Good business, doing good.

TUHF is a specialist financier committed to urban regeneration by providing professional financial services to emerging and established housing entrepreneurs engaged in profitable rental housing business.

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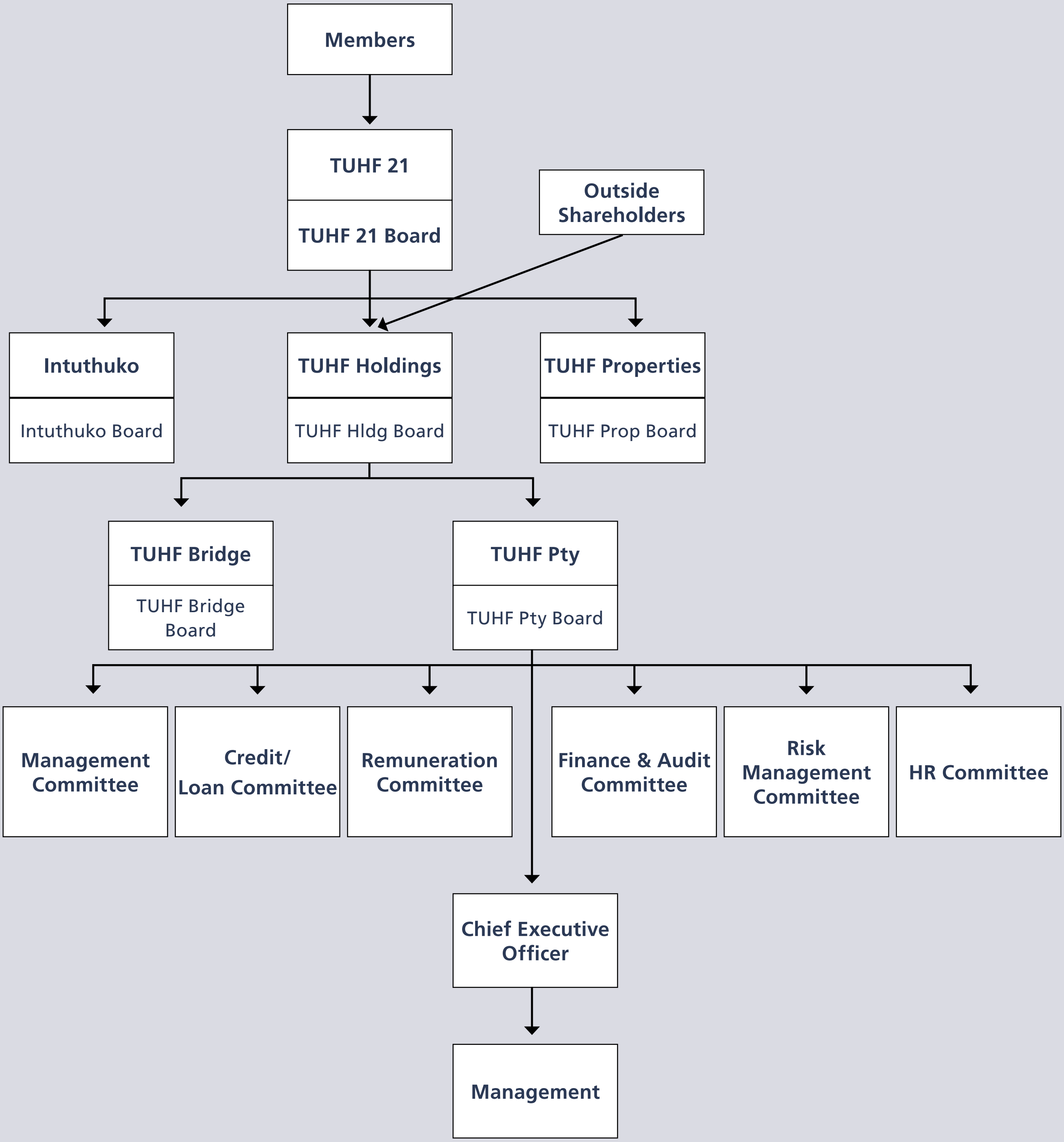
The TUHF Group of Companies

ANNUAL REPORT 2010

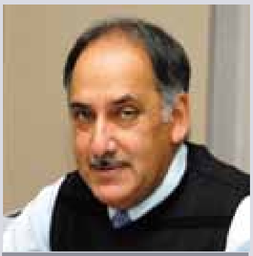
TUHF GROUP STRUCTURE



CONTENTS

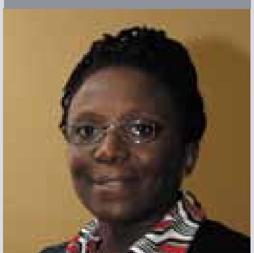
CHAIRMAN'S STATEMENT

"We will continue to lend in areas where traditional banks refuse to do so…seizing the opportunity to substantially grow our business."



DeputyChair:
Cas Coovadia
Managing Director: The Banking Association of South Africa

Rob Emslie
Head: FNB Credit Committee



Mandu Mamatela
Assistant Executive: Private/Public Projects NHFC

Snapshot of the year

"We prudently managed credit demand and… had a record year in approvals and profits."

Although we are not immune to the effects of the global recession, 2009 proved to be a year of **resilience and outstanding achievement.** While the traditional banking sector reverted to red lining the inner city areas of Johannesburg, The Trust for Urban Housing Finance (TUHF) acted decisively and continued to lend. We prudently managed credit demand and in spite of tightening our lending criteria in response to the economic downturn, consequently declining more opportunities than ever, we had a record year in approvals and profits.

Planning beyond the recession

"…to become a more viable, commercial enterprise … we undertook to restructure our operating companies."

Given TUHF's significant growth since our inception in 2003. Our status as a Section 21 company was hampering our ability to raise the required debt capital to fund our clients. In order to build our capital base and using our viable commercial enterprise as a base, we undertook to restructure our operating companies. From **September 2009** we were operating as **TUHF (Pty) Ltd.** Our new structure appeals to a broader range of investors and was, therefore, a necessary precursor to raising the sizeable capital required to finance projects and to pursue our national growth strategy.

A solid platform for growth

"…our progressive lending approach backed by a strict lending process consistently attracts new, quality entrants to the market."

TUHF enjoys a substantial market share because we lend in areas where other financial services are not readily available. The pace of **growth has not been slowed by the recession.** In fact the opposite is true, with a record number of loans made in this financial year. Since its inception TUHF has financed 14 786 units. There is little doubt that our competitive position as a specialised, commercial, property finance company and the market leader in our sector remains firm, while our commitment to the communities and cities in which we lend is demonstrated by our development objectives of urban regeneration, low income housing and Black Economic Empowerment.

In July 2009, TUHF opened an office in Durban (Kwazulu Natal) and we have since expanded into additional inner city areas in Gauteng, in particular the near nodes of Johannesburg and Pretoria. Plans are underway to introduce our regeneration model to Port Elizabeth (Eastern Cape) within the year. The impact of **geographical expansion** means that TUHF is accessible to more people in more areas thereby entrenching on one of our core values - to not just expand our business but to develop inner city communities.

We are still participant in (providing complimentary investment to) the Johannesburg City and the Johannesburg Development Association (JDA) led development programs. We are also affiliated to the Property Owners and Managers Association (POMA – an association of landlords), the JICBC (Johannesburg Inner City Business Coalition), and the National Association of Social Housing Organisations (NASHO). Sound co-operative partnerships with organisations in the areas in which we operate ensure that we adequately meet client needs.

We stand firm in our founding mandate to make markets work for property enterprises in South African cities.

Acknowledgements

"…Funders are crucial to the sustainability of our business."

Thanks to a broad-based collaborative effort, TUHF was able to successfully counter the challenges of a stressed economic climate, and achieve **real growth**. To reach such a level of achievement, is an enormous compliment to the Group's management, in that regard, I wish to thank Paul Jackson, our Chief Executive Officer.

To TUHF's clients, I would like to extend a word of gratitude for your ability to effectively manage your businesses, in-spite of such enormous challenges from the distressed economic environment.

Funders are crucial to the sustainability of our business. We would have been unable to provide lending during these difficult times without the backing of our principal sponsor, The National Housing Finance Corporation (NHFC), and that of Futuregrowth, The Development Bank of South Africa (DBSA), Cadiz Asset Management and the Gauteng Partnership Fund (GPF). On behalf of all at TUHF, **I wish to express my deepest appreciation** for their financial support and faith in our business model.

I wish to extend my gratitude to the members of the board and, on behalf of the board, thank all TUHF staff for their commitment and hard work.

The road ahead

"…We will continue to operate responsibly and successfully in inner city markets, providing specialised financial services."

Responding to the changing needs of our market, we invested in **sophisticated IT systems** to better utilise resources, to improve efficiencies throughout the business, and increase service performance.

We have embraced the need to diversify and grow our funding sources thereby limiting risk but retaining our original business model and target market. We will continue to **operate responsibly** and successfully in a market perceived to be riskier. TUHF has a track record of adapting to market needs quickly and putting ourselves **ahead of the market curve.** We are favourably positioned to tackle the challenges of inner city rejuvenation in South Africa and to emerge even stronger, in the future, as a lucrative commercial enterprise.

Yours Sincerely,

Samson Moraba
Chairman

Jill Strelitz
Executive Director Operations: National Urban Reconstruction and Housing Agency (NURCHA)

Paul Jackson
Chief Executive Officer: TUHF

Samson Moraba
Chairman (CEO: NHFC)

CHIEF EXECUTIVE REVIEW

Taking stock

" … successfully concluded our highest number of deals …"

The rental property market became increasingly challenging in 2009. Yet, in spite of the slower pace of economic recovery **TUHF increased loan approvals by 36%** (R512 million to exceed the target of R500 million). We grew the mortgage loan book by 44.8% (from R622 million to R901 million) while the **bridging finance book grew by 13%** (to R31.7 million). Although property registrations were impacted by the delay in clearance figures, we achieved an impressive R361 million of our R400 million mortgage loan disbursement target.

Responding to the financial crisis, traditional banks decreased their lending throughout the country. This tightening in credit resulted in the Johannesburg and other inner cities being red lined as comprehensively as 2003. We responded differently however, **seizing the opportunity to substantially grow our business** and consolidate our brand. Disinvestment on the part of the major banks created the opportunity for TUHF to offer better deals to our clients. In spite of declining more loans than ever before by tightening our lending criteria and focusing on good quality lower risk clients, we successfully concluded our highest number of deals year on year.

Since we focus on defined geographic areas we are able to **regularly visit our clients and their buildings,** and closely monitor utility payments. In fact, an important risk confronting TUHF clients is the huge utility increase expected, especially electricity tariffs. This will place tenants under increased financial pressure and will aggravate arrears management and rental growth. Nonetheless, we are always well informed of these and other customer issues, because **we regularly engage with clients and tenants** and are therefore, more likely to identify and pre-empt management issues. What's more, we actively encourage interaction between clients to establish an informal network, share information and mentor emerging property entrepreneurs.

Financial performance

"Operating profit…was significantly higher than the previous year…"

Overall TUHF delivered an **impressive set of results.** Operating profit of R15 092 762 million before tax and excluding an exceptional non-interest income of R8.2 million (which includes the recognition of

raising fee income deferred in prior years earned with the sale of the loan book to TUHF Pty), was significantly higher than the previous year figure of R468 963. A bad debt transaction provided for in the previous financial year was written-off. Against our normal loan impairment provisions however, the bad debts situation was managed well with a small increase in arrears to 0.56% of book, which, compared to financial services sector average, was good.

Reshaping our business

"...The restructuring will have a profoundly positive impact on our ability to secure funding."

The success of TUHF's business and the huge growth in loan assets meant we became increasingly undercapitalised. Given the uncertainty of a fragile economy, and the problems associated with a "Not for Profit", funders were reluctant to invest. Under pressure to build our capital base and recognising the opportunity to establish ourselves as a commercially viable enterprise in our own right, we decided to restructure our operating companies. **Commercialisation** also meant that we could guarantee retention of management and professional capacity.

As of 1st September 2009, TUHF's new business model is comprised of TUHF Holdings as the apex company with 100% shares in our two subsidiaries namely TUHF Bridge (Pty), our bridging finance company, and the newly formed TUHF (Pty) Ltd, our mortgage financing company. The **commercialisation process** involved the sale of our mortgage book and key assets at fair value to the newly formed TUHF (Pty) Ltd. The restructure also meant that TUHF (Pty) would take control of TUHF's existing funding. Other changes included the sale of TUHF Bridge (Pty) shares to TUHF Holdings (Pty) Ltd at net asset value.

All necessary agreements pertaining to the restructuring process were concluded and all the required regulatory documentation properly executed. TUHF 21 and the NHFC (National Housing Finance Corporation) are majority shareholders of TUHF Holdings (Pty).

Our **consistently strong performance** is a reflection of:

- Our distinctive position as a specialist financier
- A clearly defined market niche, namely inner city rental housing
- An authentic and uniquely hands-on loan origination and servicing methodology
- Compliance with global best practice processes in loan cycle management
- Our skilled people

While the restructuring will have a profoundly positive impact on our ability to secure funding, we do not envision any major modifications to our business model. Our core product range comprising mortgage finance, bridging finance, construction loans and equity finance essentially remains the same, but each loan is carefully tailored to meet the unique requirements of our diverse client base. TUHF's new commercial structure is set to attract additional likeminded stakeholders and fortify our national growth strategy.

Notwithstanding our new commercial status, we stand firm in our original development objectives. Inner city regeneration, empowerment and low-income housing are central to our market ethos. As **"a good business doing good"** we have every intention of preserving our founding mandate to make markets work for property enterprise in South African cities.

Geographic expansion to leverage growth

"...The market leader in our sector..."

Previously mentioned in the Chairman's statement, TUHF has to date concluded a record number of deals this year, bringing the total number of units financed to 14 786 units. The recession had a positive effect in the sense that TUHF is a counter-cyclical business. We **gained a substantial market share** in the rental housing market since we continued to lend when other commercial banks would not. Being a progressive lender, we were consistently able to introduce quality entrants into the market, in spite of our stricter lending processes. We will continue to leverage our position as the market leader in our sector.

With our brand presence firmly established in the inner city of Johannesburg and increasing throughout Gauteng, we opened a new office in Durban, KwaZulu Natal in July 2009, covering both Durban and Pietermaritzburg. Further plans to extend our reach include opening a new office in Port Elizabeth. From November onwards approvals were generally slow though picking up well at year end. Our new Durban portfolio has started well due to a skilled regional manager who "learnt the ropes" at head office over two years.

A collaborative approach

"... defied negative sentiment and played a constructive development finance role ..."

The National Housing Finance Corporation (NHFC) is TUHF's principal sponsor and an **invaluable partner** in our development initiatives.

CHIEF EXECUTIVE REVIEW continued

Futuregrowth, Cadiz Asset Management and Development Bank of South Africa (DBSA), have also been critically important TUHF debt financiers during the financial crisis. The Gauteng Partnership Fund (GPF) is also an important source of equity and debt finance. All our sponsors are deserved of our **immense appreciation,** all of whom defied negative sentiment and played a constructive development finance role by lending despite severe capital market constraints.

As a **responsible investor,** TUHF also works closely with the Metro, assisting in all the areas in which it invests, but mostly Johannesburg and increasingly Durban. We invest in the Better Buildings Programme in Johannesburg and, participating in the Inner City Charter among others, we provide input with regard to community investment and development policy and strategy formulation. We would like to provide similar input through iTrump (The Inner City Thekwini Regeneration and Urban Management Programme) in Durban. We take our "invested in the community" status seriously, recognising improving inner cities as a requirement of our success.

In partnership with the Johannesburg Development Association (JDA) we actively invest in their Urban Development Zones. We work in close consultation with, and are affiliated by membership to, representative organisations such as the Johannesburg Inner City Business Coalition (JICBC), the Property Owners and Managers Association (POMA), and the National Association of Social Housing (NASHO).

Multiple funder strategy

"…To maximise cash flow, defend profitability and sustain the ongoing health of our business."

In the fiscal year under review the state of the capital markets were the single largest barrier to growth and expansion. Delays in negotiating funding lines were severe. Capital markets are beginning to ease with a decrease in the price of debt and a renewed willingness on the part of commercial banks to negotiate financing. Still, we have taken steps to maximise cash flow, defend profitability and sustain the ongoing health of our business.

In order to build a stronger value added business, we need to remove substantial risks by **aggressively pursuing a multiple funder strategy.** It is clear that a single funder strategy with privileged relationship status did not work. TUHF has approached ABSA, First National Bank and Standard Bank for additional debt and equity funding lines. By spreading risk across multiple relationships we ensure that we have adequate facilities to grow our book and meet our **national expansion** objectives.

Another factor is that we are growing too large for single negotiated lines of credit (SNLC) as our central financing strategy. To the extent that SNLC's remain our major strategy more relationships would obviate the likelihood of single party limits adversely affecting us. More importantly, TUHF will be compelled to continue with its strategy to securitise or establish similar financial structures, but in a normalised financial market.

Weathering the recession

"…Targeting and rebuilding urban decayed areas throughout South Africa."

Economic decline and disinvestment of the inner city, which began in the 1980s particularly in

Johannesburg, is slowly becoming a thing of the past. Already established as the leading commercial property financier for rental housing in Johannesburg, we will persist in following an extremely focused business plan to grow and expand our geographic impact.

Over the past two years, TUHF's Board approved substantial investments in both IT and Human Resources. This investment in operating capacity has significantly improved IT and human resource infrastructure and proficiency. We are thus well placed to rapidly and confidently expand our business in an incredibly cost effective way, capitalising on the substantial economies of scale TUHF holds. TUHF now benefits from an advanced, world-class loan cycle management system and an integrated mortgage accounts receivable system. **Sophisticated web based technology** means easier accessibility to data and real-time reporting throughout the organisation.

We will continue to lend in areas where perceived risks of lending are high. Competently managing through the recession requires that we administer and control all aspects of the business with care and discipline, providing a personalised, superior service to our customers. We are, and always have been, resolute in our determination to persevere in targeting and rebuilding urban decayed areas throughout South Africa and we are well positioned to incur expansion costs and to develop market presence in new areas.

CORPORATE GOVERNANCE

Our Commitment

"… best practice in corporate governance … is after all, essential to our business integrity …"

The Trust for Urban Housing Finance (TUHF) applies the principles specified in the **King Code** of Corporate Practices and Conduct, where these practices are appropriate and add value to TUHF and our group of companies. We review our governance policies and practices each year to ensure that we comply with legal requirements, meet the expectations of our shareholders and other stakeholders, and best **address the needs of our business.** As such, we remain committed to best practice in corporate governance. It is after all, essential to our business integrity and performance.

In the year under review **the group restructured.** With the sale of TUHF's Mortgage Book a new company TUHF (Pty) Ltd was formed. TUHF together with the National Housing Finance Corporation (NHFC) are the major shareholders of TUHF Holdings (Pty) Ltd, with the latter in turn owning 100% of TUHF (Pty) Ltd. As in previous years, the TUHF mortgage lending business and its staff continue as before but now operating under the auspices of TUHF (Pty) Ltd. TUHF sold TUHF Bridge to TUHF Holdings (Pty) Ltd at net asset value. The newly restructured group remains focused on its mortgage book and bridging finance product. TUHF retains a 100% interest in TUHF Properties and Intuthuko, with Intuthuko comprising the core of TUHF's development business.

The King Committee released a third report on Corporate Governance on 1 September 2009. This report was necessary because of the anticipated introduction of the New Companies Act 71 of 2008. The King III Code of Corporate Practices and Conduct took effect from 1 March 2010 and is applicable to "all entities regardless of form or manner of incorporation".

Setting an international benchmark, the Code's apply or explain approach applies to all businesses across-the-board and, although voluntary, its application is no longer limited to listed companies only. While compliance remains essentially voluntary the implication is that all organisations should adopt good governance principles, identifying which aspects of the code are applicable, and should disclose (apply or explain) those that are not. TUHF embraces the relevant principles contained in the King III Code of Corporate Governance in keeping with our commitment to good governance and broader stakeholder interests.

Governance Framework

"… a balance between conformance and performance…"

Sustainable, integrated reporting requires that we observe TUHF's impact (positive and negative) on the community we serve. To this end we are concerned with related, environmental, social and other governance issues.

Emerging governance trends include risk based internal audits stemming from the combined assurance of management and the internal audit function. TUHF has made significant progress in this regard, having formally appointed JSTN Consulting represented by John Symington, former Director of Compliance at Standard Bank, as internal auditor in 2009.

Annually reviewed and updated, the TUHF governance framework is concerned with the:

- role of respective members / shareholders
- Board of directors – leadership responsibility / accountability
- Separate responsibilities of the chairman and chief executive officer (CEO)
- terms of reference of the TUHF's board committees – objectives, appointments, meetings, duties, scope of authority
- governance, risk management and internal control framework

IT has undergone a radical shift in terms of governance. The King III Code emphasises that a compliance-based approach adds little value to the governance of a company as it merely assesses the compliance of existing procedures and processes without an evaluation of whether or not a particular procedure or processes is an adequate control measure. With our **appointment of an internal audit function** an objective assessment of our risk management and internal control framework is now achievable.

Mindful of the need to strike a healthy balance between conformance and performance while maintaining acceptable risk levels we remain committed to adopting best practices to improve the functioning of TUHF. Our objective is to build a sustainable business to increase shareholder value through **consistent, profitable growth.**

Board of directors

"... integrity and diligence in the performance of their duties and exercise of their powers ..."

The primary role of TUHF's Board of Directors is to oversee how management best serves **shareholder and stakeholder interests.** Ultimately responsible for corporate governance within regulatory risk parameters the board of directors (the board) schedules a minimum of six meetings per year (with additional ad hoc meetings as required). Functions of the board include the:

- approval of strategic plans
- monitoring of management's implementation of strategic plans
- delegation of powers and duties to management
- Establishment of policy processes to ensure the integrity of management and related internal controls.

Board composition

The TUHF board is chaired by Samson Moraba, an independent, non-executive director while Paul Jackson, Group CEO, is tasked with leading the management team, running the business and implementing the strategies and policies adopted by the board.

Taffy Adler, a non-executive director was appointed CEO at the Housing Development Agency and was therefore unable to continue his non-executive director duties as of April 2009. Robert Emslie, with his extensive financial services experience, was appointed as non-Executive group director. All other directors, Cas Coovadia, Mandu Mamatela and Jill Strelitz are independent and non-executive.

Although certain of our directors are board members of other companies that have granted wholesale funding facilities to the group, their independence remains uncompromised. Hailing from the industry and sharing a common vision for **viable and sustainable inner city regeneration,** these directors in association with the rest of the board have, yet again, in accordance with the group's obligation to its shareholders, acted with integrity and diligence in the performance of their duties and exercise of their powers.

With the restructuring of TUHF, the group has established itself as a more **diverse, commercial enterprise.** In accordance with this restructuring the remuneration of non-executive directors who were not previously remunerated was amended. As of September 2009, in line with accepted commercial practice, non-executive board members are now remunerated for their services. However, these remuneration levels are not commensurate with - and are in fact well below those of - other larger institutions. With TUHF continuing its upward growth trend the remuneration policy will certainly be reviewed in future.

Fully conversant with the specialist business environment and market in which TUHF operates, the board shares a clear vision for the group. Additional banking and financial skills introduced to the board during the period under review has further enhanced the organisation's **reputation for adeptness and specialist expertise.** With expected positive growth prospects and plans to increase group shareholders, the board intends to build on its resources by adding to its profile additional members from development finance, asset and investment management backgrounds.

Management approach

To facilitate prompt and efficient decision-making in the execution of its duties, the board is authorised to institute **relevant committees** to oversee constituent elements of the management process. Although the board reviews the respective committee minutes and reports they are not absolved of their overall accountability to shareholders for determining strategy, and for group conduct and performance.

Consequently, the board delegate explicit responsibility to five committees (credit committee, remuneration committee, audit and risk committee, risk management committee, and management committee). The company secretary manages the day-to-day group financial affairs (including annual audits), ensuring TUHF compliance with relevant legislation and regulation, keeping the board informed of its legal responsibilities.

Loan and Credit committee

Meeting monthly, or more frequently as required, the primary mandate of the loan committee is to:

- review and recommend changes to the group's credit and loan policy
- provide guidance on all aspects of project development (including procedures for project preparation and approval)
- evaluate and approve financing and guarantees of projects – within the established value band delegated to the committee by the board
- reporting approved projects to the board

Members: Paul Jackson (Committee Chairman and CEO), Cas Coovadia (Board Member), Robert Emslie (Board Member), Jill Strelitz (Board Member), Mandu Mamatela (Board Member), Ilona Roodt (Financial Manager), Belinda Cooke (Loan Administration Manager).

By invitation: TUHF Portfolio Managers; Nano Makwela, Rekwele Mmatli, George Chauke, Lusanda Mbeje, Med Kwesiga, Khumbelani Chikomo, Andre van Rooyen (Portfolio Manager)

Remuneration Committee

Meeting a minimum of twice a year, the main directive of the remuneration committee is to:

- review employee earnings (including benefits) to maintain best practices and ensure competitive remuneration packages
- review, recommend and approve, on an individual basis, executive remuneration packages
- review recommend, and approve salary and performance increments
- review and recommend annual incentive bonuses

Members: Samson Moraba (Committee Chairman and Group Chairman), Cas Coovadia (Board Member), Mandu Mametela (Board Member

By invitation: Ilona Roodt (Financial Manager), Sally Blaine (Human Resource Consultant)

Audit and Risk Committee

Meeting a minimum of two to three times per annum the finance and audit committee was established to:

- review group accounting policy and practice and, when necessary recommend changes
- review group financial, operational and internal control systems and, when required, make recommendations to the board
- monitor management's compliance with statutory and board-imposed regulations, and ensure management's comprehensive reporting to the board
- evaluate the group's audit, and review all external audit reports and management letters
- review annual financial statements, interim statements and, for consideration and approval by the board, notices to members

Members: Cas Coovadia (Committee Chairman and Board Member), Robert Emslie (Board Member), Mandu Mametela (Board Member), Paul Jackson (CEO), Samson Moraba (Group Chairman), Ilona Roodt (Financial Manager)

Risk management committee

Effective execution of business strategy depends on the ability to take calculated risks without compromising the stakeholder interests. Accountable to the Audit and Risk Commitee, the risk management committee meets every second month to monitor and control risk exposure. Sound risk management allows us to anticipate and respond to changes in our business environment and take considered decisions when faced with conditions of uncertainty. The group risk management process is carefully structured, implemented, monitored and reviewed to help ensure that all associate companies within the group operate within clearly defined parameters and objectives.

Major group risks:

- credit
- liquidity
- market
- operational
- compliance
- investment management
- business
- solvency

Members: Ilona Roodt (Committee Chairperson and Financial Manager), Belinda Cooke (Loan Administration Manager), Paul Jackson (CEO), Rose Valloo (Accountant), Med Kwesiga (Portfolio Manager), Khumbelani Chikomo (Portfolio Manager)

Management committee

Weekly meetings to:

- evaluate and approve, within board approved value bands, project financing and guarantees
- recommend to the loan committee viable projects that exceed established value bands
- assess the effectiveness of the group's loan and credit policy
- assess all operational aspects of projects, financing, development and implementation including procedures for project preparation and approval

Members: Paul Jackson (Committee Chairman and CEO), Ilona Roodt (Financial Manager), Belinda Cooke (Loan Administration Manager)

Investing for the future

"... TUHF has invested significantly in its IT infrastructure ..."

There is little doubt that we need technology to meet the demands of a growing business in a rapidly changing and challenging financial environment. In the last three years TUHF has invested significantly in its IT infrastructure, dramatically improving our ability to access and report real time information. Our IT system boasts loan workflow capability plus integrated default management and portfolio management capability. **Reporting has improved significantly** with management striving for real time financial reporting. Such investment will ensure that TUHF continues to meet reporting and governance requirements. Accountable and principled business practices throughout the group promote the ethical behaviour and decision making of the board, our managers and our employees.

DIRECTORS' RESPONSIBILITIES

and approval of the annual financial statements

In accordance with Companies Act requirements, the directors are responsible for the preparation of the annual financial statements which conform with International Financial Reporting Standards (IFRS) and which, in accordance with those standards, fairly present the state of affairs of the company and the group as at the end of the financial year, and the net income and cash flows for that period.

It is the responsibility of the independent auditors to report on the fair presentation of the financial statements.

The directors are ultimately responsible for the internal controls. Management enables the directors to meet these responsibilities. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements in terms of IFRS and to adequately safeguard, verify and maintain accountability for group assets. Accounting policies supported by judgements, estimates and assumptions which comply with IFRS, are applied on a consistent and going concern basis. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Systems and controls are monitored throughout the group. Greater detail of such, including the operation of the risk management function, is provided in the corporate governance section and the risk management section of this report.

Based on the information and explanations given by management, the directors are of the opinion that the controls are adequate and that the financial records may be relied upon for preparing the financial statements in accordance with IFRS and maintaining the group's assets and liabilities. Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls resulting in material loss to the group, has occurred during the year up to the date of this report.

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The company and the group financial statements prepared in accordance with IFRS which appear on pages 15 to 46 were approved by the board of directors on 5 August 2009 and signed on its behalf by

S MORABA
Chairman

P JACKSON
CEO

REPORT OF THE INDEPENDENT AUDITORS

To the members of
Trust for Urban Housing Finance
(Association incorporated under Section 21)

Report on the Financial Statements

We have audited the accompanying financial statements and group financial statements of Trust for Urban Housing Finance, which comprise the balance sheets as at 31 March 2010, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 15 to 46.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 management, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of Trust for Urban Housing Finance and of the group as of 31 March 2010, and of their financial performance and their cash flows for the year then ended are in accordance with International Financial Reporting Standards and the Companies Act of South Africa.

BDO Spencer Steward (Jhb) Inc.

BDO Spencer Steward (Johannesburg) Inc
Registered Auditors

Johannesburg
Thursday 5 August 2010

13 Wellington Road
Parktown
2193

COMPANY SECRETARY'S CERTIFICATE

To the members of
Trust for Urban Housing Finance

In accordance with the provisions of the Companies Act, I certify that in respect of the year ended 31 March 2010, the company has lodged with the Registrar of Companies all returns prescribed by the Act and that all such returns are true, correct and up to date.

I Roodt
Johannesburg
Thursday August 5 2010

REPORT OF THE DIRECTORS

To the members of

TRUST FOR URBAN HOUSING FINANCE

Your directors submit their report for the year ended 31 March 2010

Nature of activities

The company and its subsidiaries are development finance organisations that provide short and long term finance to landlords, social housing institutions and tenant based collectives for the purchase, construction, conversion and improvement of property within South African inner city precincts, where the objective is the supply of rental housing. The company and its subsidiaries offer loan funding for such projects by way of different products secured by the property asset or approved exit structures.

Group structure

The Trust for Urban Housing Finance implemented a new commercial structure during the current financial year.

Trading results

The results are fully disclosed in the attached financial statements.

Loan impairment

It is the opinion of management that the realisable values of collateral held in respect of group advances exceed the book value of such advances. Advances always contain certain balances, that although not yet identified as a problem, will prove to be irrecoverable. Similarly certain clients and advances may display certain triggers such as late or non payment and an assessment of the project collateral must be considered. The group does not have sufficient historical data to estimate with any degree of accuracy what these losses may be. Management has conservatively, based on risk profiles, estimated the potential impairment of advances on a collective basis. Applying management's methodology a loan impairment of R 5 766 653 (2009 - R 7 933 070) for the year under review has been written off. A risk rating of certain projects has resulted in the impairment provision of mortgage loans being reduced to R 1 326 715 (2009 - R 5 795 612) and R 1 591 764 (2009 R 954 641) being provided for bridging finance loans.

Refer to Note 27 for additional information regarding these impairments and on how the group manages credit risk.

Taxation

In terms of section 10(1)(cc) of the Income Tax Act, the company is exempt from taxation. However, with the introduction of section 30, the company needed to re-apply for exemption as a public benefit organisation.

The company has submitted such an application. The South African Revenue Services has advised that exemption will be granted in terms of paragraph 3(f) subparagraph (a) and (b) of the Ninth Schedule of Income Tax Act. However this exemption is subject to conditions prescribed by the Minister of Finance, which to date have not been promulgated. Not withstanding this advice, the company has been in contact with the SARS' Tax Exemption Unit to seek further clarification on the company's status concerning its changed business operations since the application was submitted in October 2003. We await final confirmation from SARS as to the requirements for compliance.

The directors, however, believe that it would be prudent to provide for tax where the company has taxable income. To this end no additional tax was provided in respect of the company with the accrual remaining at R 7 468 534. An amount of R 1 994 849 was paid by TUHF (Pty) Ltd in respect of provisional tax payments (2009 nil). The company's subsidiary, Intuthuko Equity Fund (Pty) Ltd, provided normal taxation of R 14 988 (2009 - R 24 695) and TUHF Properties (Pty) Ltd provided deferred tax only in the current year of R 233 and increasing the assessable loss to R 280 016 for 2010. TUHF Holdings (Pty) Ltd has provided R 228 273 in the current year for tax (2009 nil) and TUHF Bridge (Pty) Ltd provided R 261 210 (2009 - R 369 667).

Funding

During the year under review, the company and a subsidiary secured the following funding facilities:

- R 50 million from Momentum Group Limited, repayable in full by December 2010.
- R 200 million from the Development Bank of South Africa.
- An additional R 100 million facility from the National Housing Finance Corporation was approved in June 2009.
- An additional R 50 million facility from Cadiz Group was approved and is used exclusively to fund our Durban Branch projects managed in Johannesburg.
- Talks with new funders such as ABSA and First National Bank are currently underway.
- Future additional funding will be sourced through the securitisation structure dealt hereunder in this report.

Securitisation

The company's current financing structure is a number of single negotiated lines of credit, each with a respective value and specific conditions and procedures. The growth of approved loans reduces the efficiency and flexibility of this structure as well as not meeting volume needs.

It has become clear to the directors that at this point in the company's growth, the financing structure needs to be reviewed in order to establish:

- Flexible volume of wholesale funds
- Decreased average cost of wholesale financing
- Financial efficiency
- Increased commercial independence

In consultation with financial advisors, these objectives will be achieved by the securitisation of the mortgage finance business. Negotiations are well advanced, with the demand for participation high and many reputable companies indicating a willingness to participate. The current credit crunch and lack of liquidity in the market is impacting on the implementation of the securitisation structure which remains under consideration.

The company has appointed Mettle Specialised Finance to conclude the securitisation transaction following a change in Futuregrowth Asset Management's transaction focus from arranger to potential investor.

Significant progress has been made in this regard in that TUHF has committed funders in place to finalise the securitisation making an estimated R 600 million in new funding available. The capital markets currently show signs of improving but remain cautious.

Organisational Structure

A new organisational structure was implemented during the year. The company sold its loan book to a newly formed company TUHF (Pty) Ltd, a company wholly owned by TUHF Holdings (Pty) Ltd at book value less the impairment allowance. The shares in TUHF Bridge (Pty) Ltd were sold to TUHF Holdings (Pty) Ltd at net asset value. The Trust for Urban Housing Finance owns 70% of TUHF Holdings (Pty) Ltd and the remaining 30% is held by the National Housing Finance Corporation Limited.

Support Programme for Social Housing

In terms of an agency agreement entered into in July 2004 the company was appointed by the National Housing Finance Corporation as its agent and representative to manage the implementation and operations of the support programme for social housing, funding of which originated from the Commission of the European Community amounting to R 23.1 million. The company's duties of agent were concluded during June 2007, but negotiations may be renewed to increase agency funds and expand the company's role further.

Equity Funding

One of the principles of the company's lending approach is to support emerging entrepreneurs and black economic empowerment. To assist in the financial gearing of their projects, the company provides emerging entrepreneurs, who qualify for debt support, equity type finance in the form of variable interest subordinated loans.

The initial R2 million received from the Gauteng Partnership Fund for this purpose has been fully committed and drawn down. An agreement for an additional R 8 million has been approved and implemented. TUHF have drawn down R 2.7 m of this facility.

Directors and Secretary

Details of the directors and secretary of the company are given on page 50.

Auditors

The groups auditors are BDO South Africa Inc.

Members' funds

There are no members' funds.

Members' guarantee

The company is an Association without share capital incorporated under Section 21 of the Companies Act and limited by guarantee. In terms of the Memorandum of Association, each member of the company guarantees to contribute R 1 (one rand) in the event of the company being wound up. At the balance sheet date the guarantee value amounted to R 12 (2009 - R 12)

Subsidiary Companies

Information regarding the company's interest in its wholly owned subsidiaries are given in Note 27.

BALANCE SHEETS as at 31 March 2010

		GROUP		COMPANY	
		2010	2009	**2010**	2009
	Note	**R**	R	**R**	R
ASSETS					
Cash and bank current accounts	1	**329,864**	418,460	**38,184**	396,036
Money market assets	2	**34,926,801**	37,845,560	**6,879,551**	33,363,903
Advances	3	**926,759,490**	606,391,753	**5,077,163**	577,806,256
Other assets	5	**1,355,485**	2,078,024	**347,012**	1,984,033
Deferred taxation	23	**1,794,038**	5,347,386	**-**	4,722,763
Subsidiary companies	6	**-**	-	**28,848,438**	37,555,689
Equipment and intangible assets	7	**4,613,113**	2,558,290	**-**	2,558,290
Total Assets		**969,778,791**	654,639,473	**41,190,348**	658,386,970
LIABILITIES					
Taxation	12	**7,034,486**	7,960,363	**7,492,805**	7,583,124
Other liabilities	8	**960,780**	802,334	**-**	794,832
Deferred Taxation	23	**-**	-	**178,671**	-
Equalisation of rental	9	**50,325**	36,189	**-**	36,189
Accruals	10	**3,528,208**	1,192,240	**-**	1,192,240
Subsidiary companies	6	**-**	-	**9,567,426**	5,585,818
Non-interest bearing borrowings	13	**1,440,428**	11,350,102	**-**	10,000,092
Interest bearing borrowings	14	**925,550,200**	611,365,051	**-**	611,365,051
Total liabilities		**938,564,428**	632,706,279	**17,238,902**	636,557,346
DEFERRED INCOME					
Deferred income	11	**3,798,369**	6,636,753	**-**	6,636,753
EQUITY CAPITAL AND RESERVES					
Members funds		**-**	-	**-**	-
Non Controlling interest		**731,500**	-	**-**	-
Reserves		**26,684,495**	15,296,441	**23,951,446**	15,192,871
Minority interest		**-**	-	**-**	-
Total liabilities, deferred income and reserves		**969,778,791**	654,639,473	**41,190,348**	658,386,970

INCOME STATEMENT for the year ended 31 March 2010

		GROUP		COMPANY	
		2010	2009	**2010**	2009
	Note	**R**	R	**R**	R
Interest Income	18	**102,509,672**	89,947,798	**41,132,712**	87,871,996
Interest Expenses	19	**70,231,863**	66,520,131	**27,967,208**	66,688,262
Net interest income		**32,277,810**	23,427,667	**13,165,503**	21,183,734
Notional interest on present valuing of financial assets and liabilities		**(32,606)**	372,125	**-**	471,682
Present valuing financial assets		**(123,019)**	-	**-**	-
Present valuing financial liabilities		**90,413**	372,125	**-**	471,682
Loan impairment	20	**5,766,653**	7,933,069	**2,407,061**	6,634,612
Income from lending activities		**26,543,763**	15,122,473	**10,758,442**	14,077,440
Non-interest income	21	**11,061,857**	3,520,317	**10,967,359**	3,831,284
Operating income		**37,605,620**	18,642,790	**21,725,801**	17,908,724
Operating expenditure	22	**22,512,859**	18,173,827	**8,065,796**	17,778,949
Profit before taxation		**15,092,762**	468,963	**13,660,005**	129,775
Dividends		**-**	-	**-**	-
Taxation	23	**5,410,112**	673,183	**4,901,430**	585,502
Net profit for the year		**9,682,650**	(204,220)	**8,758,575**	(455,727)

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2010

	Share capital	Retained income	Minority Interest	Total equity
Company				
Balance at 31 March 2008	-	15,648,598	-	15,648,598
Changes in equity				
Total recognised income and expenses for the year	-	(455,727)	-	(455,727)
Balance at 31 March 2009	-	15,192,871	-	15,192,871
Total recognised income and expenses for the year	-	8,758,575	-	8,758,575
Balance at 31 March 2010	-	23,951,446	-	23,951,446
Group				
Balance at 31 March 2008	-	15,500,661	-	15,500,661
Changes in equity				
Total recognised income and expenses for the year	-	**(204,220)**	-	**(204,220)**
Balance at 31 March 2009	-	**15,296,441**		**15,296,441**
Total recognised income and expenses for the year	-	**9,682,650**	-	**9,682,650**
Minority interest - share issue	-	**-**	2,436,904	**-**
Controlling shareholder share	-	**1,705,405**	(1,705,405)	**-**
Balance at 31 March 2010	-	**26,684,495**	731,500	**24,979,091**

CASH FLOW STATEMENT

for the year ended 31 March 2010

		GROUP		COMPANY	
		2010	2009	**2010**	2009
	Note	**R**	R	**R**	R
Cash flows from operating activities					
Interest received		94,624,893	92,199,832	37,120,588	87,048,574
Interest paid		(72,700,050)	(69,159,791)	(27,967,208)	(66,644,107)
Taxation		(2,392,920)	-	-	-
Cash received from clients		1,685,880	910,319	1,685,880	910,321
Cash paid to suppliers and employees		(21,971,661)	(19,090,477)	(8,065,796)	(16,663,218)
Net cash inflow from operating activities	**26**	**(753,857)**	**4,859,883**	**2,773,463**	**4,651,570**
Cash flows (utilised)/generated by investing activities		**(308,965,877)**	**(232,313,281)**	**591,749,477**	**(215,433,027)**
(Acquisition) / Disposal of equipment		(2,054,823)	(1,430,437)	2,558,290	(1,430,437)
Cash advances, net of repayments		(320,367,737)	(258,137,563)	572,729,093	(243,128,659)
Guarantees transferred		-	-	18,801,577	-
Advance settlements received		13,456,683	27,254,719	10,349,376	27,254,719
(Increase)/Decrease in investments		-	-	(12,688,859)	1,871,350
Cash flows from financing activities		**304,275,475**	**209,230,967**	**(621,365,143)**	**209,230,967**
(Decrease)/ Increase in interest bearing borrowings		314,185,149	278,390,758	(611,365,051)	275,875,074
Repayment of interest / non interest bearing borrowings		(9,909,674)	(69,159,791)	(10,000,092)	(66,644,107)
Investment by minority shareholder		-	-	-	-
Net increase/(decrease) in cash resources for the year		**(5,444,259)**	**(18,222,431)**	**(26,842,203)**	**(1,550,490)**
Cash and cash equivalents at beginning of the year		38,264,020	56,486,451	33,759,939	35,310,429
Cash and cash equivalents at end of the year		**35,256,665**	**38,264,020**	**6,917,735**	**33,759,939**
Made up as follows:					
Cash and bank current accounts	**1**	**329,864**	**418,460**	**38,184**	**396,036**
Money market assets	**2**	**34,926,801**	**37,845,560**	**6,879,551**	**33,363,903**
		35,256,665	**38,264,020**	**6,917,735**	**33,759,939**

ACCOUNTING POLICIES

1. Accounting Convention

The company is registered under the Companies Act, as an Association not for gain and as such no part of its income or property shall be distributed or transferred to its members directly or indirectly. All reserves of the company are therefore non-distributable.

2. Principal accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa. The financial statements are prepared under the historical cost convention as modified by the application of fair value to financial assets and liabilities where applicable.

3. Basis of consolidation

The group financial statements include those of the company and its subsidiaries. Subsidiaries are companies in which the group, directly or indirectly, has the power to exercise control. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where a subsidiary is a newly registered company, the results are included from the date of incorporation. Inter-group balances, inter-group transactions and resulting profits are eliminated on consolidation.

4. Equipment

The cost of an item of equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.
- Costs include costs incurred initially to acquire equipment and costs incurred subsequently to add to and replace part of it. Equipment is stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on the straight line method to write off the cost of assets to their residual values over their estimated useful lives at the following rates:
  Computer hardware – 25% per annum
  Office furniture – 20% per annum
  Office equipment – 25% – 33.33% per annum
- The residual value and the useful life of an asset are reviewed on an annual basis and should expectations differ from previous estimates, changes are accounted for as a change in accounting estimates, in accordance with IAS 8.
- The gain or loss arising from the derecognition of an item of equipment is included in the income statements. The gain or loss arising from the derecognition of an item of equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

5. Intangible assets

An intangible asset is recognised when it is probable that the expected future economic benefits that are attributable to the asset will flow to the group and the cost of the asset can be measured reliably. Intangible assets are initially recognised at cost.

An intangible asset arising from development is recognised when:

- It is technically feasible to complete the asset so that it will be available for use.
- There is an intention to complete the development and an ability to use it.
- It will generate probable future economic benefits.
- The expenditure attributable to the asset during its development can be measured reliably.
  Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Amortisation is provided to write down the intangible assets on a straight line basis to their residual basis as follows:
  Computer software – 20% per annum.

6. Financial instruments

The group classifies financial instruments on initial recognition as a financial asset or a financial liability in accordance with the substance of the contractual arrangement. Financial assets and liabilities are recognised on the group's balance sheet when the group becomes party to the contractual provisions of the instrument. Financial assets and liabilities are recognised initially at fair value.

Cash, bank, current accounts and money market assets:
Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk in changing value. Cash and cash equivalents are measured at fair value. Money market assets are disclosed separately and not included in cash.

Cash held in trust are funds deposited into the group's attorneys' trust account to facilitate the issue of purchase guarantees and payment of the purchase price to the property seller on the bond and transfer registration. Cash and cash equivalents held in trust are initially measured at fair value and subsequently measured at amortised cost.

Advances and receivables:
Advances and receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss. Refer to accounting policy on Impairment.

A hybrid loan exists in advances made by Intuthuko Equity Fund (Pty) Ltd where variable interest rates are based on the calculated yields of the borrower's own equity. This yield determines the interest payable by the borrowers on the equity element of the contract and is recognised as interest on investments in the income statements. Where this yield is negative the equity investment element of the loan has no value and the loan element is recognised at amortised cost.

Loans to (from) subsidiary companies:
These loans are recognised initially at fair value plus direct transaction costs. Subsequently, these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

Trade and other payables and borrowings:
Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Fees earned on financial assets are recognised in accordance with the loan agreements. These are capitalised to the value of the loan and credited to non-interest income as the fee is earned.

Derecognition:
A gain or loss arising from a change in financial asset or liability is recognised as follows:
Financial assets and financial liabilities carried at amortised cost:
a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

Financial assets are derecognised when the rights to receive cashflows expire or are transferred together with risks and rewards of ownership.

Financial liabilities are derecognised when the group's obligation specified in the contract is discharged, cancelled or has expired.

Offset:
When a legally enforceable right of offset exists for financial assets and liabilities, and there is an intention to settle the liability and realise the asset simultaneously or to sell on a net basis, all related financial effects are offset.

7. Impairment – financial assets

Loans and advances:
At each balance sheet date, an assessment is made whether there is an indication that an asset may be impaired.

Loans and advances are stated net of impairment. Where carrying values of individual loans and advances are less than discounted amounts, realisable or net of recoveries from collateral, a provision is made for the differences as loan impairment. Advances are subject to a risk rating evaluation that takes into consideration inter alia the overall risk profile, collateral cover, payment record, past experiences, customers' co-operation in abiding by loan conditions and the economic climate.

Impairment losses and subsequent reversals thereof, or recoveries of amounts previously impaired, are reflected in the income statement. Advances impaired are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts.

Non-performing loans are identified during periodic evaluations of advances. Loans and advances are considered non-performing when amounts are considered due and unpaid for 3 months. Loans are analysed on a case by case basis taking into account any breach of key loan conditions. The impairment of non-performing loans takes account of past loss experiences adjusted for changes in economic conditions and the nature and level of risk exposure since the recording of the historic losses.

When a loan carried at amortised cost has been identified as impaired, the carrying amount of the loan is reduced to an amount equal to estimated future cashflows, including the recoverable amount of any collateral. The carrying amount of the asset is reduced through the use of an impairment allowance account, and the amount of the loss is recognised as a credit impairment in the income statement.

ACCOUNTING POLICIES continued

If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in the group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

Impairment of performing loans can only be accounted for if there is objective evidence that a loss event has occurred after the initial recognition of the financial asset, but before the balance sheet date. In order to provide for latent losses in a portfolio of loans that have not yet been individually identified as impaired, a credit impairment for incurred but not yet reported losses is recognised based on historic loss patterns.

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired, are reflected in the income statement. Previously impaired advances are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts. Any subsequent reductions in amounts previously impaired are reversed by adjusting the allowance account, and the amount of the reversal is recognised as a reduction in impairment for credit losses in the income statement. Subsequent recoveries of previously written off advances are recognised in the income statement.

8. Provisions

"Provisions are recognised, when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised."

9. Significant judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

10. Asset impairment – non-financial assets

"The group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. Sources of estimation uncertainty that has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities arises in the directors estimate of the impairment of financial assets. The recoverable amount of an asset, or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined, had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss. "

11. Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing instruments using the effective interest method. In terms of this method, interest receipts and payments are brought into account in proportion to the balance outstanding on a time proportional basis. Disclosed separately in the income statements is the notional interest on present valuing financial assets and liabilities carried at amortised cost. When a loan is in arrears for 4 months the recognition of interest income is suspended.

12. Non–interest revenue

Revenue from the provision of services is recognised on an amortising basis over the loan period to which the service relates. The service is rendered by reference to the stage of project completion in accordance with the substance of the relevant legal agreements. The amortising basis of calculation approximates the recognition of interest using the effective interest rate method. If the loan is settled early, the fee is recognised in full when settled. Agency fees, profit on sale and other non interest revenue is recognised on an accrual basis as the service is rendered.

13. Taxation

The charge for current tax is based on the results for the year as adjusted for items of income and expenditure which are tax free or disallowed. It is calculated using the current enacted tax rate.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from differences of the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the tax computation.

Deferred taxation liability is recognised for all taxable temporary differences. Deferred taxation assets are the amounts of income taxes recoverable in future periods in respect of deductable temporary differences or the carry forward of unused tax losses.

A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses and/or timing differences can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability, and is not discounted. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

14. Operating leases – Office rental

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

15. Employee benefits

Short term employee benefits:
The cost of all short term employee benefits are recognised during the period in which the employee renders the related service.

The accruals for employee entitlements to salaries, annual and sick leave represent the amount which the Group has a present obligation to pay as a result of employees' services provided up to the balance sheet date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

Retirement benefits:
Contributions to defined contribution funds are charged against income as incurred.

16. Standards and interpretations not yet effective

The following new standards, amendments and interpretations are not yet effective for the current financial year. The Group will comply with the new statements from the effective date or when the statement becomes applicable.

ACCOUNTING POLICIES (continued)

Title	New amendment to standard / interpretation	Annual period starting on or after
IFRS 1 amendment: Measurement of the cost of investments Refers to the cost of investments in subsidiaries , jointly controlled entities and associates when adopting IFRS for the first time.	New interpretation	01 July 2009
Relief to first time adopters of IFRS from providing additional disclosure introduced through IFRS 7 in March 2009	New interpretation	01 July 2010
IFRS 2 amendment : Share based payment Amendments relating to group cash-settled share-based payment transactions - clarity of the definition of the term Group and where in a group share based payments must be accounted for.	New interpretation	01 January 2010
IFRS 7 amendment: Financial instruments Refers to specific disclosure of instrument fair value and liquidity risk.	New interpretation	01 July 2009
IFRS 9 amendment: Financial instruments Refers to part 1 of a three–part project to replace IAS 39 Financial Instruments and Measurement.	New standard	01 January 2013
IAS 1: Presentation of financial statements Current/non–current classification of convertible instruments.	New interpretation	01 January 2010
IAS 7 : Statement of cash flows Classification of expenditure on unrecognised assets.	New interpretation	01 January 2010
IAS 17: Leases Classification of leases of land and buildings.	New interpretation	01 January 2010
IAS 24: Related party disclosures Definition of a related party clarified.	New interpretation	01 January 2011
IAS 32: Financial instruments: Presentation Accounting for rights issues.	New interpretation	01 February 2010
IAS 36: Impairment of assets Unit of accounting for goodwill impairment test.	New interpretation	01 January 2010
IAS 39: Impairment of assets Cashflow hedge accounting.	New interpretation	01 January 2010
IFRIC 19: Extinguising financial liabilities with equity instruments Clarifies the requirements of International Financial Reporting Standards (IFRSs) when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.	New interpretation	01 July 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 March 2010

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R	R	**R**	R
1. Cash bank current accounts and short term assets				
Cash	**25,505**	1,041	**–**	1,041
Current accounts	**304,359**	417,419	**38,184**	394,995
	329,864	418,460	**38,184**	396,036
2. Money market assets				
Call accounts	**11,070,105**	9,740,996	**6,879,551**	5,259,338
Deposits for payment guarantees	**23,380,650**	–	**–**	–
Deposits pending property transfer registrations	**476,046**	28,104,564	**–**	28,104,565
	34,926,801	37,845,560	**6,879,551**	33,363,903
3. Advances				
Johannesburg inner city	**943,235,328**	622,421,520	**5 524 460**	590 989 954
Loan impairment (see note 4)	**(13,979,778)**	(14,493,563)	**(279,733)**	(12,254,944)
Notional interest on present valuing advances	**(484,431)**	(607,450)	**–**	–
Suspended interest	**(2,011,628)**	(928,754)	**(167,564)**	(928,754)
	926,759,490	606,391,753	**5,077,163**	577,806,256
Maturity analysis				
Within 1 year	**67,215,998**	49,684,267	**5,524,460**	21,306,388
Within 2 to 5 years	**119,060,988**	117,547,930	**–**	115,807,988
Within 6 to 10 years	**233,090,337**	229,004,590	**–**	228,262,668
Within 11 to 15 years	**523,868,005**	226,184,733	**–**	225,612,910
	943,235,328	622,421,520	**5,524,460**	590,989,954
Geographical analysis				
Bellevue	**68,532,511**	55,920,619	**–**	55,631,444
Berea	**186,593,573**	117,284,153	**5,524,460**	107,890,298
Bertrams	**3,883,669**	2,351,581	**–**	2,351,581
Bez Valley	**2,371,686**	–	**–**	–
Braamfontein	**14,590,887**	7,666,454	**–**	7,666,454
Doornfontein	**37,125,605**	34,102,517	**–**	34,102,517
Durban	**16,653,526**	–	**–**	–
Fairview	**4,207,419**	1,703,800	**–**	1,652,403
Germiston	**14,655,251**	6,622,181	**–**	6,622,181
Highlands North	**2,497,055**	2,420,711	**–**	2,420,711
Hillbrow	**141,943,152**	84,895,651	**–**	84,517,895
Johannesburg CBD	**208,582,537**	131,880,923	**–**	111,531,264
Jeppestown	**6,725,357**	4,567,634	**–**	4,567,634
Joubert Park	**50,509,980**	23,537,007	**–**	23,139,418
Lorentzville	**5,034,979**	5,156,393	**–**	4,984,677
Malvern	**6,111,814**	3,109,988	**–**	3,109,988
Marshalltown	**42,414,545**	28,715,610	**–**	28,715,610
Orange Grove	**7,769,361**	7,451,215	**–**	7,451,215
Pretoria	**24,056,700**	23,114,983	**–**	22,714,566
Regent’s Park	**–**	561,806	**–**	561,806
Rouxville	**3,964,773**	4,084,920	**–**	4,084,920
Selby	**6,660,341**	6,919,875	**–**	6,919,875
Springs	**117,222**	–	**–**	–
Troyeville	**7,224,629**	2,500,589	**–**	2,500,589
Turf Club	**1,304,605**	–	**–**	–
Vanderbijlpark	**1,459,589**	1,499,658	**–**	1,499,658
Yeoville	**78,244,562**	66,353,252	**–**	66,353,250
	943,235,328	622,421,520	**5,524,460**	590,989,954

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2010

	GROUP 2010 R	GROUP 2009 R	COMPANY 2010 R	COMPANY 2009 R
4. Loan impairment				
Balance at beginning of the year	**14,493,563**	6,560,493	**12,254,944**	5,620,332
Impairments transferred in	**8,681,309**	-	**-**	-
Reversal of provision : loan written off	**(4,468,897)**	-	**(4,468,897)**	-
Impairments raised during the year	**3,955,113**	7,933,070	**1,174,996**	6,634,612
Impairments transferred to TUHF Pty Ltd	**(8,681,309)**	-	**(8,681,310)**	-
Balance at the end of the year	**13,979,778**	14,493,563	**279,733**	12,254,944
Refer to Note 27 for further details				
5. Other assets				
Staff receivables	**-**	16,964	**-**	16,964
Interest receivable	**754,259**	1,722,440	**-**	1,557,989
Other receivables	**482,643**	-	**347,012**	163,597
Prepaid expenses	**118,582**	-	**-**	-
	1,355,485	1,739,404	**347,012**	1,738,550
Terms: Amounts receivable are current				
6. Subsidiary companies				
Opening Balance : Amount owing by subsidiaries			**31,969,871**	33,960,176
Payments by subsidiaries			**(29,454,765)**	-
Advances to subsidiaries			**-**	3,595,513
			2,515,105.74	37,555,689
Investment in subsidiary			**26,333,332**	**-**
Share capital			**1,427**	-
Share premium			**-**	-
Equity loan			**26,331,905**	-
			28,848,438	**37,555,689**
Advance from subsidiary company			(9,567,426)	(5,585,818)
Net amount owing to subsidiaries (Note 28)			**19,281,012**	**31,969,871**

	GROUP Office furniture and equipment R	**GROUP** Intangible assets R	**GROUP** Computer hardware and fax R	**TOTAL** **R**
7. Equipment				
Year ended 31 March 2010				
Net book value at 1 March 2009	**422,095**	**1,923,521**	**212,674**	**2,558,290**
Cost	781,259	2,241,670	756,121	3,779,053
Accumulated depreciation	(359,164)	(318,149)	(543,447)	(1,220,763)
Additions during the year	162,571	2,222,706	380,653	2,765,930
Disposals during the year	-	-	(27,096)	(27,096)
Depreciation for the year	(130,690)	(425,129)	(128,192)	(684,011)
Net book value at 31 March 2010	**453,976**	**3,721,098**	**438,039**	**4,613,113**
Cost	943,830	4,464,376	1,109,678	6,517,884
Accumulated depreciation	(489,854)	(743,278)	(671,639)	(1,904,771)
Year ended 31 March 2009				
Net book value at 1 April 2008	**138,622**	**668,154**	**329,284**	**1,136,060**
Cost	400,332	722,696	797,789	1,920,817
Accumulated depreciation	(203,152)	(54,542)	(468,505)	(726,199)
Additions during the year	380,927	1,518,974	(41,668)	1,858,233
Depreciation for the year	(89,247)	(213,139)	(125,413)	(427,799)
Net book value at 31 March 2009	**422,095**	**1,923,521**	**212,674**	**2,558,290**
Cost	781,259	2,241,670	756,121	3,779,053
Accumulated depreciation	(359,164)	(318,149)	(543,447)	(1,220,763)

	COMPANY Office furniture and equipment R	COMPANY Intangible assets R	COMPANY Computer hardware and fax R	TOTAL R
7. Equipment continued				
Year ended 31 March 2010				
Net book value at 1 April 2009	**422,095**	**1,923,521**	**212,674**	**2,558,290**
Cost	781,259	2,241,670	756,121	3,779,050
Accumulated depreciation	(359,164)	(318,149)	(543,147)	(1,220,460)
Additions during the year	(10,489)	819,807	242,995	1,052,313
Depreciation for the year	(50,634)	(144,304)	(41,423)	(236,361)
Disposal	(360,972)	(2,599,024)	(414,246)	(3,374,242)
Net book value at 31 March 2010	**-**	**-**	**-**	**-**
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
Year ended 31 March 2009				
Net book value at 1 April 2008	**130,415**	**668,154**	**329,284**	**1,127,853**
Cost	400,332	722,696	797,789	1,920,817
Accumulated depreciation	(269,917)	(54,542)	(468,505)	(792,964)
Additions during the year	380,927	1,518,974	(41,668)	1,858,233
Depreciation for the year	(89,247)	(213,139)	(125,413)	(427,799)
Net book value at 31 March 2009	**422,095**	**1,923,521**	**212,674**	**2,558,290**
Cost	781,259	2,241,670	756,121	3,779,053
Accumulated depreciation	(359,164)	(318,149)	(543,447)	(1,220,763)
8. Other liabilities				
Trade payables	960,780	802,334	-	794,832
	960,780	802,334	-	794,832
Accounts payable are payable within 30 days of invoice date.				
9. Equalisation of rental	50,325	36,189	-	36,189
3 year operating lease with Apex–hi	50,325	36,189	-	36,189
10. Accruals				
Bonus remuneration	2,832,381	784,300	-	784,300
Leave pay	554,660	407,940	-	407,940
Directors fees	141,167	-	-	-
	3,528,208	1,192,240	-	1,192,240
11. Deferred income				
Raising fees deferred over 15 year loan period	3,798,369	6,636,753	-	6,636,753
12. Taxation				
Amount owing to revenue authorities- VAT	111,152	114,590	24,270	114,590
Amount owing to revenue authorities - Income tax	6,923,334	7,845,773	7,468,535	7,468,534
Total	7,034,486	7,960,363	7,492,805	7,583,124

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2010

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R	R	**R**	R
13. Non interest bearing borrowings				
The loan from the National Housing Finance Corporation (NHFC) which has a nominal value of R 10 million is unsecured and is currently interest free.	-	10,000,000	-	10,000,000
The R 10 million loan from the NHFC was ceded by the Trust for Urban Housing Finance to TUHF Holdings (Pty) Ltd in respect of the equity investment of R 10 million made by the NHFC in TUHF Holdings (Pty) Ltd.				
The loan from the Gauteng Partnership Fund (GPF) which has a nominal value of R 2 million is unsecured and interest free and to be repaid by March 2015. The facility is to fund low collateral projects identified by the group where emerging entrepreneurs are involved.	2,000,000	2,000,000	-	-
	2,000,000	12,000,000	-	10,000,000
Notional interest on present valuing financial liabilities	(559,572)	(649,898)	-	92
	1,440,428	**11,350,102**	**-**	**10,000,092**
14. Interest bearing borrowings				
The loan of R 5 million from the National Urban Reconstruction and Housing Agency (NURCHA) was used to finance jointly with the group, projects identified by the group and approved by NURCHA. The loan has been fully repaid.	-	737,040	-	737,040
The loan of R 10 million from NURCHA was a fixed credit facility at prime minus 2%. The loan has been fully repaid.	-	2,322,565	-	2,322,565
The loan of R50 million from the National Housing Finance Corporation is at an interest rate of prime minus 2%. Interest and capital is repaid over the remaining term. The loan is secured by a cession of all the rights title and/or interests the group holds in connection with the end user agreements which have been financed from this facility.	40,471,755	42,317,317	-	42,317,317
The loan of R 50 million from the National Housing Finance Corporation is at an interest rate of prime minus 2%. Interest and capital is repaid over the remaining term and will be repaid by April 2028. The loan is secured by a cession of all the rights, title and/or interests the group holds or which it may acquire in future, arising out of, or in connection with the end user agreements which are financed from this facility.	45,825,892	47,496,838	-	47,496,838

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R	R	**R**	R
14. Interest bearing borrowings (continued)				
The loan of R150 million from the Standard Bank of South Africa Limited is at an interest rate of prime minus 1.5%. Draw downs from the facility are made as and when the collateral security in respect of the project is registered. The loan is to be repaid in full by 15 May 2020 with a repayment profile that matches that imposed on the end users to whom this facility has been onward lent. The loan is secured by a cession of all the rights, title and/or interests the group holds or which it may acquire in future, arising out of, or in connection with the end user agreements which are financed from this facility.	149,071,769	149,957,557	-	149,957,557
The loan of R 50 million from the Development Bank of South Africa Limited is at an interest rate of prime minus 2.0%. Interest and capital is payable on the remaining balance over the remaining term and must be repaid in full by 30 September 2022. The loan is secured by a cession of all the rights, title and/or interests the group holds or which it may acquire in future, arising out of, or in connection with the end user agreements which are financed from this facility.	42,424,874	42,675,658	-	42,675,658
The loan of R 100 million from the Development Bank of South Africa Limited is at an interest rate of prime minus 2.0%. Interest and capital is repaid over the remaining term and must be repaid in full by 31 March 2023. The loan is secured by a cession of all the rights, title and/or interests the group holds or which it may acquire in future, arising out of, or in connection with the end user agreements which are financed from this facility.	92,876,704	93,172,108	-	93,172,108
The loan of R 100 million from Future Growth Asset Management is at an interest rate of prime minus 1.5%. Interest is payable on the 15th of each month. Capital is repaid by February 2022. The loan is secured by a cession of all the rights, title and/or interests the group holds or which it may acquire in future, arising out of, or in connection with the end user agreements which are financed from this facility.	**96,082,850**	91,433,683	**-**	91,433,683

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2010

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R	R	**R**	R
14. Interest bearing borrowings (continued)				
The loan of R 100 million from the National Housing Finance Corporation is at an interest rate of prime minus 2%. Interest & capital repayments are made over the remaining term and the facility must be repaid by July 2028. The loan is secured by a cession of all the rights, title and/or interests the group holds or which it may acquire in future, arising out of, or in connection with the end user agreements which are financed from this facility.	98,077,967	101,351,535	–	101,351,535
The loan of R 100 million from the National Housing Finance Corporation is at an interest rate of prime minus 2%. Interest & capital repayments are made over the remaining term and the facility must be repaid in full by August 2029. The loan is secured by a cession of all the rights, title and/or interests the group holds or which it may acquire in future, arising out of, or in connection with the end user agreements which are financed from this facility.	100,422,232	–	–	–
The loan of R 50 million from Futuregrowth Asset Management is at an interest rate of prime plus 0.5%. The facility is fully drawn and interest is paid monthly. The capital is repayable on 15 June 2010.	50,241,096	–	–	–
The loan of R200 million from the Development Bank of South Africa Limited is at an interest rate of prime minus 1.0%. Draw downs from				
The loan of R 200 million from the Development Bank of South Africa Limited is at an interest rate of prime minus 1.0%. Draw downs from the facility are made as and when the collateral security in respect of the project is registered. Interest and capital is repaid over the remaining term and must be repaid in full by 31 December 2024. The loan is secured by a cession of all the rights, title and/or interests the group holds or which it may acquire in future, arising out of, or in connection with the end user agreements which are financed from this facility.	156,252,078	–	–	–

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R	R	**R**	R
14. Interest bearing borrowings (continued)				
The loan of R 40 million from Cadiz Life and R 10 million from Cadiz Asset Management is at an interest rate of prime minus 0.5%. Draw downs from the facility are made as and when the collateral security in respect of the project is registered. Interest and capital is amortised over 15 years and the facility must be repaid in full within 60 months from the final drawdown date. The loan is secured by a cession of all the rights, title and/or interests the group holds or which it may acquire in future, arising out of, or in connection with the end user agreements which are financed from this facility.	13,565,590	-	-	-
The loan of R 30 million from the Gauteng Partnership Fund is at an interest rate of prime minus 4.0% Interest payments commence on 15 September 2008 . Capital is to be repaid on 10 September 2013. The facility may only be invested in bridging finance projects.	29,684,712	29,775,854	-	29,775,854
The loan of R 8 million from the Gauteng Partnership Fund is at an interest rate of prime minus 4.16% Interest payments commence on 15 September 2008 . Capital is to be repaid on 10 September 2013. The facility may only be invested in bridging finance projects.	2,989,585	-	-	-
	925,550,200	**611,365,051**	**-**	**611,365,051**
Repayable within 12 months	83,531,660	36,411,145	-	36,411,145
Repayable 1 to 3 years	77,614,724	53,009,280	-	53,009,280
Repayable 3 to 5 years	63,571,537	53,456,077	-	53,456,077
Repayable >5 years	700,832,279	468,488,549	-	468,488,549
	925,550,200	**611,365,051**	**-**	**611,365,051**

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2010

	GROUP 2010 R	GROUP 2009 R	COMPANY 2010 R	COMPANY 2009 R
15. Contingencies				
As the liquidation applicant and only secured creditor, the company is liable for the costs of administration of the insolvent estate of Seven Building Company (Pty) Ltd. All rates and taxes together with utility accounts form part of such administration costs.				
SARS are currently conducting a standard review of the income tax and vat of the insolvent estate.				
A draft copy of the First Liquidation and Distribution Account reflects a deficit payable by the company of R52 164.				
16. Post balance sheet events				
The securitisation of TUHF's loan book is likely to be concluded during the 2011 financial year. The securitisation is dependent upon ongoing negotiations between TUHF (Pty) Ltd and the investors.				
17. Commitments				
Advances				
Advances for refurbishment of buildings	**116,019,134**	50,043,347	**-**	45,357,607
Advances pending contractual compliances	**243,412,788**	208,680,580	**-**	208,680,580
	359,431,922	258,723,927	**-**	254,038,187
Operating leases				
Office rental payable within 1 year	**656,332**	545,805	**-**	545,805
Office rental payable between 2 to 5 years	**185,803**	760,335	**-**	760,335
	842,135	1,306,140	**-**	1,306,140
18. Interest income				
Interest on advances	**100,594,393**	82,649,499	**37,626,707**	77,422,248
Interest on advances to subsidiaries	**-**	-	**2,887,099**	5,291,746
Interest on guarantee deposits	**1,142,831**	4,598,094	**281,576**	4,505,736
Interest on call deposits	**772,448**	2,700,205	**337,330**	652,266
	102,509,672	89,947,798	**41,132,712**	87,871,996
19. Interest expenses				
Interest on borrowings	**70,116,659**	66,518,416	**27,526,433**	66,518,416
Interest on advances from subsidiaries	-	-	**440,308**	168,131
Interest on overdrafts	**115,203**	1,715	**467**	1,715
	70,231,863	66,520,131	**27,967,208**	66,688,262

	GROUP 2010 R	GROUP 2009 R	COMPANY 2010 R	COMPANY 2009 R
20. Loan impairment				
See note 7 of Accounting Policies and the Directors' Report and Note 27.3 of the Notes to the Financial Statements.				
21. Non-interest income				
Agency fee	1,501,502	1,501,478	1,501,502	1,501,478
Management and incentive fees	-	-	318,435	753,659
Raising fee	9,261,809	1,730,417	8,947,728	1,287,725
Grant income	13,291	-	13,291	-
Profit on sale of fixed asset	17,904	-	17,904	-
Profit on sale of shares	-	-	46,667	-
Sundry income	267,351	288,422	121,832	288,422
	11,061,857	**3,520,317**	**10,967,359**	**3,831,284**
22. Operating expenditure				
Auditors remuneration	403,333	374,050	269,593	318,250
Audit fees	373,693	374,050	269,593	318,250
Other fees	29,640	-	-	-
Depreciation	684,012	427,799	236,361	427,799
Computer equipment	128,192	125,413	41,423	125,413
Intangible assets	425,129	213,139	144,304	213,139
Office furniture and equipment	130,690	89,247	50,634	89,247
Information technology costs	473,529	236,999	216,597	236,999
Directors emoluments – executive director in respect of services rendered	1,369,207	1,300,320	508,420	1,300,320
– bonus	125,969	139,320	-	139,320
– cash component	855,002	784,455	348,020	784,455
– pension	269,190	259,320	111,010	259,320
– other	119,046	117,225	49,390	117,225
Directors emlouments - non executive directors in respect of services rendered	290,167	-	-	-
Staff costs	13,359,726	9,079,513	4,991,572	9,079,513
Office rental	590,082	599,599	224,708	599,599
Other expenses	5,342,802	6,155,547	1,618,545	5,816,469
	22,512,859	**18,173,827**	**8,065,796**	**17,778,949**

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2010

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R	R	**R**	R
23. Taxation				
South African normal tax – current	**1,856,765**	3,224,281	**-**	2,829,689
Prior year adjustments	**-**	-	**-**	-
South African deferred tax:	**3,553,347**	(2,551,099)	**4,901,430**	(2,244,187)
Current	**3,553,347,**	(2,612,581)	**4,901,430**	(2,294,716)
Arising from change in taxation rate	**-**	61,482	**-**	50,527
	5,410,112	673,182	**4,901,430**	585,502
Reconciliation between expected tax charge to actual tax charge:				
Profit before tax	**15,092,762**	468,963	**13,660,004**	129,775
Tax at 28% on the above	**4,225,973**	131,310	**3,824,801**	36,337
Factors affecting the tax rate:				
Deferred tax attributable to timing differences	**1,353,645**	391,276	**1,271,304**	310,576
Permanent differences	**139,541**	450,199	**44,802**	478,066
Unutilised tax losses	**(309,047)**	(299,603)	**(239,477)**	(239,477)
Actual tax current charge	**5,410,112**	673,182	**4,901,430**	585,502
The movement of deferred tax is as follows:				
Balance at beginning of the period	**5,347,386**	2,796,286	**4,722,763**	2,478,574
Deferred taxation timing differences	**(3,553,347)**	2,612,581	**(4,901,430)**	2,294,716
Rate change	**-**	(61,482)	**-**	(50,527)
Creation/(utilisation) of tax losses	**-**	-	**-**	-
Balance at end of period	**1,794,038**	5,347,386	**(178,671)**	4,722,763
Comprising:				
Deferred taxation asset / (liability)				
Provisions	**386,211**	350,114	**3,325**	337,153
Accelerated depreciation	**(996,435)**	(511,774)	**(511,773)**	(511,773)
Loan impairment	**1,468,163**	3,639,825	**(46,287)**	3,079,482
Recoupment	**-**	-	**648,556**	-
Rental equalisation	**4,430**	10,133	**-**	10,133
Deferred income	**842,374**	1,858,295	**(221,962)**	1,858,295
S 24 J accrual	**89,296**	-	**-**	-
Rate change	**-**	(61,482)	**(50,527)**	(50,527)
Assessable taxation losses carried forward	**-**	62,275	**-**	-
	1,794,038	5,347,386	**(178,671)**	4,722,763
24. Employee benefits				
The company has a defined contribution provident plan governed by the Pensions Act, 1956, as amended, to which all permanent employees are required to join. Payments to the provident plan are charged as an expense as they fall due.	**1,356,614**	1,211,990	**551,547**	1,211,990
The company has no obligations for post-retirement health.				

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R	R	**R**	R
25. Borrowing capacity				
In terms of the company's articles of association the borrowing powers of the company are unlimited.				
26. Cash generated from operations				
Reconciliation of profit before tax to cash generated from operations:				
Profit for the period	15,092,762	468,963	13,660,005	129,775
Adjusted for:				
Bad debts	6,280,438	162,673	5,700,962	-
Depreciation of equipment	684,012	427,799	236,361	427,799
Notional interest	(32,606)	372,125	-	471,682
Loan impairment	(513,785)	7,933,069	(3,293,901)	6,634,612
Provisions	2,335,968	859,740	1,192,240	859,740
Raising fees	(9,261,809)	3,017,824	(8,947,728)	3,017,824
Other non cash items	(14,774,744)	(8,987,790)	(3,342,623)	(7,397,233)
Operating profit/(deficit) before working capital changes	(189,764)	4,254,403	5,205,316	4,144,199
Working capital changes	(564,093)	605,480	(2,431,853)	507,371
Increase / (decrease) in accounts receivable	(722,539)	338,620	(1,637,021)	245,482
Increase / (decrease) in accounts payable	158,446	266,860	(794,832)	261,889
Cash generated/(utilised) by operating activities	**(753,857)**	**4,859,883**	**2,773,463**	**4,651,570**

27. Risk management

Financial risks:

The approach followed by the Group to manage risk is to ensure that all significant risks are identified and managed. On the highest level, these risks are identified in the risk matrix, which is reported to the Board.

The responsibility for risk management resides at all levels, from members of the board to individuals throughout the Group. Overall risk management policies and risk appetite are established on a comprehensive, organisation–wide basis by senior management and, reviewed with and where appropriate, approved by the board of directors.

Credit risk:

Credit risk is the suffering of financial loss. Should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the group.

The credit risk that the group faces arises mainly from commercial loans and advances.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2010

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R	R	**R**	R
27. Risk management (continued)				
Credit risk (continued):				
The Group has policies, procedures and processes dedicated to controlling and monitoring risk from all such activities.				
While credit exposures principally arise in loans and advances, the Group can be exposed to other credit risks. These exposures comprise loan commitments and contingent liabilities. The risks are managed in a similar way to those loans in loans and advances, and are subject to the same or similar approval and governance processes.				
The granting of credit is one of the group's major sources of income and is therefore one of the most significant risks. The Group dedicates considerable resources to controlling effectively.				
A system based loan workflow process is used to facilitate the loan approval process. The granting of credit is considered on a project by project basis and various hurdle rates are considered in terms of our loan and credit policy, that is fully compliant with the NCA.				
The following represents the maximum exposure, at balance sheet date, to credit risk taking into account any collateral held and is stated after the allowance for impairment.				

	GROUP 2010 R	GROUP 2009 R	COMPANY 2010 R	COMPANY 2009 R
27.1 Assets : Credit Exposures				
Balances with local banks	329,864	418,460	38,184	396,036
Cash and short term assets (Note 1)	**329,864**	**418,460**	**38,184**	**396,036**
Call funds with local banks	11,070,105	9,740,996	6,879,551	5,259,338
Deposits for payment guarantees	23,380,650	-	-	-
Deposits held in attorneys trust	476,046	28,104,564	-	28,104,565
Money market assets (Note 2)	**34,926,801**	**37,845,560**	**6,879,551**	**33,363,903**
Loans and advances to clients	943,235,328	622,421,520	5,524,460	590,989,954
Loan impairment	(13,979,778)	(14,493,563)	(279,733)	(12,254,944)
Notional interest and other interest adjustments	(2,496,060)	(1,536,204)	(167,564)	(928,754)
Advances (Note 3)	**926,759,490**	**606,391,753**	**5,077,164**	**577,806,256**
Prepayments	118,582	57,374	-	57,374
Other receivables	482,643	-	347,012	-
Interest on guarantees and other	1,236,903	2,020,650	-	1,926,658
Other assets (Note 5)	**1,355,485**	**2,078,024**	**347,012**	**1,984,032**
27. Risk management (continued)				
27.1 Assets: Credit exposures (continued)				
Gross amount owing: Subsidiary companies (Note 6)	**-**	**-**	**28,848,438**	**37,555,689**
Total assets subject to credit risk	**963,371,640**	**646,733,795**	**41,190,348**	**651,105,915**
Assets not subject to credit risk	**6,407,151**	**7,905,678**	**-**	**7,281,055**
Total assets	**969,778,791**	**654,639,473**	**41,190,348**	**658,386,970**
Undrawn commitments (note 17)				
Advances for refurbishment of buildings	**116,019,134**	**50,043,347**	**-**	**45,357,607**
Advances pending contractual compliances	**243,412,788**	**208,680,580**	**-**	**208,680,580**
	359,431,922	**258,723,927**	**-**	**254,038,187**

27.2 Financial assets subject to credit risk – Group: 2010

For the purpose of the Group's disclosure regarding credit quality the exposure to credit risk has been analysed as follows:

	Cash and short term assets R	Money market R	Advances R	Other assets R
Neither past due nor impaired (net of notional interest)	329,864	34,926,801	874,049,804	1,355,485
Past due but not impaired	-	-	49,096,925	-
Impaired	-	-	17,592,539	-
Carrying value before impairment	**329,864**	**34,926,801**	**940,739,268**	**1,355,485**
Less: Impairment allowance	-	-	(13,979,778)	-
Identified impairments	-	-	(2,918,479)	-
Identified individual	-	-	(2,918,479)	-
Identified collective	-	-	-	-
Unidentified impairments	-	-	(11,061,299)	-
Carrying value of financial assets per note 27.1	**329,864**	**34,926,801**	**926,759,490**	**1,355,485**

Financial Assets Subject to Credit Risk - Group : 2009

	Cash and short term assets R	Money market R	Advances R	Other assets R
Neither past due nor impaired (net of notional interest)	418,460	37,845,560	560,318,999	2,078,024
Past due but not impaired	-	-	45,046,283	-
Impaired	-	-	15,520,034	-
Carrying value before impairment	**418,460**	**37,845,560**	**620,885,316**	**2,078,024**
Less: Impairment allowance	-	-	(14,493,563)	-
Identified impairments	-	-	(6,750,253)	-
Identified individual	-	-	(6,750,253)	-
Identified collective	-	-	-	-
Unidentified impairments	-	-	(7,743,310)	-
Carrying value of financial assets per note 27.1	**418,460**	**37,845,560**	**606,391,753**	**2,078,024**

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2010

	Cash and short term assets R	Money market R	Advances R	Other assets R
27. Risk management (continued)				
Financial assets subject to credit risk – Company: 2010				
Neither past due nor impaired (net of notional interest)	38,184	6,879,551	5,356,897	347,012
Past due but not impaired	-	-	-	-
Impaired	-	-	-	-
Carrying value before impairment	**38,184**	**6,879,551**	**5,356,897**	**347,012**
Less: Impairment allowance	-	-	(279,733)	-
Identified impairments	-	-	-	-
Identified individual	-	-	-	-
Identified collective	-	-	-	-
Unidentified impairments	-	-	(279,733)	-
Carrying value of financial assets per note 27.1	**38,184**	**6,879,551**	**5,077,163**	**347,012**
Financial assets subject to credit risk – Company: 2009				
Neither past due nor impaired (net of notional interest)	396,036	33,363,903	534,363,424	1,984,032
Past due but not impaired	-	-	43,510,079	-
Impaired	-	-	12,187,697	-
Carrying value before impairment	**396,036**	**33,363,903**	**590,061,200**	**1,984,032**
Less: Impairment allowance	-	-	(12,254,944)	-
Identified impairments	-	-	(5,795,612)	-
Identified individual	-	-	(5,795,612)	-
Identified collective	-	-	-	-
Unidentified impairments	-	-	(6,459,332)	-
Carrying value of financial assets per note 27.1	**396,036**	**33,363,903**	**577,806,256**	**1,984,032**

Credit risk exposures relating to assets

Financial assets neither past due nor impaired are considered to be fully recoverable.

Financial assets renegotiated

There are no financial assets or advances to customers that have been re–negotiated. Funds received are first applied to any past due amounts.

	30 days	60 days	> 90 days	Total
27. Risk management (continued)				
Financial assets that are past due but not impaired – Group: 2010				
Mortgage loans	167,043	3,977	661,765	832,785
The mortgage loan amounts past due but not impaired related to the overdue instalment portion in respect of loans amounting to R36 676 720. The loan balances have not been impaired or renegotiated as clients are part paying amounts and the value of the collateral exceeds the loan balance.				
Financial assets that are past due but not impaired – Group: 2009				
The mortgage loan amounts past due but not impaired relate to the overdue instalment portion in respect of loans amounting to R 36 676 720. The loan balances have not been impaired or renegotiated as clients are part paying amounts and the value of the collateral exceeds the loan balance.	488,532	319,198	1,744,806	2,552,536

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R	R	**R**	R

27.3 Analysis of assets

At each balance sheet date an assessment is made whether there is an indication that an asset may be impaired.

Loans and advances are stated net of impairment. Where carrying values of individual loans and advances are less than discounted amounts realisable or net of recoveries from collateral, a provision is made for the differences as loan impairment. Advances are subject to a risk rating evaluation that takes into consideration inter alia the overall risk profile, collateral cover, payment record, past experiences, customers' co-operation in abiding by loan conditions and the economic climate. For further details regarding the company's accounting policy refer to accounting policy note 7.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 March 2010

	Carrying amount R	Impairment R	Revised carrying amount R
27. Risk management (continued)			
a. Analysis of assets individually assessed as impaired			
Group: 2010			
Mortgage loans	6,392,085	1,326,715	5,065,370
Bridging finance	2,377,696	1,591,764	785,932
Deferred sale	-	-	-
Equity loans	-	-	-
	8,769,781	2,918,479	5,851,302
Group: 2009			
Mortgage loans	12,187,697	5,795,612	6,392,085
Bridging finance	3,332,337	954,641	2,377,696
Deferred sale	-	-	-
Equity loans	-	-	-
	15,520,034	6,750,253	8,769,781
Company: 2010			
Mortgage loans	6,392,085	279,733	5,244,727
	6,392,085	279,733	5,244,727
Company: 2009			
Mortgage loans	12,187,697	5,795,612	6,392,085
	12,187,697	5,795,612	6,392,085

	Opening balance R	Impairment R	Closing balance R
b. Reconciliation of total impairments (identified and unidentified) Group: 2010			
Mortgage loans			
Identified individual	5,795,612	(4,468,897)	1,326,715
Unidentified collective	6,459,332	2,964,269	9,423,601
	12,254,944	(1,504,628)	10,750,316
Bridging finance			
Identified individual	954,641	637,123	1,591,764
Unidentified collective	1,235,553	352,889	1,588,442
	2,190,194	990,012	3,180,206
Deferred sale loans			
Identified individual	-	-	-
Unidentified collective	48,425	831	49,256
	48,425	831	49,256
Total (per note 27.1)	**14,493,563**	**(513,785)**	**13,979,778**

	Carrying amount	Impairment	Revised carrying amount
Group: 2009			
Mortgage loans			
Identified individual	965,000	4,830,612	5,795,612
Identified collective	4,655,332	1,804,000	6,459,332
	5,620,332	6,634,612	12,254,944
Bridging finance			
Identified individual	301,793	652,848	954,641
Identified collective	593,651	641,902	1,235,553
	895,444	1,294,750	2,190,194
Deferred sale loans			
Identified individual	-	-	-
Identified collective	44,717	3,708	48,425
	44,717	3,708	48,425
Total (per note 27.1)	6,560,493	**7,933,070**	**14,493,563**

	Opening balance	Carrying amount R	Impairment transfer R	Revised carrying amount R
27. Risk management (continued)				
b. Reconciliation of total impairments (identified and unidentified) (continued)				
Company: 2010				
Mortgage loans				
Identified individual	5,795,612	(4,468,897)	(1,326,715)	-
Identified collective	6,459,332	1,174,996	(7,354,595)	279,733
Total (per note 27.1)	**12,254,944**	**(3,293,901)**	**(8,681,310)**	**279,733**
Company: 2009				
Mortgage loans				
Identified individual	965,000	4,830,612	-	5,795,612
Identified collective	4,655,332	1,804,000	-	6,459,332
Total (per note 27.1)	**5,620,332**	**6,634,612**	**-**	**12,254,944**

	GROUP		COMPANY	
	2010 R	2009 R	**2010** R	2009 R
Valuation of collateral				
The Group follows the principle of registering a mortgage bond to the value of 120% of the loan facility amount. In addition another 30% of this amount is provided for legal costs in the total bond registered. The amounts stated below are stated exclusive of the legal costs provided for in the registered mortgage bond.				
Loans and advances				
Mortgage loans - registered mortgage bond	**1,478,932,397**	784,813,745		
- loans past due and not impaired	**107,175,686**	52,212,095		
- loans individually impaired	**18,831 ,154**	14,625,236		
	1,604,939,237	851,651,076		
Bridging finance loans - unsecured lending	**1,000,000**	1,200,000		
Deferred sale loans - value of property held	**21,637,517**	9,365,046		
Equity - risk borne by Gauteng Partnership Fund (2nd bond registered)	**11,059,574**	6,292,785		
Total	**1,627,596,754**	862,216,122		

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2010

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R	R	**R**	R

27. Risk management (continued)

27.4 Market risk:

The group does not have exposure to currency risk as all transactions are rand denominated. Money market assets do not bear price risk as they include mainly cash, call funds and deposits in interest bearing accounts.

TUHF is exposed to cashflow interest rate risk on both loan advances and interest bearing borrowings that are linked to the prime interest rate. Loans and advances, cash and cash equivalents and money market assets as well as interest bearing liabilities are stated at amortised cost derived from a fair rate of return or fair cost of borrowings.

Analysis of loan book advances interest rate risk exposure

The market risk exposure relates to the potential adverse effect of interest rate movements on net interest income.

The market risk exposure is further exacerbated by the fact that some loan advances have six monthly fixed interest rate periods delaying the impact of a change in interest rates on the positive margin. The group has tried to match this exposure in its loan profile.

Interest rate sensitivity: Group

	GROUP 2010 R	GROUP 2009 R	COMPANY 2010 R	COMPANY 2009 R
Increase in basis points	**100**	100		
Sensitivity of annual net interest income	**322,828**	315,713		

27.5 Liquidity risk:

Liquidity risk is the risk that the Group is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn, the consequences of which may be the failure to meet obligations to repay commitments to funders.

The Board is responsible for the management of the liquidity risk of the group but they have delegated the day to day responsibility to the Financial Manager. The key focus in managing this risk is the use of a cash flow model that monitors loan and funders cashflows for a 18 month window period.

	Within 1 year	1 to 5 years	> 5 years	Discounting	Total
	R	R	R	R	R
27. Risk management (continued)					
27.5 Liquidity risk (continued)					
A summary of the undiscounted liquidity profile is reflected in the tables that follows:					
27.5.a. Contractual maturity of financial liabilities - undiscounted					
Liabilities : Group 2010					
Other liabilities	960,780	-	-	-	960,780
Non interest bearing liabilities	-	1,440,428	-	-	1,440,428
Interest bearing liabilities	157,008,319	230,181,523	1,542,131,279	(1,003,770,921)	925,550,200
Total liabilities	157,969,099	231,621,951	1,542,131,279	(468,363,652)	927,951,409
Liabilities : Group 2009					
Other liabilities	802,334	-	-	-	802,334
Non interest bearing liabilities	-	10,000,000	1,350,102	--	11,350,102
Interest bearing liabilities	105,400,669	392,838,361	564,757,838	(451,631,817)	611,365,051
Total liabilities	106,203,003	402,838,361	566,107,940	(451,631,817)	623,517,487
Liabilities : Company 2010					
Other liabilities	-	-	-	-	-
Subsidiary companies	-	9,567,426	-	-	9,567,426
Non interest bearing liabilities	-	10,000,092	-	-	10,000,092
Interest bearing liabilities	105,400,669	392,838,361	564,757,838	(451,631,817)	611,365,051
Total liabilities	105,400,669	412,405,879	564,757,838	(451,631,817)	630,932,569
Liabilities : Company 2009					
Other liabilities	794,832	-	-	-	794,832
Subsidiary companies	-	5,585,818	-	-	5,585,818
Non interest bearing liabilities	-	10,000,092	-	-	10,000,092
Interest bearing liabilities	105,400,669	392,838,361	564,757,838	(451,631,817)	611,365,051
Total liabilities	106,195,501	408,424,271	564,757,838	(451,631,817)	627,745,793

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 March 2010

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R	R	**R**	R

27 Risk management (continued)

27.6 Classification of assets and liabilities

Group : 2010

	Loans and receivables	Other categories of IAS 39	Total carrying amount	Fair value
Financial Assets				
Cash and short terms assets	329,864	-	329,864	329,864
Money market assets	34,926,801	-	34,926,801	34,926,801
Loan advances	926,759,490	-	926,759,490	926,759,490
Other assets	1,355,485	-	1,355,485	1,355,485
	963,371,640	-	963,371,640	963,371,640

	Amortised cost	Other categories of IAS 39	Total carrying amount	Fair value
Financial Liabilities				
Other liabilities	960,780	-	960,780	960,780
Accruals	3,528,208	-	3,528,208	3,528,208
Non interest bearing liabilities	1,440,428	-	1,440,428	1,440,428
Interest bearing liabilities	925,550,200	-	925,550,200	925,550,200
	931,479,617	-	931,479,617	931,479,617

Group : 2009

	Loans and receivables	Other categories of IAS 39	Total carrying amount	Fair value
Financial Assets				
Cash and short terms assets	418,460	-	418,460	418,460
Money market assets	37,845,560	-	37,845,560	37,845,560
Loan advances	606,391,753	-	606,391,753	606,391,753
Other assets	2,078,024	-	2,078,024	2,078,024
	646,733,797	-	646,733,797	646,733,797

	Amortised cost	Other categories of IAS 39	Total carrying amount	Fair value
Financial Liabilities				
Other liabilities	802,334	-	802,334	802,334
Accruals	1,192,242	-	1,192,242	1,192,242
Non interest bearing liabilities	11,350,102	-	11,350,102	11,350,102
Interest bearing liabilities	611,365,051	-	611,365,051	611,365,051
	624,709,729	-	624,709,729	624,709,729

	GROUP		COMPANY	
	2010	2009	**2010**	2009
	R	R	**R**	R

27 Risk management (continued)

27.6 Classification of assets and liabilities (continued)

Company : 2010

	Loans and receivables	Other categories of IAS 39	Total carrying amount	Fair value
Financial Assets				
Cash and short terms assets	38,184	-	38,184	38,184
Money market assets	6,879,551	-	6,879,551	6,879,551
Loan advances	5,077,163	-	5,077,163	5,077,163
Other assets	347,012	-	347,012	347,012
Subsidiary companies	28,848,438	-	28,848,438	28,848,438
	41,190,348	-	41,190,348	41,190,348

	Amortised cost	Other categories of IAS 39	Total carrying amount	Fair value
Financial Liabilities				
Other liabilities	-	-	-	-
Accruals	-	-	-	-
Subsidiary companies	9,567,426	-	9,567,426	9,567,426
Non interest bearing liabilities	-	-	-	-
Interest bearing liabilities	-	-	-	-
	9,567,426	-	9,567,426	9,567,426

Company : 2009

	Loans and receivables	Other categories of IAS 39	Total carrying amount	Fair value
Financial Assets				
Cash and short terms assets	396,036	-	396,036	396,036
Money market assets	33,363,903	-	33,363,903	33,363,903
Loan advances	577,806,256	-	577,806,256	577,806,256
Other assets	1,984,033	-	1,984,033	1,984,033
Subsidiary companies	37,555,689	-	37,555,689	37,555,689
	651,105,917	-	651,105,917	651,105,917

	Amortised cost	Other categories of IAS 39	Total carrying amount	Fair value
Financial Liabilities				
Other liabilities	945,612	-	945,612	945,612
Accruals	1,192,240	-	1,192,240	1,192,240
Subsidiary companies	5,585,818	-	5,585,818	5,585,818
Non interest bearing liabilities	10,000,092	-	10,000,092	10,000,092
Interest bearing liabilities	611,365,051	-	611,365,051	611,365,051
Total Liabilities	**629,088,813**	**-**	**629,088,813**	**629,088,813**

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 March 2010

		INVESTMENT IN SHARES		INDEBTEDNESS	
		2010	2009	**2010**	2009
		R	R	**R**	R
28. Investments in subsidiaries (directly / indirectly)					
The company has the following interests in group subsidiary companies:					
TUHF Holdings (Pty) Ltd - 70%		1 428	1	26,331,135	(4,235)
TUHF Properties (Pty) Ltd - 100%	•	100	100	2,026,047	1,895,170
Intuthuko Equity Fund (Pty) Ltd - 100%	••	100	100	197,544	(364,806)
TUHF Bridge (Pty) Ltd - 100%	•••	-	100	-	30,443,441
TUHF Pty (Pty) Ltd - 100%	#	-	-	(9,275,342)	-
		1 628	**301**	**19,279,384**	**31,969,570**
Total investment and indebtedness				**19,281,012**	**31,969,871**
(Refer to note 6)					

Nature of business:

Holding company
- • Property deferred sales
- •• Equity funding
- ••• Bridging funding
- # Mortgage finance sub subsidiary

Contractual maturity of liabilities		
TUHF Holdings (Pty) Ltd		
Interest is charged at call rates	(769)	(4,235)
Repayable within 12 months	-	-
Repayable more than 12 months	(769)	(4,235)
TUHF Properties (Pty) Ltd		
Interest is charged at variable rates		
Repayable within 12 months	**-**	-
Repayable more than 12 months	2,026,047	1,895,171
	2,026,047	1,895,171
Intuthuko Equity Fund (Pty) Ltd		
Interest paid at market call rates		
Repayable within 12 months	-	-
Repayable more than 12 months	197,544	(364,806)
	197,544	(364,806)
TUHF Bridge (Pty) Ltd		
Interest on amounts owing - market call rates		
Interest on amounts receivable - prime plus 10%		
Repayable within 12 months	-	30,443,441
Repayable more than 12 Months	-	-
	-	30,443,441
TUHF Pty (Pty) Ltd		
Interest on amounts owing - market call rates		
Interest is charged at variable rates		
Repayable within 12 months	(9,275,342)	30,443,441
Repayable more than 12 Months	-	-
	(9,275,342)	30,443,441

	INVESTMENT IN SHARES		INDEBTEDNESS	
	2010	2009	**2010**	2009
	R	R	**R**	R
29. Related parties				
Related parties :				
Subsidiary companies as disclosed in note 28				
Amount due to and from related parties:				
Subsidiary companies as disclosed in note 28				
Related parties transactions:				
TUHF Holdings Group (Pty) Ltd				
Interest received			**-**	-
Interest paid			**-**	-
Management fees			**-**	-
TUHF Properties (Pty) Ltd				
Interest received			**(232,447)**	(269,335)
Intuthuko Equity Fund (Pty) Ltd				
Interest paid			**82,503**	44,155
TUHF Bridge (Pty) Ltd				
Interest received			**(2,654,652)**	(5,022,411)
Interest paid			**126,814**	123,976
Management fees			**(318,435)**	(753,659)
TUHF Pty (Pty) Ltd				
Interest received			**-**	-
Interest paid			**230,992**	-
Management fees			**53,945**	-

Key management:

All members of the board are considered key management. For remuneration refer to note 18.

S Moraba a director of the company is the chief executive officer of the National Housing Finance Corporation Ltd. This company has granted the company wholesale loan facilities amounting to R300 million to TUHF (Pty) Ltd. a subsidiary company within the group (2009 R210 million to Trust for Urban Housing Finance).

Avon House before

Avon House after

Als Towers before

Als Towers after

Fox Street before

Fox street after

Rocky Corner before

Rocky Corner after

Homelands

Harmonie Hof

Branksome

SUCCESS STORIES

Rejuvenating Jozi's inner city

"With Sandy Barnes at the helm, Jozi Housing is proof that previously derelict buildings can be profitable."

In the post apartheid era, the Johannesburg inner city was in a state of severe decay. Rising to the regeneration challenge, Jozi Housing (Pty) Ltd was formed in 2003. Since their inception they have successfully converted dilapidated buildings in some of the most crime-ridden, corroded areas, such as Hillbrow and Berea, into attractive, high quality, affordable rental housing. Actively helping to encourage civic-minded people to move back into the city centre, Jozi's refurbishment initiatives have helped to increase the potential for further inner city investment.

However, their journey has not been without challenge. In 2003, the market was distressed. Traditional banks responded by redlining the inner city and subsequently withdrawing from the inner city investment arena altogether. Reacting differently to the traditional banks, TUHF decided to critically examine the causes of market failure from a legal and institutional perspective, and subsequently formulated workable strategies which are still relevant today, enabling companies like Jozi the liquidity essential to facilitate positive market change.

When Sandy Barnes joined Jozi as Chief Executive Officer in 2004, we had already financed the company's first five buildings. Working in close collaboration with Sandy with his gutsy determination and unwavering belief in the inner city, we have built a viable and highly successful long-term regeneration partnership. Jozi has to date acquired, refurbished and is successfully managing 20 residential buildings.

With tenants seeking suitable urban rental accommodation, the pressure to supply rental housing increases and the refurbishment trend gathers positive momentum. The demand for clean, attractive, inner city rental housing by better quality tenants eager to experience the convenience of inner city urban living, means that criminal elements, slumlords and building hijackers in particular, are driven out.

According to Sandy, progress with regard to the overall rejuvenation process is steady but slow. He says, "Perceptions and issues of crime surrounding the inner-city as highlighted in the media can be drastically reduced through the efficiency of the service delivery model implemented by the Johannesburg City Council and its various affiliate branches." He continues by saying, "Even though there are negative perceptions around the inner city, there are currently a number of developers identifying derelict buildings and converting them into places in which people live and work with dignity, thereby upgrading inner city communities into healthy, secure, safe environments." He maintains that while the broader pace of change could quicken the current appreciated value of inner city property, Jozi is testimony to the fact that the inner city investment arena is a sound, financially viable business venture.

With Sandy Barnes at the helm, Jozi Housing is proof that previously derelict buildings can be profitable. In line with TUHF's core values, Jozi takes seriously their commitment to uplift inner city communities. Tenants are willing to pay for better quality services in decent buildings. Moreover, inner city areas such as Hillbrow and Berea, at one time extreme examples of urban decay, are through the likes of Jozi, becoming sought after localities in which to invest and live. Low vacancies, low arrears payments and lower bad debt levels prove that their tenants benefit from their property refurbishment initiatives.

Sandy networks tirelessly with various regeneration stakeholders and their affiliates to encourage further investment. While Jozi will continue to provide a sustainable quality-housing product in the inner city, the overall rejuvenation process requires a more committed effort on the part of all stakeholders. While CIDs (Central Improvement Districts) are advancing beyond merely concentrating on improving cleanliness and safety it is important for the service delivery model implemented by the Johannesburg City Council and all its affiliates, to ensure basic services such as refuse collection and properly functioning street lights. The JMPD, for instance, must ensure that traffic is competently managed and that bylaws are enforced.

Although crime levels have significantly reduced in the areas in which Jozi operates. With TUHF as its main financing partner, and possibly its biggest client, Jozi is firmly committed to actively facilitating healthy, thriving, sustainable urban communities in order to effect local economic development in all its forms. The outcome of a co-ordinated effort will amplify opportunities to attract and retain businesses and will promote the inner city area as a preferred choice, convenient environment in which to live in. Moreover, the effective provision of services to improve the overall feasibility of further investment will enhance property values to the benefit of property owners, while upgrading the inner city.

SUCCESS STORIES (continued)

People on the move

"… Realising that someone needed to take responsibility and, unwilling to suffer the consequences of the absence of good management, she volunteered her services as building supervisor …"

There is little doubt that the inner city of Johannesburg is undergoing a dynamic process of change. This is accompanied by a growing increase in the demand for residential housing. While this is encouraging, there are a number of "bad building" examples where little if any investment is being made with regard to property maintenance. Yellowwood Park was one such example until the arrival of Francinah Likhama.

Yellowwood is a residential building in the Johannesburg inner city of Berea. It is also the building in which Francinah sought accommodation for herself and her children in 2001. As with all the other tenants, Francinah was expected to pay her monthly rental into an attorney's account.

By 2004, it was evident that a dysfunctional body corporate and irregular rental payments on the part of certain tenants, Francinah excluded, meant that the means to pay for building upkeep was virtually non-existent. Additionally Council rates and service charges were not being paid over to the City of Johannesburg. As a result, Yellowwood was attached by the City Council, and a Council-appointed judicial administrator who was sent to recover costs and assist with building management.

Meanwhile, Francinah had rallied together with other residents and formed a Committee to collect rentals and pay the Council. Ideally, circumstances required the hiring of a building manager but this was impossible due to insufficient funds. Realising that someone needed to take responsibility and, unwilling to suffer the consequences of the absence of good management, she volunteered her services as building supervisor. Francinah worked tirelessly during the day to support her family and diligently performed her role as building supervisor at night.

Unfortunately, the owners of the building were absent which, in spite of Francinah's efforts, still posed an enormous challenge in the overall success in managing the building. As a result the judicial administrator, by this time working closely with Francinah who already owned one unit, suggested that she approach TUHF to apply for funding to purchase the remaining 41 units. Realising that she would be required to track-down the owners (which she was fully prepared to do) she contacted Rekwele Mtali, a loan officer at TUHF.

Having met Francinah at Yellowwood Park, Rekwele invited her to meet with TUHF's Chief Executive Officer, Paul Jackson. After the meeting she was incredulous. Francina could not comprehend that TUHF would be willing to finance her. In fact, when offered assistance she thought it was a scheme to steal her building.

Equity conditions meant that she was required to raise an amount of R10 000, the deposit amount or own equity requirement to secure a R1 million loan. This she procured as an R8 000 Nedbank loan and R2 000 in earnest savings. TUHF was prepared to fund the balance, of which R790 000 would be financed by TUHF and R200 000 from the Intuthuko Equity Fund. TUHF has since loaned Francinah a further R2,7 million. To date she owns 28 of the 42 units at Yellowwood with a further four units in the registration pipeline. In essence, this makes Francinah the majority shareholder in the Body Corporate thus allowing her to maintain the building effectively and efficiently to the benefit of all who reside in it.

In spite of tenants initially refusing to pay rent, setting fire to her apartment while she and her children were sleeping, and other acts of vandalism Franchina persisted. With hands-on assistance, advice and financial support from TUHF, she remained resolute in her determination to turn Yellowwood around. In fact, she now intends to grow her property portfolio. With TUHF's help, she plans to purchase another building and dreams of opening a disabled school for children.

Fully engaged in finding local solutions to the inner city challenge TUHF empowers people like Franchina who live and work in the inner city urban environment. Our policy of assisting local residents, previously disadvantaged individuals; to become hands-on property owners, is fulfilling our mandate to change ownership demographics. When whole communities actively work together, the result is a general improvement in residential buildings, the area and the precinct. The ripple effect creates a healthy, safe, quality environment, attractive to residents and businesses alike. From vegetable seller to security guard to aspiring residential real estate property entrepreneur, Franchina believes that, "God is finally starting to look in my favour."

TUHF is proud to be associated with the following financial partners.

DBSA Development Bank of Southern Africa · cadiz DO IT RIGHT · NHFC National Housing Finance Corporation Ltd · Standard Bank South Africa · Futuregrowth Asset Management, A Member of the Old Mutual Investment Group · GPF Gauteng Partnership Fund

TUHF FINANCIAL STATEMENTS

for the year ended 31 March 2010

Country of Incorporation and domicile:	Republic of South Africa
Nature of business:	A development finance organisation providing finance for the purchase, construction, conversion and improvement of residential property within South African inner city precincts.
Directors:	• S Moraba (Chairman) • Non-executive director • C Coovadia • R Emslie: appointed 1 August 2009 • P G N Jackson (CEO) • M Mamatela • J S Strelitz
Secretary:	I Roodt
Business address:	First Floor UCS House 209 Smit Street Braamfontein 2001
Postal address:	P O Box 30872 Braamfontein 2017
Bankers:	The Standard Bank of South Africa Limited
Auditors:	BDO Spencer Steward (Johannesburg) Inc. Chartered Accountants (SA) Registered Auditors
Attorneys:	Cliffe Dekker Hofmeyr Inc
Company registration number:	1993/000217/08

TUHF (PTY) LTD
Reg no: 2007/025898/07
NCR No: NCRCP4016

TRUST FOR URBAN HOUSING FINANCE
Reg no: 1993/000217/08
NCR No: NCRCP1709

TUHF Bridge (PTY) LTD
Reg no: 2006/014097/07
NCR no: NCRCP1711

INTUTHUKO EQUITY FUND (PTY) LTD
Reg no: 2004/034588/07
NCR no: NCRCP1708

TUHF Properties (PTY) Ltd
Reg no: 2003/021683/07
NCR no: NCRCP1710

TUHF HOLDINGS (PTY) LTD
Reg no: 2007/024010/07
NCR no: NCRCP4015

Seated left to right: Pressage Nyoni – Liason Officer, Justine Saloman – Loan Administrator, Nano Makwela – Portfolio Manager, Kekeletso Tsotsotso – Bookkeeper
Standing: Tryphinah Dakana – General Assistance, Charmaine Meth – Receptionist

Khumbulani Chikomo – Portfolio manager
Belinda Cooke – Loan Administration Manager

Left to right: Connie Masoga – Bookkeeper, Sameer Khan – Loan Maintenance Administrator, Ekuah Quansah – Marketing, Paul Jackson – CEO, George Chauke – Portfolio Manager, Ilona Roodt – Financial Manager, Desmond Kalamer – Programme Administrator

Left to right: Chevaughn Parsons – Operations PA, Antoinette Herandien – Loan Administrator, Med Kwesiga – Portfolio Manager, Roselyn Valloo – Accountant, Andrè van Rooyen – Bridging Finance Officer, Rekwele Mmatli – Portfolio Manager

Lusanda Mbeje – Regional Manager (KZN)