on various forms of capital to achieve this. The following are critical in the value creation of the Rural Housing Loan Fund and its stakeholders:

- **Financial capital:** This is the money that we have and use to finance all our business activities in the implementation of our mandate of enabling people in our target market to access housing loans. Sources of our financial capital include South African Government transfers, grant and loan finance from our funders (KFW – the German Development Bank and the Development Bank of Southern Africa) as well as retained earnings.
- **Human capital:** This refers to our human resources. We recruit and develop our people in order to enable them to enhance their competencies, capabilities and acquire the experience that enables them to provide excellent service in ensuring that we deliver on our mandate and add value to our various stakeholders. In recent years, including the year under review, we have recruited interns as part of our contribution to addressing the problem of unemployed youth. All our interns have subsequently been employed by us on a permanent basis on successful completion of their twelve month internships.
- **Intellectual capital:** As an organisation we have built a knowledge-based expertise in housing microfinance delivery that enables low income people in rural areas to fulfil their desire to improve their housing conditions through incremental building.
- **Social and relationships capital:** The co-operative relationships we have built with various stakeholders in government, commerce, communities and non-

governmental organisations have enabled us to consistently deliver on our mandate and deliver on value creation for various stakeholders.

- **Natural capital:** We support sustainable use of natural resources used to produce building materials that our money finance. In particular, we would like to see more borrowers using our money to access renewable sources of energy and other environmentally friendly alternative building technologies.







# Rural Housing Loan Fund Performance

## Development performance

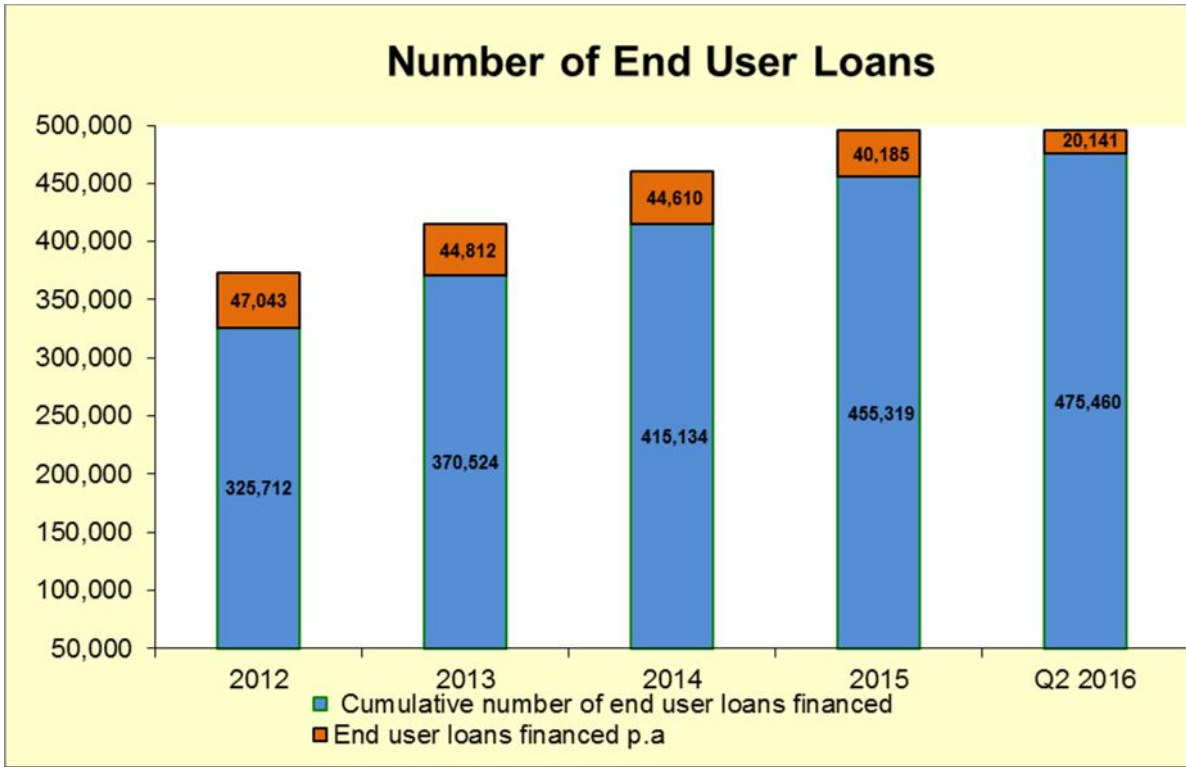
Number of loans granted for the quarter under review<sup>1</sup>

Development mandate statistics compiled from monthly Housing Mandate Monitoring Reports	YTD 2016			
	Number	Percentage	Value	Percentage
<b>Number of new loans</b>	<b>43,457</b>		<b>258,329,000</b>	
<b>Budget</b>				
<b>Actual</b>	<b>20,141</b>		<b>113,691,150</b>	

The economy remains under pressure, leading to fewer loans being disbursed than was expected during the budget cycle. Additional pressure has been placed on a number of the Rural Housing Loan Fund’s intermediaries as a result of a recent judgement in the Western Cape High Court. This effectively declared the manner in which garnishee orders are issued to be unconstitutional. In addition it declared that garnishees not issued in the court in which the employer operated were also invalid. The first may have a direct effect on some RHLF clients, while the second will have the effect that the courts will become busier leading to slower collection of legal debts. There has been at least one follow up judgement in the Western Cape, where a number of micro lenders agreed not to enforce problematic garnishee orders until such time as the first case has been heard in the Constitutional Court. This matter is set down for March 2016

Number of loans granted per annum and from inception

<sup>1</sup> The value disbursed shown in this table is the amount disbursed by the intermediaries of the Rural Housing Loan Fund to retail borrowers. This is different to the amount disbursed the intermediaries shown elsewhere in this document.



## Loans delivered per intermediary

Name		2015/16: Q1	Share of Total	2015/16: Q2	Share of Total	Year to date	Share of Total
Bayport	Value (R	-	-	10,103,772	16%	10,103,772	9%
	Number #	-	-	548	5%	548	3%
	Average	-	-	18,449		18,449	
Izwe	Value (R	8,343,125	16%	9,368,612	15%	17,711,737	16%
	Number #	579	6%	629	6%	1,208	6%
	Average	14,409		14,893		14,661	
Kuyasa Fund	Value (R	1,511,314	3%	1,553,313	2%	3,064,627	3%
	Number #	238	3%	243	2%	481	2%
	Average	19,072		19,140		6,368	
Lendcor	Value (R	27,644,501	55%	30,719,228	49%	58,363,729	51%
	Number #	7,508	81%	8,630	80%	16,138	80%
	Average	3,682		3,560		3,617	
Moliko	Value (R	79,000	0.2%	23,500	0.04%	102,500	0.09%
	Number #	25	0.3%	7	0.06%	32	0.2%
	Average	3,160		3,357		3,203	
Norufin	Value (R	6,701,309	13%	4,849,819	8%	11,551,128	10%
	Number #	541	6%	388	4%	929	5%
	Average	12,387		12,500		12,434	
RPH	Value (R	-	-	-	-	-	-
	Number #	-	-	-	-	-	-
	Average	-	-	-	-	-	-
Thuthukani	Value (R	5,755,223	11%	6,242,475	10%	11,997,698	11%
	Number #	357	4%	381	4%	738	4%
	Average	16,121		16,384		16,257	
Makoko	Value (R	363,047	1%	224,007	0%	587,054	1%
	Number #	28	0.3%	20	0%	48	0.2%
	Average	12,966	-	11,200		12,230	
Lehae	Value (R	208,906	0.4%	-		208,906	0.2%
	Number #	19	0.2%	-		19	0.1%
	Average	10,995		-		10,995	
Total	Value (R	50,606,425	100%	63,084,725	100%	113,691,150	100%
	Number #	9,295	100%	10,846	100%	20,141	100%
	Average	5,445		5,816		5,645	

### Commentary:

- Bayport's loan was in amortisation during Q1 2016, but the Credit and Development Committee granted a capital moratorium from July 2015. From Q2 2016, RHLF once again has received a contribution from Bayport.
- Lendcor continues to be the leading contributor of loans reported by RHLF. This is a result of Lendcor's strategic choice to focus on lowest income group that take small loans to improve their living environments.
- RPH has a facility of R60 million approved from which they are planning to drawdown during the course of 2016. The loan agreement is currently being finalised.



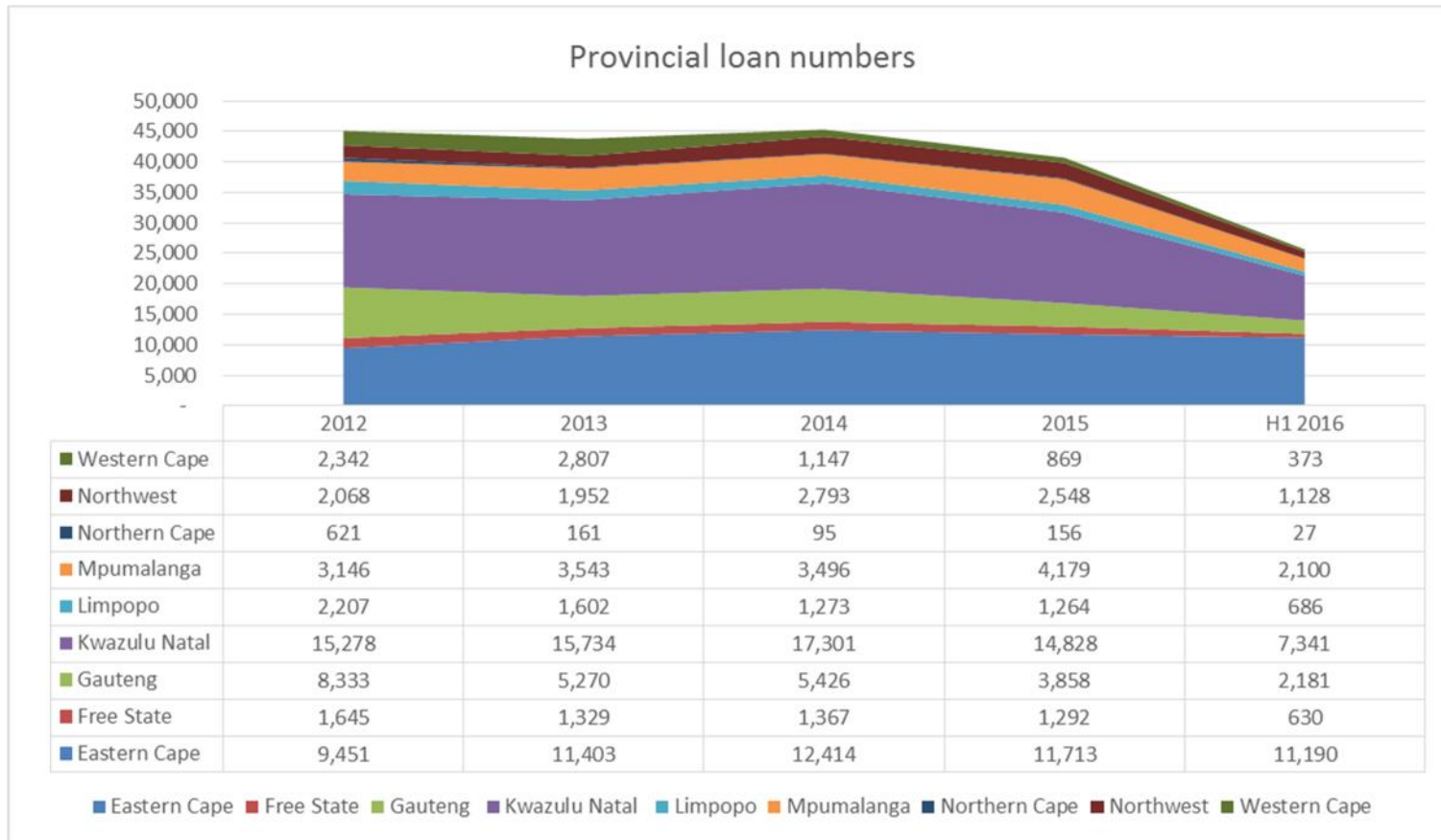
## Loan outcomes

Development mandate statistics compiled from monthly Housing Mandate Monitoring Reports		YTD 2016			
		Number	Percentage	Value	Percentage
Number of new loans	Budget	43,457		258,329,000	
	Actual	20,141		113,691,150	
Loan usage					
New House		452	2%	7,343,989	6%
Extension		1,077	5%	13,351,228	12%
Improvement		16,333	81%	78,897,517	69%
Basic Services		1,814	9%	6,500,295	6%
		19,675	98%	106,093,028	93%
Others (mainly education)		466	2%	7,598,122	7%
		<b>20,141</b>	<b>100%</b>	<b>113,691,150</b>	<b>100%</b>
Repeat loan borrowers		6,958	35%	28,795,668	25%
Borrowers using loan together with government subsidy		678	3%	4,126,187	4%
Gender of borrower					
Male		8,069	40%	58,153,416	51%
Female		12,072	60%	55,537,734	49%
Borrower's employment					
Private sector		5,593	28%	60,759,612	53%
Public sector		1,289	6%	19,821,280	17%
Self-employed, informal		506	3%	3,181,392	3%
State pension		12,701	63%	29,602,478	26%
Farm Workers		52	0.3%	326,387	0%
		<b>20,141</b>	<b>100%</b>	<b>113,691,150</b>	<b>100%</b>
Borrower's income					
less than R1 500		12,644	63%	28,100,588	25%
R1 501-R2 500		1,217	6%	7,475,601	7%
R2 501-R3 500		1,564	8%	10,751,290	9%
		15,426	77%	46,327,478	41%
R3 501-R6 000		1,526	8%	14,963,688	13%
R6 001-R9 800		1,096	5%	14,326,841	13%
R9 800-R15 000		1,020	5%	16,875,762	15%
>R15 000		1,073	5%	21,197,381	19%
		<b>20,141</b>	<b>100%</b>	<b>113,691,150</b>	<b>100%</b>

### Commentary:

- 98% of loans disbursed in the first half of 2015/16 were used for the mandated purpose.
- 60% of loans were accessed by women.
- 63% of the loans were accessed by pensioners at a much discounted interest rate to enhance affordability of housing loans.
- 77% of loans were accessed by people earning R3 500 per month and below

### Provincial distribution of loans

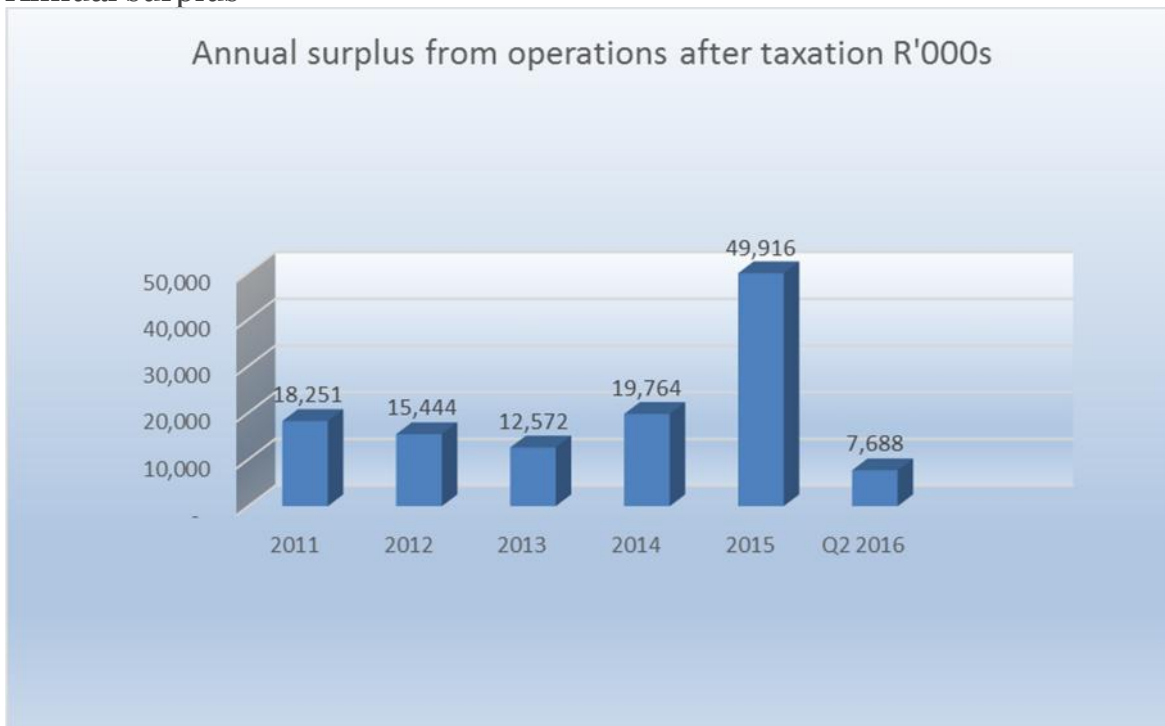


### Financial performance and capital preservation

	Budget for year	Quarter 1		Quarter 2		Half year			Commentary
		Actual	Actual	Budget	Variance	Actual	Budget	Variance	
Expenditure excluding debtors provision (R000)	(19,205)	(4,071)	(4,651)	(4,743)	92	(8,722)	(9,365)	643	Lower employee costs due to slow recruitment as well as lower depreciation due to delay in issuing IT tender
Operating surplus after taxation (R000)	13,010	4,976	2,712	1,173	1,539	7,688	4,698	2,990	Lower revenue than budgeted was offset by increased interest on cash holdings and lower expenses

The company revenue of R20,6 million is behind the R22,6 million as a consequence of the low demand for funding by intermediaries. This is slightly offset by earnings on cash retained in the bank (South African Reserve Bank). The rate at the bank is significantly less than that earned on disbursed funds, even when disbursed at the lowest rate offered in our pricing policy.

### Annual surplus



The unusually high performance in 2015 was a result of a backdated exemption from income tax. Clearly this will not be repeated.

## Who are we?

### Ownership and operating structure

The Rural Housing Loan Fund SOC NPC is owned by the people of South Africa represented by the Minister of Human Settlements.

The business is registered as a Not For Profit company in terms of the Companies Act and is listed under Schedule 3A of the Public Finance Management Act. It operates as a not for profit organisation with an exemption from income tax.

### People

Other than interns all the Rural Housing Loan Fund employees shown below have full-time employment contracts.

#### Executives

<b>Jabulani Fakazi</b> <ul style="list-style-type: none"> <li>• Chief Executive Officer</li> <li>• Appointed March 2010</li> <li>• Joined the Rural Housing Loan Fund February 2002</li> <li>• Black male</li> </ul>	<b>Bruce Gordon</b> <ul style="list-style-type: none"> <li>• Chief Financial Officer</li> <li>• Appointed and joined the Rural Housing Loan Fund February 2012</li> <li>• White male</li> </ul>
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#### Client Focus

<b>Tsaliko Ntoampe</b> <ul style="list-style-type: none"> <li>• Client Executive</li> <li>• Appointed 2003</li> <li>• Black female</li> </ul>	<b>William Malatji</b> <ul style="list-style-type: none"> <li>• Client Executive</li> <li>• Appointed 2003</li> <li>• Black male</li> </ul>	<b>Relebile Moeketsi</b> <ul style="list-style-type: none"> <li>• Junior Client Executive</li> <li>• Appointed 2010</li> <li>• Joined the Rural Housing Loan Fund 2009</li> <li>• Black female</li> </ul>	<b>Lindokuhle Ndlovu</b> <ul style="list-style-type: none"> <li>• Junior Client Executive</li> <li>• Appointed July 2013</li> <li>• Joined the Rural Housing Loan Fund July 2012</li> <li>• Black male</li> </ul>	<b>Motlalepule Mothobi</b> <ul style="list-style-type: none"> <li>• Junior Marketing Consultant</li> <li>• Appointed 2010</li> <li>• Joined the Rural Housing Loan Fund 2009</li> <li>• Black female</li> </ul>
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#### Risk management

<b>Makgalaborwa Maila</b> <ul style="list-style-type: none"> <li>• Risk Manager</li> <li>• Joined the Rural Housing Loan Fund 2003</li> <li>• Black male</li> </ul>	<b>Caroline Ndlovu</b> <ul style="list-style-type: none"> <li>• Risk Analyst</li> <li>• Appointed February 2014</li> <li>• Black female</li> </ul>	<b>Klaas Motshabi</b> <ul style="list-style-type: none"> <li>• Junior Development Monitor</li> <li>• Appointed July 2013</li> <li>• Joined the Rural Housing Loan Fund July 2012</li> <li>• Black male</li> </ul>	<b>Mlungisi Hlabangani</b> <ul style="list-style-type: none"> <li>• Junior Risk Analyst</li> <li>• Appointed in June 2015</li> <li>• Joined the Rural Housing Loan Fund as an intern June 2014</li> <li>• Black male</li> </ul>	<b>Kenneth Molapo</b> <ul style="list-style-type: none"> <li>• Intern Development Monitor</li> <li>• Appointed August 2015</li> <li>• Black male</li> </ul>
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## Administration

<b>Myriam Kheza</b> <ul style="list-style-type: none"> <li>Office Manager</li> <li>Appointed 1996</li> <li>Black female</li> </ul>	<b>Porche Knauf</b> <ul style="list-style-type: none"> <li>Accountant</li> <li>Appointed 2002</li> <li>White female</li> </ul>	<b>Dipolelo Chuene</b> <ul style="list-style-type: none"> <li>Assistant Office Administrator</li> <li>Appointed and joined the Rural Housing Loan Fund 2010</li> <li>Black female</li> </ul>	<b>Rhona Mokhele</b> <ul style="list-style-type: none"> <li>Office Assistant</li> <li>Appointed and joined the Rural Housing Loan Fund 2005</li> <li>Black female</li> </ul>
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## Performance incentive bonus

The following table shows how the calculation of performance bonuses is made as well as the progress towards there so far this year.

Categories of performance	Weight	Target	Actual	Achievement	Result	Minimum achievement
1) Financial (50%) : Surplus R000	50%	4,912	7,688	157%	50.0%	100%
2) Impact (50%):						
Annual Disbursements R000	30%	140,850	41,126	29%	0.0%	80%
Number of loans	10%	23,198	20,141	87%	8.7%	80%
Percentage of reported housing loans	10%	88.0%	97.8%	111.1%	10.0%	75%
					68.7%	75%

A performance bonus will only be payable after the end of the financial year if minimum achievement has been met as shown in the table above. Currently the company is 5% below that target.

## Training

While the Rural Housing Loan Fund has a small team the majority of employees have been promoted into their roles, reflecting on the success of the Rural Housing Loan Fund's policy to improve the skills base of its employees.

	Half 1 2016	Breakdown Client				
		Board R	Executives R	Focus R	Risk R	Administration R
University fees	76,353			45,500		30,853
Short courses	145,910	13,956	9,118	41,734	40,334	40,768
<b>Total</b>	<b>222,263</b>	<b>13,956</b>	<b>9,118</b>	<b>87,234</b>	<b>40,334</b>	<b>71,621</b>
Number of people	20	2	2	4	4	5
Budget	86,000					
Average spend per person	11,113	6,978	4,559	21,808	10,083	14,324
Budget as % of employee costs	1.29%					

A director and an executive attended a governance event at the Institute of Directors in Southern Africa. A member of the administration team attended an isiZulu course.

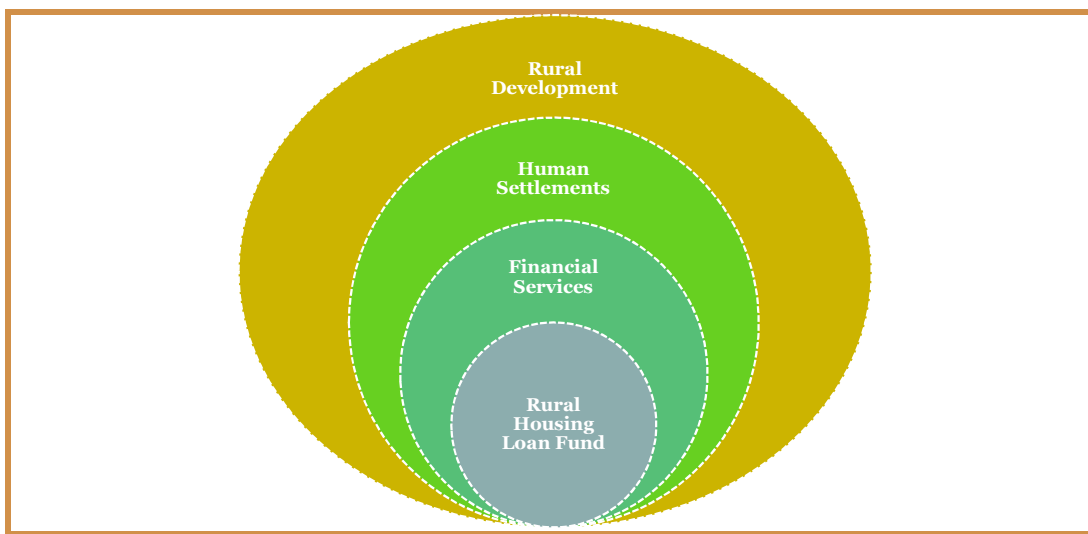
## Employment equity

Level	African female	Coloured female	Indian female	White female	Total female	African male	Coloured male	Indian male	White male	Total male	Total
Executive	-	-	-	-	-	1	-	-	1	2	2
Managers	2	-	-	1	3	2	-	-	-	2	5
Skilled	3	-	-	-	3	2	-	-	-	2	5
Trainees	2	-	-	-	2	1	-	-	-	1	3
Total	7	-	-	1	8	6	-	-	1	7	15

## What do we do?

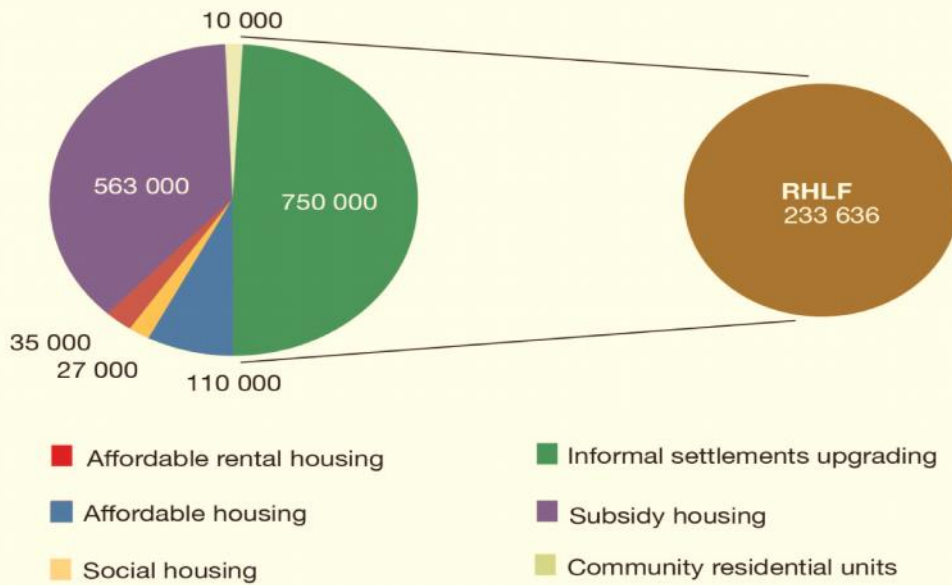
The Rural Housing Loan Fund adds value to its stakeholders by efficiently utilising its limited funding to improve the lives of rural South Africans by ensuring that they are able to access funding to improve their housing conditions. In essence, our operation is embedded in three sectors, namely: rural development, human settlements and financial services.

We are set up as a wholesale funder and have established a delivery mechanism through our intermediary partners who enable households in rural areas to access finance to improve their living conditions and in the process contribute to sustainable rural human settlements and rural development. The graph below summarises this relationship



## Commitments of the Minister of Human Settlements

The Minister of Human Settlements has committed to the delivery of 1,495,000 housing opportunities during the term of the current government. This delivery will be carried out by the Department of Human Settlements, the public entities that report to the Minister and the private sector. The following table shows the breakdown of these opportunities by type, indicating where Rural Housing Loan Fund delivers.



### Rural Housing Loan Fund’s contribution

The Rural Housing Loan Fund offers unsecured loans through intermediaries to retail borrowers in rural areas and small towns who, currently, earn under R15,000 per month. However, some of the borrowers in rural areas do earn slightly above this level.

The Rural Housing Loan Fund is committed to the delivery of 233 636 housing opportunities during the present term of Government. We will report quarterly and annually on our performance towards achieving the number of loans we have planned to deliver by the end of the Medium Term Strategic Framework period.

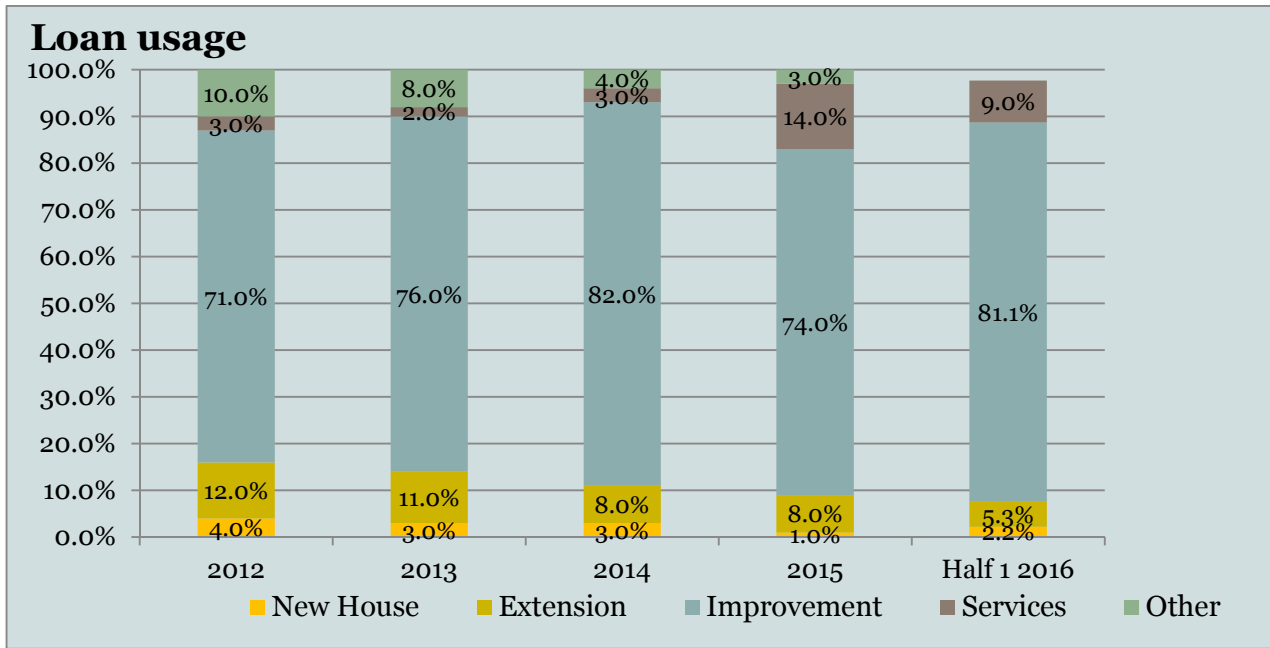
	Previous term		Current term					
	Target	Audited	Target	Year 1 audited	Half Year 2	Outcomes to date	% Achieved to date	
Incremental rural housing loans (number)	181,111	209,866	233,636	40,185	20,141	60,326	25.8%	The more loans issued the better RHLF's influence on the living standards of rural people
Percentage used for housing	80.0%	94.0%	88.0%	96.0%	97.8%	96.9%	NA	The higher the % the more loans are used appropriately
Percentage to people earning over R15,000 (R9,800 in previous term)	20.0%	12.7%	12.0%	2.0%	5.0%	3.5%	NA	The lower this % is, the fewer loans are issued to people outside of RHLF's target income
Percentage to people earning under R3,500	60.0%	72.0%	60.0%	75.0%	76.7%	75.8%	NA	The higher this % the more loans are issued to people earning below R3,500

### Loan usage

The following graph shows how people use the loans that they receive from the Rural Housing Loan Funds intermediaries.

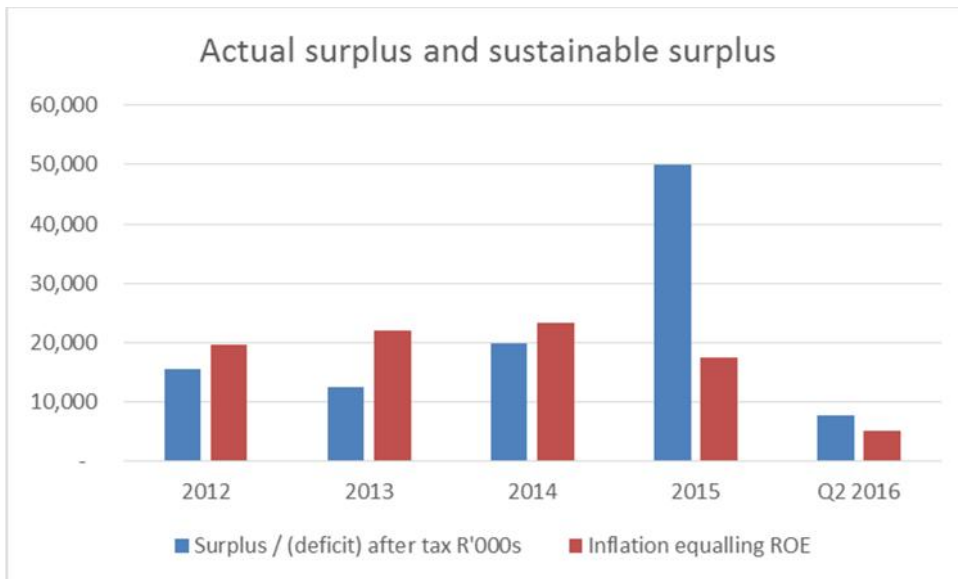
### Income category of borrowers

The following indicates the monthly income of people accessing the Rural Housing Loan Fund loans.



### Value added to remain sustainable

In order to remain financially stable it is necessary that the Rural Housing Loan Fund earns a return on its equity higher than the inflation rate.



The large spike in 2015 is a consequence of the company obtaining a back dated income tax exemption.

During the first half of the year the business earned a return sufficient to ensure its sustainability. Clearly this needs to be managed carefully as too high a return would mean that the beneficiaries would be paying more than was necessary.

## The environment in which we operate

The Rural Housing Loan Fund's delivery on its mandate is largely influenced by various factors in the external environment in which we operate. Some of these factors come from the government policy context, while others come from the business environment.

### Government development policy

As a government owned entity, we have to take into account the government development policy agenda. In this context the government priorities as enunciated in the National Development Plan and the governing party are taken into account in the delivery of our services to the target market:

- **Rural development:** This is has been one of the government apex priorities for a long time. The National Development Plan also dedicates a chapter on building an Integrated and Inclusive Rural Economy. Therefore in our mandate delivery we ensure that loans that will facilitate reaching the rural nodes that are prioritised by government in terms of the Comprehensive Rural Development Programme.

**Sustainable human settlements:** We contribute to the transformation and creation of human settlements, which is chapter eight of the National Development Plan and also contribute to Outcome Eight of the Government's Medium term Strategic Framework. Our activities result in low income earners in the mandate accessing loans to achieve adequate housing.

- **Supporting the development of Small, Medium and Micro Enterprises (SMMEs):** Government has prioritised the development of SMMEs to the extent that a new Department of Small Business has been established after the May 2014 elections. We therefore continue to intensify our efforts to identify start-up commercial intermediaries who want to venture into incremental housing finance lending and provide support mechanisms to ensure they reach sustainability. Furthermore, we continue to identify community based organisations such as stokvels, co-operatives, building clubs and associations in order to ensure that we are able to deepen our reach to the informally and self-employed people.
- Our development focus will continue to be on supporting applicable aspects of the National Development Plan to ensure that people within our mandate are able to access housing loans so that they also experience the journey towards Vision 2030. To this end we expect to appoint a dedicated team to concentrate on this aspect of the business.



### Economic growth and unemployment

The economic environment in which the Rural Housing Loan Fund operates remains challenging. Economic growth prospects are showing no signs of recovery with retrenchments in the mining industry continuing and Evraz Steel going into business rescue. Arcelor Mittal is also struggling to continue operating.

The fact is that the domestic economy is not growing fast enough to create jobs that are so desperately needed to make a dent on the dire unemployment situation.

### Credit industry

Towards the end of 2014 the micro-lending environment was put under enormous pressure with the collapse of African Bank and the placing of Bridge Finance into business rescue. This has since seen a number of funders of these institutions reduce their exposure to the industry, making it more difficult to find investors interested in lending to micro-lenders. There was a noticeable tightening of the credit criteria by lenders, including the Rural Housing Loan Fund’s intermediaries. There is no let up on this pressure in sight yet.

The over indebtedness in the market is such that the Rural Housing Loan Fund’s intermediaries continue to decline between 45% to 90% of all applications received. Their provisions for bad debts can amount to as much as 70% of all loans outstanding by value.

The maximum legal lending rate permitted in terms of the National Credit Act for micro-lending is

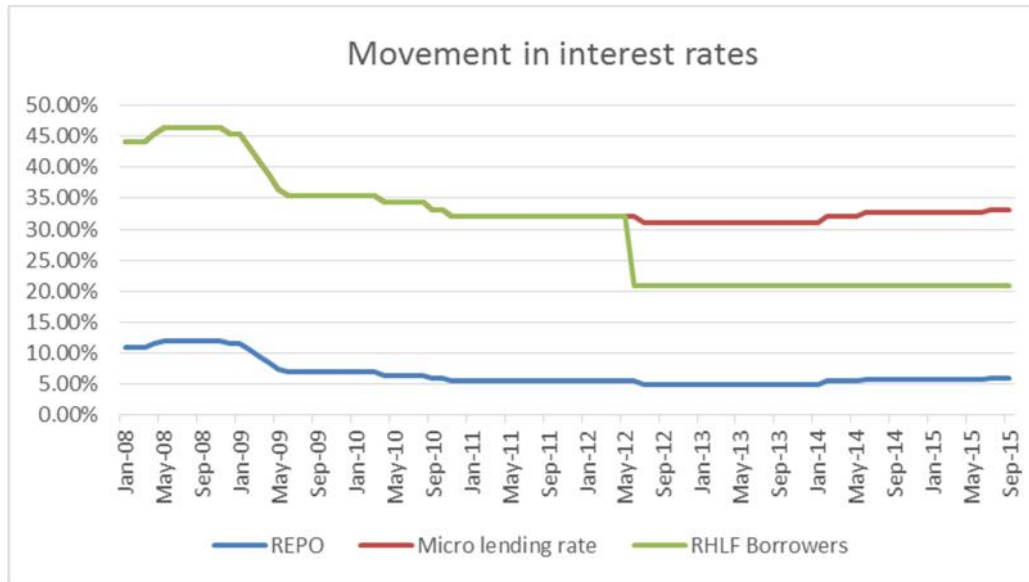
$$(REPO \text{ Rate} \times 2.2) + 20\%.$$

In practice this results in the maximum rate allowed increasing by 2.2% for every single percent that the REPO rate moves. The Rural Housing Loan Fund has as part of its mandate been instructed to find ways of reducing this interest burden on our borrowers who are the lowest income earners in the country. To this end the Rural Housing Loan Fund Pricing Policy sets the following rates on new lending, where no special conditions are attached (such as subordinations).

Rate charged to retail borrowers	Rate charged by the Rural Housing Loan Fund
REPO x 2.2 + >18 %	Prime + 4%
REPO x 2.2 + >16-18 %	Prime + 3%
REPO x 2.2 + >14-16 %	Prime + 2%
REPO x 2.2 + >12-14 %	Prime + 1%
REPO x 2.2 + >10-12 %	Prime %
REPO x 2.2 + 10 or less %	Prime - 1%

Effectively with this policy in place, the majority of our retail homeowners are currently able to borrow at 21% which is effectively 11.65% below the maximum allowed by the National Credit Act. The lowest rate at which retail borrowers are able to access funding at is 15%, less than half the current maximum.

Historically in South Africa interest on loans below R10, 000 were unregulated by Usury Act of 1968. During this time interest rate for such loans, which were granted under the Usury Act Exemption Notice, was not capped and as a result micro-lenders could charge interest as high as they wanted. Since 2007 all loan interest and fees have been regulated by the National Credit Act, resulting in significant reduction in the cost of credit that borrowers face. The following graph reflects the historical trends in interest rates charged on housing microloans facilitated by the Rural Housing Loan Fund compared to the market.



Subsequent to the end of the quarter, Lendcor has announced that it will be reducing the interest rate charged to pensioners from 21% to 15%.

### Effect of interest rates

While the interest rates charged by the Rural Housing Loan Fund’s cheapest intermediaries still appear high when compared to those charged on secured debt the following points need to be considered:

- These loans are unsecured. If the retail borrower does not repay a loan, their house cannot be repossessed by the lender.
- These loans are small and require a large amount of administration in relation to the amount being borrowed.
- In general while micro-lenders have a bad reputation, the majority are struggling to survive. In the Rural Housing Loan Fund’s experience, this is because of bad debts not excessive pay or dividends to shareholders.
- We discount interest rate to our housing microfinance intermediaries and they in turn lower the cost of credit to their borrowers, thereby reducing even further the total cost of credit.

### National Credit Act changes

During the quarter the National Credit Regulator issued proposed amendments to the regulations issued under the National Credit Act. These have the effect of



reducing the interest payable on consumption borrowing, but in effect leaving the charges for development lending constant. Given RHLF’s experience with the lower risk of development lending, our submission suggested that the development lending rate should be reduced, enabling people who borrow responsibly to pay lower rates.

## How we engage with our stakeholders

We maintain an open dialogue with all our stakeholders in the execution of our mandate. Our stakeholders are those entities or individuals who are greatly affected by the Rural Housing Loan Fund activities and that we also expect to have influence on our delivery of the organisational mandate. The manner in which we engage with our stakeholders and frequency of engagements vary by each stakeholder. Our engagement with each stakeholder is based on identified issues or matters of concern that may have impact on our stakeholders or our delivery on its mandate. During Quarter 1 of 2016 financial year, we engaged with the following stakeholders:

Stakeholders	Method of engagement	Purpose of engagement
Ministry and Department of Human Settlements	Meetings and presentations	<p>Presentation of Progress Report on the Voucher Programme to MINMEC</p> <p>Presentation of Rural Housing Loan Fund 2015 Quarter 4 performance. Participation in various committees and task teams of the department.</p> <p>Briefing to the Mining Towns Steering Committee on the role of Rural Housing Loan Fund in addressing housing issues in mining towns.</p> <p>Presentation on Repositioning the Housing Consumer Education—presentation made to national department and provincial departments.</p>
The Presidency: Department of Performance Monitoring and Evaluation	Meetings and presentation	Inputs into Strategy to address mineworker accommodation. (Strategy drafted by Shisaka).
Other government departments: <ul style="list-style-type: none"> <li>• National Treasury (NT)</li> <li>• Rural Development &amp; Land Reform (RDLR)</li> </ul>	Meetings and workshops	<p>NT: Discuss RHLF application for funding from KFW and government; PFMA compliance related matters</p> <p>RDLR: Discuss areas of collaboration between RHLF and RDLR and extend invitation and extend presentation on rural development at the annual workshop</p>

<b>Local Government (Municipalities):</b> <ul style="list-style-type: none"> <li>• Moses Kotane</li> <li>• Kgetleng</li> <li>• Kuruman</li> </ul>	Briefings and presentations	Build capacity of councillors and municipal officials on incremental housing finance and the role of Rural Housing Loan in supporting incremental housing
<b>Intermediaries (existing and potential, commercial and community based organisations)</b>	One-on-one meetings	Discuss funding requirements of our existing clients and potential clients; and doing appraisals on potential clients to assess suitability of them becoming our intermediary partners
<b>Funders (KFW)</b>	Written correspondence Meeting	Discussion on the outcome of the Ex post evaluation mission report Discussion of consolidation Human Settlements Development Finance Institutions and new products (energy housing)
<b>Other Development Finance Institutions: NURCHA &amp; NHFC, SEFA &amp; CBDA</b>	NURCHA & NHFC: one on one and meetings among the three institutions  Small Enterprise Finance Agency (SEFA): one on one meetings  Co-operatives Bank Development Agency—one on one meeting	Discussions on the consolidation of the Development Finance Institutions  Share information on risk issues identified on common client, Moliko. Discussion on partnership to support Co-operative Finance Institutions
<b>National Credit Regulator</b>	Written communication and formal meetings	Follow up on issues pertaining to credit life insurance. Objective is to ensure all our intermediaries are compliant with regulatory requirements
<b>Borrowers (people who access housing loans from our intermediaries—Real People, Lendcor, Thuthukani and Norufin)</b>	Borrower interviews at their homes	To conduct verification of loan usage and other mandate compliance issues
<b>Employees</b>	Continuous staff engagement at various levels, staff meetings, training and development needs, internal workshops and performance reviews	Enhance operational performance of RHLF and enhance team performance
<b>Suppliers/service providers</b>	One-on-one meetings	Delivery of good and services
<b>General members of public</b>	Advertisement in various media Radio interviews of the Chief Executive Officer: Tru FM, Metro FM, Power FM	Raising awareness about Rural Housing Loan Fund and its incremental housing finance product

## How we are governed

### The Board of Directors

The company has a maximum of 8 directors at any one time. The composition of the board of directors provides for a majority of non-executive directors, including a non-executive chairperson. The Chief Executive Officer is the only Executive Director on the Board. The Chief Financial Officer acts as a Company Secretary and is not a director.

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.

During the last financial year, the entire Board was reappointed by the Minister to serve until 31 March 2016 or the conclusion of the consolidation of the three Human Settlements development finance institutions, whichever happens first.

Currently, there are four non-executive directors as a result of the Minister not willing to fill in vacancies due to the imminent consolidation of the Human Settlements DFIs. In view of the limited number of directors additional responsibilities have been taken on by all members of the Board to ensure that governance is maintained.

### Responsibility

This quarterly integrated report is prepared on behalf of the Board by the Executives of the Rural Housing Loan Fund. The Audit and Risk Committee is delegated with the responsibility of approving the report. The Board is however responsible for the systems and controls that are used to prepare this report. For this reason the Board acknowledges that final responsibility for this report, as well as the results it presents, rests with the Board of Directors.

### The Board Structure



### Board Committees

Committees established by the Board are the following

#### Audit and Risk Committee

- Meets at least four times a year, with management and the external and internal auditors;
- Reviews the financial statements and accounting policies, the effectiveness of management information and other systems of internal control, quarterly financial reports, addresses the internal and external auditors' findings by ensuring that management takes the necessary action to correct issues raised and
- Monitors and evaluates the company's enterprise risk management strategy and its implementation.

#### Credit and Development Committee

- Meets as needed but usually six times per annum;
- Considers applications for new facilities to clients;
- Approves changes to existing facilities;
- Monitors credit and related risks in terms of the Risk Management Policy and
- Monitors the Rural Housing Loans Fund's development delivery.

#### Human Resources, Ethics and Remuneration Committee

- Meets at least three times per annum.
- Is responsible for:
  - all human resources policies
  - the management of human resources;
  - the provision of guidance and monitoring with regard to ethical issues;
  - the review of employee remuneration and
  - recommending to the Minister of Human Settlements candidates for appointment as directors in its capacity of Nomination Committee in terms of the company's Memorandum of Incorporation.

The Rural Housing Loan Fund substantially complies with King III and fully complies with the Public Finance Management Act of 1999, as amended.

## Risks and opportunities

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### Managed risks

The Rural Housing Loan Fund is in the business of being a wholesale provider of housing finance to micro-lenders as intermediaries. The two greatest risks it faces are:

- The failure of an intermediary to repay funds and
- The failure of an intermediary to perform according to the Rural Housing Loan Fund's mandate.

These risks are well managed through:

- Conducting of due diligences on retail lenders prior to them being approved as our intermediaries;



- Approval of loans by the Credit and Development Committee of the Board;
- A minimum of an annual risk review of each client with the results submitted to the Credit and Development Committee;
- Monthly reporting by clients on their development and financial performance, and
- Mandate compliance reviews conducted on site by the Rural Housing Loan Fund’s team.

### Business process

The following goal was achieved in the Rural Housing Loan Funds efforts to ensure that its mandate risk is minimised.

	Budget for year	Quarter 1	Quarter 2			Half year			Commentary
		Actual	Actual	Budget	Variance	Actual	Budget	Variance	
Loan verification visits	10	4	2	3	-1	6	6	0	Target achieved
Disbursements to retail intermediaries including rollover funds R000	258,329	24,193	16,933	67,476	-50,543	41,126	137,901	-96,775	The ongoing weakness in the credit market is leading to intermediaries not drawing as much as was budgeted.

The governance, financial and control risks of the business are well managed with an established internal audit process ensuring compliance with the Rural Housing Loan Fund’s policies and procedures. Outsourced Internal Audit reports through the Audit and Risk Committee.

The Rural Housing Loan Fund also has a reputation risk that is generally managed through the above processes. However in order to increase its visibility the Rural Housing Loan Fund targets media for briefings, and training of municipal councillors and officials on our products and takes advertising in media targeting our retail borrowers. The Company also has an annual workshop where it interacts with current and potential intermediaries to discuss industry relevant issues.

The following are strategic objectives that are implemented to manage risks and opportunities. We report how we performed on these during the year under review in the performance information section.

- *Sharpen portfolio risk management and enhance early warning system:* This is achieved by measuring the number of client due diligences, risk reviews and loan verification reviews performed at RHLF’s intermediaries.
- *Accelerate client acquisition process.* The goal here is to develop our business by ensuring that we take suitable credit proposals to the Credit and Development Committee.
- *Targeted positioning and branding of the Rural Housing Loan Fund.* These goals are set to ensure our business model is presented to various stakeholders, including the general public. This is measured by number of media briefings, number of paid editorials and advertisements placed and the number of information briefings to various stakeholders.

### Emerging risks

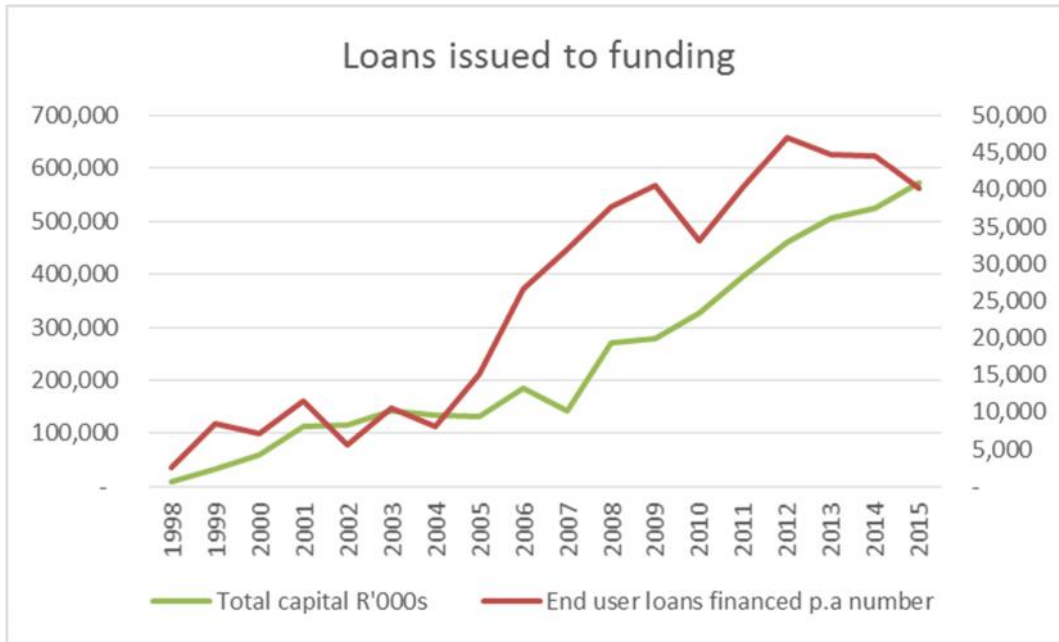
The Rural Housing Loan Fund is faced with the following emerging risks.

Risk description	Cause	Mitigation	Going forward
Development Financial Institution merger	Policy decision	Ensuring that the Rural Housing Loan Fund's mandate is protected	Selling of the benefits of the Rural Housing Loan Fund's mandate
Debt levels of retail borrowers	Overenthusiastic lending by consumption lending businesses	Looking for intermediaries who can deliver in areas where indebtedness is lower	Educating consumers on the management of their finances
Inability to earn an adequate Return on Equity	The need to reduce interest rates to retail borrowers	Additional funding is required, ideally grant funds that can earn the Rural Housing Loan Fund additional funds  Income tax exemption  Relaxation of Development Bank of Southern Africa / KFW liquidity covenant	Further relaxation of covenant  Exemption from requirement to deposit spare funds with the Corporation for Public Deposits where interest rates are lower than the market.
Inability to achieve success with community based organisations	Lack of resources well skilled in successfully working with these organisations	Using Junior Clients Executives to manage these	KFW funds will be used to support community based organisations

## Looking forward

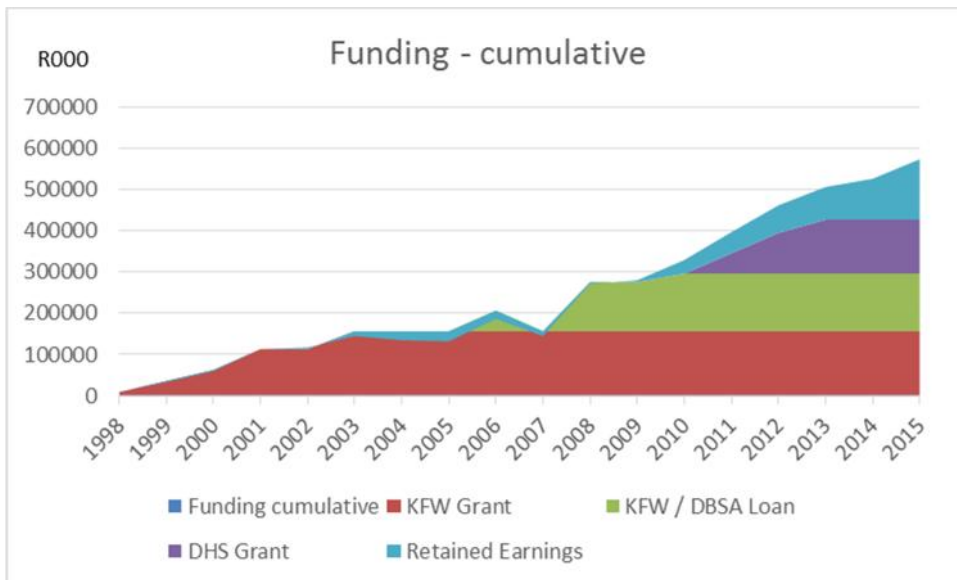
### Funding

Despite the challenges that the economy poses, the biggest constraint on the Rural Housing Loan Fund delivering to more of its potential retail borrowers has been inadequate funding. While the current cash situation belies this as a constraint, as the economy picks up so the need for additional funds rises exponentially. The entity needs to be funded to the extent that it is ready to meet the increased demand as it arises. During the last upturn we were unable to meet the demand. The following graph indicates how the Rural Housing Loan Fund's delivery of housing loans tracks with the funding that is available.



The only time that housing loans do not grow with funding is during times of economic downturn and microfinance industry challenges. While the country is currently facing these challenges, the Rural Housing Loan Fund is confident that by obtaining funds now it will be in a position to meet the demand as it arises. A delay in receiving funding until the economy improves will lead to delays while the Rural Housing Loan Fund tries to build its intermediary capacity when the funds do become available.

The following table shows how we have been funded since starting operations in 1998.



### Planned projects

In order to assist the Rural Housing Loan Fund its funder KFW has provided an accompanying measure grant to be used for business development, including research. Currently the Rural Housing Loan Fund is considering the following research projects.



Description	Purpose	Contribution to mandate
Capacity development for community based organisations and start up intermediaries	Develop capacity to enhance ability to absorb funding and scale up delivery	Enables wider spread of funding, lower interest rates and more self-employed borrowers
Joint marketing programmes with start-ups	Improve the competitiveness of the market and enable disadvantaged people to become intermediaries	Enables wider spread of funding and development of intermediaries by previously disadvantaged South Africans
Borrower location and affordability research	To provide new and existing intermediaries with market information	More competition and development of new markets
Impact assessment	Assessing whether the Rural Housing Loan Fund's lending model is improving the livelihoods of rural low income earners	Assess the actual improvement the Rural Housing Loan Fund's incremental housing programme provides to its retail borrowers
Research products the Rural Housing Loan Fund may add to enhance	Identify products, in addition to incremental lending, whereby the Rural Housing Loan Fund that can improve the lives of rural low income earners	Widening the scope of the Rural Housing Loan Fund's mandate in order to further improve the lives of rural people in South Africa
Quality assessment of houses	Assess the quality of improvement of housing conditions in rural human settlements as a result of the Rural Housing Loan Fund's funding	Assessment of the quality of houses built and extensions done with the Rural Housing Loan Fund funding

In addition to these KFW funded projects the Rural Housing Loan Fund:

- has budgeted for a computer system that can be provided as a service to its start-up and growing clients to enable them to grow without having to outlay large amounts of capital upfront;
- the Rural Housing Loan Fund is redesigning its Credit and Investment Policy to enable it to provide equity funding to developing businesses from previously disadvantaged communities.

### Individual Rural Housing Subsidy Voucher Programme

A factor that is expected to extend our mandate is the anticipated approval for Rural Housing Loan Fund to pilot the above programme. This is a programme that will enable qualifying individuals to obtain a voucher to buy the necessary materials to build a house, instead of being allocated a Breaking New Ground house. The Rural Housing Loan Fund has been appointed as the agent to implement this programme, once its implementation is approved. This will require a major modification of the company's structure as well as information technology systems. Currently we are managing the process of building of two houses in different provinces to assess the cost of building in different areas to ensure that the quantum used for the programme is adequate for the beneficiaries without being unaffordable to the fiscus.



## Consolidation of the Human Settlements Development Finance Institutions

The process to consolidate the three Development Finance Institutions is currently underway and the target date to achieve this is December 2015. It is planned that in the consolidated entity there will be one unit delivering incremental loans in both rural and urban areas of South Africa. We have been mandated to focus in rural areas, while the National Housing Finance Corporation has focused on urban areas. This will result in a need to set targets for both areas and ensure that the rural housing market is not disadvantaged with this shift. In addition, a huge capital injection will be required to meet the demand for incremental housing loans in both market segments. To scale up delivery in both markets will further entail building adequate human resource capacity to fulfil this mandate.

## Basis of preparation and presentation

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### Stakeholders

The purpose of an integrated report is to ensure that while shareholders are being informed, all stakeholders having an interest in the organisation are able to understand the report prepared by the organisation. For this reason this document is prepared, as far as possible, without jargon or abbreviations.

The Rural Housing Loan Fund considers its stakeholders, among others, to be the following:

- Retail borrowers;
- The people of South Africa;
- Its employees;
- Its intermediaries and their employees;
- Other Development Finance Institutions;
- Its suppliers;
- The Minister of Human Settlements;
- The Department of Human Settlements;
- Provincial Departments of Human Settlements;
- Rural Municipalities;
- The Parliamentary Portfolio Committee on Human Settlements and
- The Parliament of the Republic of South Africa.

### Future view

The Rural Housing Loan Fund views a year as short term, the term of government as medium term and any period beyond that as long term. The intention of the Board is that the company's mandate will continue to serve its stakeholders for as long as it adds value to the lives of the low income earners in rural areas who constitute our retail borrowers.

# Financial information

## Statement of financial position

	2015	30 Jun 15	31 Jul 15	31 Aug 15	30 Sep 15	Quarter 2	
	R000 Budget	R000 Actual	R000 Actual	R000 Actual	R000 Actual	R000 Budget	R000 Variance
<b>Current assets</b>	<b>270,392.0</b>	<b>369,534</b>	<b>378,964.9</b>	<b>377,685.6</b>	<b>397,432.3</b>	<b>310,287.6</b>	<b>87,144.7</b>
Cash and cash equivalents	131,848.0	194,354	203,736.2	202,483.5	221,401.3	126,246.6	95,154.7
Receivables	138,426.0	138,171	138,166.8	138,162.2	139,004.0	147,042.0	(8,038.0)
Prepayments	118.0	127	180.8	158.8	146.0	118.0	28.0
Taxation	-	36,881	36,881.1	36,881.1	36,881.1	36,881.0	0.1
<b>Non-current assets</b>	<b>313,818.0</b>	<b>208,278</b>	<b>200,245.9</b>	<b>202,592.8</b>	<b>184,092.7</b>	<b>265,682.0</b>	<b>(81,589.3)</b>
Receivables	302,760.0	198,369	190,352.2	192,715.0	174,142.3	255,581.0	(81,438.7)
Investments	9,564.0	9,517	9,517.0	9,517.0	9,517.0	9,564.0	(47.0)
Property, plant and equipment	1,494.0	359	344.5	330.2	404.2	537.0	(132.8)
Intangible assets	-	34	32.1	30.6	29.2	-	29.2
<b>Total assets</b>	<b>584,210.0</b>	<b>577,813</b>	<b>579,210.8</b>	<b>580,278.4</b>	<b>581,525.0</b>	<b>575,969.6</b>	<b>5,555.4</b>
<b>Liabilities</b>							
<b>Current liabilities</b>	<b>8,676.0</b>	<b>9,432</b>	<b>9,550.7</b>	<b>9,083.1</b>	<b>7,880.3</b>	<b>5,883.0</b>	<b>1,997.3</b>
Payables	1,411.0	1,299	1,062.8	1,397.0	626.0	1,261.0	(635.0)
Current portion of long term borrowings	5,814.0	5,999	5,999.5	5,999.5	5,999.5	2,985.0	3,014.5
Provisions	1,194.0	1,975	2,132.4	806.9	938.8	1,378.0	(439.2)
Employee benefits	257.0	158	356.0	879.7	316.0	259.0	57.0
Taxation	-	-	-	-	-	-	-
<b>Non-current liabilities</b>	<b>130,306.0</b>	<b>128,443</b>	<b>129,321.9</b>	<b>130,172.5</b>	<b>130,995.7</b>	<b>132,719.0</b>	<b>(1,723.3)</b>
Borrowings	130,306.0	128,443	129,321.9	130,172.5	130,995.7	132,719.0	(1,723.3)
Deferred taxation	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>138,982.0</b>	<b>137,876</b>	<b>138,872.6</b>	<b>139,255.6</b>	<b>138,876.0</b>	<b>138,602.0</b>	<b>274.0</b>
<b>Net assets</b>	<b>445,228.0</b>	<b>439,937</b>	<b>440,338.2</b>	<b>441,022.8</b>	<b>442,649.0</b>	<b>437,367.6</b>	<b>5,281.4</b>
<b>Funding</b>							
Grant capital	-	285,738	285,737.6	285,737.6	285,737.6	285,737.6	-
Retained earnings	100,402.5	154,200	154,600.9	155,285.6	156,911.9	151,630.0	5,281.9
<b>Funding</b>	<b>100,402.5</b>	<b>439,937</b>	<b>440,338.5</b>	<b>441,023.2</b>	<b>442,649.5</b>	<b>437,367.6</b>	<b>5,281.9</b>

## Statement of comprehensive income

	Annual	Quarter 1	Jul 2015	Aug 2015	Sep 2015	Quarter 2			Half year to date		
	R000 Budget	R000 Actual	R000 Actual	R000 Actual	R000 Actual	R000 Actual	R000 Budget	R000 Variance	R000 Actual	R000 Budget	R000 Variance
Revenue	44,209	9,827	3,352	3,384	4,018	10,754	11,359	(153)	20,581	22,566	(1,985)
Other income	4,929	2,661	1,012	1,013	1,034	3,059	1,082	2,569	5,720	2,719	3,001
Interest paid	(10,073)	(2,507)	(883)	(855)	(828)	(2,566)	(2,529)	(51)	(5,073)	(5,100)	27
Operating expenses	(26,054)	(5,005)	(3,080)	(2,857)	(2,598)	(8,535)	(8,524)	379	(13,540)	(15,032)	1,492
Accommodation	(1,257)	(220)	(74)	(2)	(77)	(152)	(314)	253	(372)	(628)	256
Legal and audit	(1,271)	(543)	(198)	(672)	398	(472)	(318)	(34)	(1,015)	(636)	(379)
Debtors provisions	(6,849)	(934)	(1,298)	(644)	(1,777)	(3,719)	(3,781)	63	(4,653)	(5,575)	922
Communication and IT	(599)	(107)	(57)	(144)	50	(150)	(153)	2	(258)	(295)	37
Depreciation	(850)	(47)	(16)	(16)	(16)	(47)	(211)	48	(95)	(418)	323
Employee costs	(11,848)	(2,664)	(1,274)	(1,021)	(961)	(3,257)	(2,963)	(169)	(5,921)	(5,926)	5
Marketing, promotions and workshops	(701)	(32)	(70)	(47)	(102)	(219)	(121)	(98)	(252)	(242)	(10)
Printing and stationery	(423)	(46)	(16)	(105)	(14)	(135)	(106)	(45)	(181)	(211)	30
Travel and entertainment	(1,675)	(186)	(115)	(102)	(58)	(275)	(444)	266	(461)	(787)	326
Other	(581)	(224)	37	(105)	(42)	(109)	(113)	92	(333)	(314)	(19)
<b>Net profit</b>	<b>13,011</b>	<b>4,976</b>	<b>401</b>	<b>685</b>	<b>1,626</b>	<b>2,712</b>	<b>1,387</b>	<b>2,744</b>	<b>7,688</b>	<b>5,153</b>	<b>2,535</b>

## Cash flow statement

	Quarter 1	31 Jul 15	31 Aug 15	30 Sep 15	Quarter 2			Half year		
	R000 Unaudited	R000 Unaudited	R000 Unaudited	R000 Unaudited	R000 Unaudited	R000 Budget	R000 Variance	R000 Actual	R000 Budget	R000 Variance
<b>Cash flows from operating activities</b>										
<b>Receipts</b>	<b>12,488</b>	<b>4,364</b>	<b>4,397</b>	<b>5,052</b>	<b>13,813</b>	<b>12,441</b>	<b>1,372</b>	<b>26,301</b>	<b>24,948</b>	<b>1,353</b>
Sale of goods and rendering of services	9,827	3,352	3,384	4,018	10,754	11,359	(605)	20,581	22,566	(1,985)
Interest, Dividends and Rent on land	2,661	1,012	1,013	1,034	3,059	1,082	1,977	5,720	2,382	3,338
<b>Payments</b>	<b>(4,008)</b>	<b>(1,767)</b>	<b>(3,522)</b>	<b>(805)</b>	<b>(6,094)</b>	<b>(4,250)</b>	<b>(1,844)</b>	<b>(10,102)</b>	<b>(12,330)</b>	<b>2,228</b>
Compensation of Employees	(2,664)	(1,274)	(2,347)	(961)	(4,582)	(2,895)	(1,687)	(7,246)	(4,612)	(2,634)
Goods and Services	(387)	(419)	(1,174)	233	(1,360)	(1,355)	(5)	(1,747)	(2,681)	934
Interest and Rent on land	(957)	(74)	(2)	(77)	(152)	-	(152)	(1,109)	(5,037)	3,928
Taxation Paid	-	-	-	-	-	-	-	-	-	-
<b>Net cash flows from operating activities</b>	<b>8,480</b>	<b>2,598</b>	<b>874</b>	<b>4,247</b>	<b>7,719</b>	<b>8,191</b>	<b>(472)</b>	<b>16,198</b>	<b>12,618</b>	<b>3,580</b>
<b>Cash flows from investing activities</b>										
Purchase of assets	0	(0)	(1)	(1)	(3)	(15)	12	(3)	(30)	27
Dividend income	-	-	-	-	-	169	(169)	-	169	(169)
Loans granted to associates / other economic entities	(24,193)	(5,000)	(2,200)	(8,500)	(15,700)	(67,476)	51,776	(39,893)	(137,901)	98,008
Loan repayments received from associates / other economic entities	31,437	11,768	75	23,173	35,016	67,969	(32,953)	66,453	134,267	(67,814)
<b>Net cash flows from investing activities.</b>	<b>7,257</b>	<b>6,784</b>	<b>(2,126)</b>	<b>14,672</b>	<b>19,329</b>	<b>647</b>	<b>18,682</b>	<b>26,586</b>	<b>(3,495)</b>	<b>30,081</b>
<b>Cash flows from financing activities</b>										
Proceeds from borrowings	-	-	-	-	-	-	-	-	-	-
Repayment of borrowings	(1,558)	-	-	-	-	-	-	(1,558)	(6,781)	5,223
Proceeds from issuance of contributed capital	-	-	-	-	-	-	-	-	-	-
<b>Net cash flows from financing activities</b>	<b>(1,558)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,558)</b>	<b>(6,781)</b>	<b>5,223</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>14,178</b>	<b>9,382</b>	<b>(1,252)</b>	<b>18,918</b>	<b>27,048</b>	<b>8,837</b>	<b>18,210</b>	<b>41,226</b>	<b>2,342</b>	<b>38,884</b>
Cash and cash equivalents at the beginning of the period	180,176	194,354	203,736	202,484	194,354	117,410	76,944	180,176	123,905	56,271
<b>Cash and cash equivalents at the end of the period</b>	<b>194,354</b>	<b>203,736</b>	<b>202,484</b>	<b>221,402</b>	<b>221,402</b>	<b>126,247</b>	<b>95,154</b>	<b>221,402</b>	<b>126,247</b>	<b>95,155</b>