12

TUHF

TUHF (PTY) LTD

FINANCING RENTAL HOUSING IN SOUTH AFRICAN CITIES

ANNUAL REPORT

HIGHLIGHTS 2012

"By providing responsible inner city commercial property finance in areas traditional banks continue to avoid, TUHF has unrivalled ability to make a real difference in people's lives."

Samson Moraba
Chairman

Consolidated our brand

Refurbished over 18,000 units

Officially opened our Port Elizabeth offices

Won the **South African Trust Award** for investing in the future and drivers of change

Only lender actively making loans in the inner city

Empowered
25
previously disadvantaged women

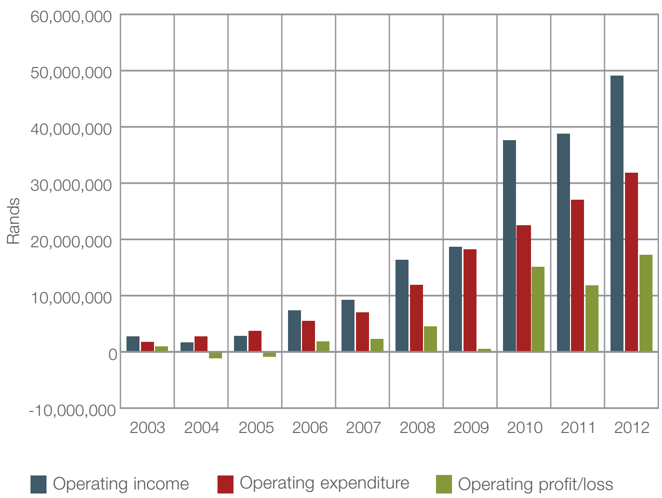
Financed over 94 PDIs

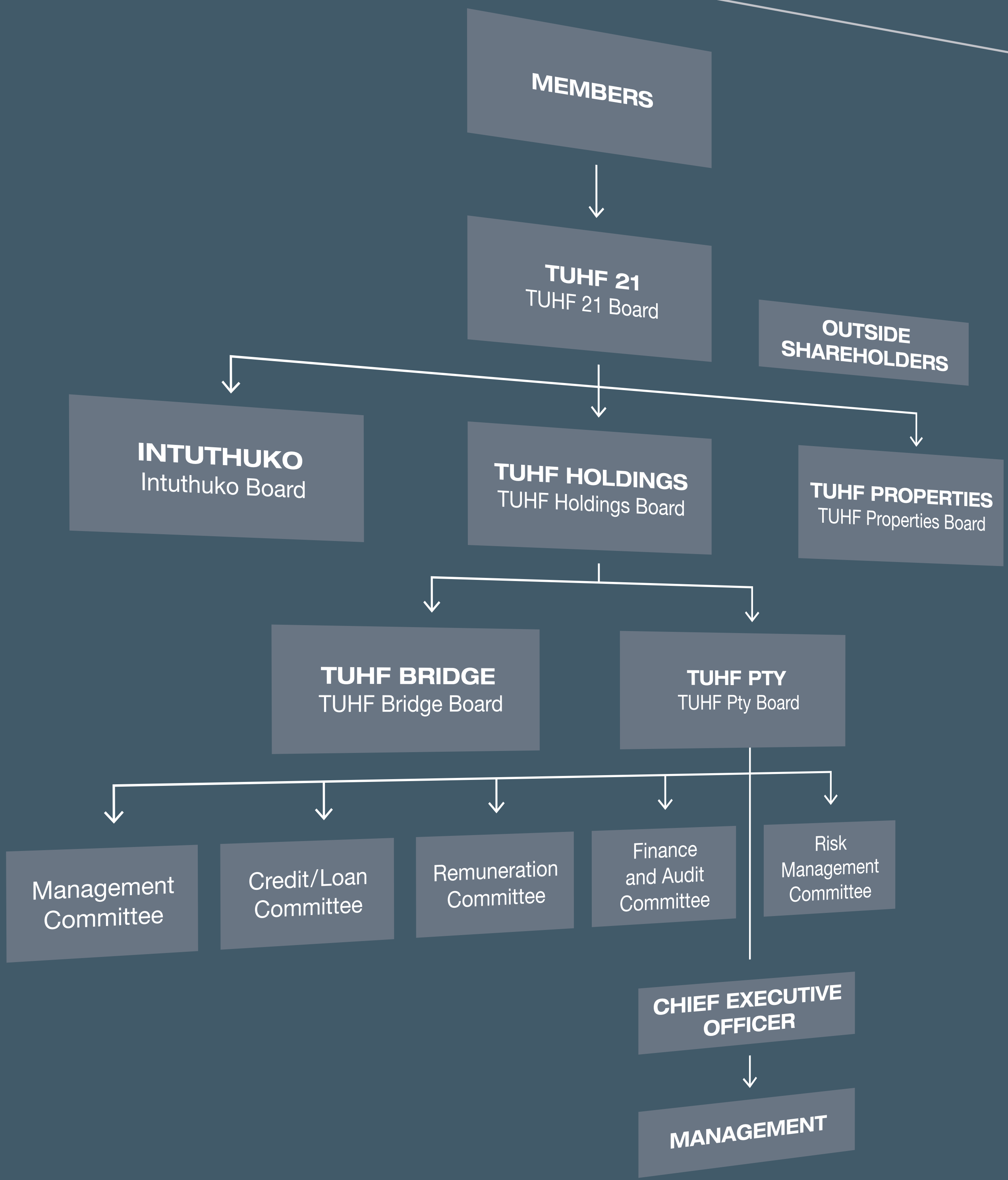
No 1
lender in the R5 million – R20 million bracket in the inner city

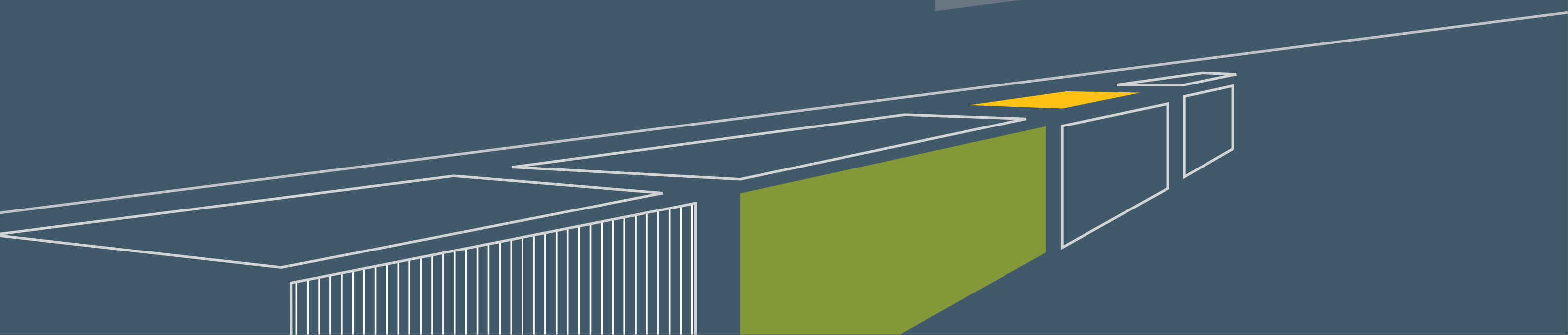
+44%
Gross profit

6th
largest lender in the inner city

Concluded capitalisation




MEMBERS
TUHF 21
TUHF 21 Board
OUTSIDE SHAREHOLDERS
INTUTHUKO
Intuthuko Board
TUHF HOLDINGS
TUHF Holdings Board
TUHF PROPERTIES
TUHF Properties Board
TUHF BRIDGE
TUHF Bridge Board
TUHF PTY
TUHF Pty Board
Management Committee
Credit/Loan Committee
Remuneration Committee
Finance and Audit Committee
Risk Management Committee
CHIEF EXECUTIVE OFFICER
MANAGEMENT



BOARD OF DIRECTORS

SAMSON MORABA Chairman
Chief Executive Officer: National Housing Finance Corporation

Samson is the current Chief Executive of the National Housing Finance Corporation (NHFC) since January 1999. Prior to that, Samson was Executive Director IT, at Standard Corporate Merchant Bank, responsible for the implementation of the bank-wide system integration architecture and served as a member of the Business Prioritisation Committee. Samson worked for Gemini Consulting as a senior consultant where he was a project leader in a business transformation initiative with the local telecommunication company. From 1988-1994 Samson worked for JCI, managing the Treasury Back Office before being promoted to Manager in the Corporate Finance Division. He was previously chairman of the African Union for Housing Finance (2004 – 2007) and he serves on numerous boards as Non-executive Chairman of: Teba Bank Limited (2000 – 2007); TUHF (2003 – current); and the Social Housing Foundation (2000 – current).

Samson served for three years on the Standing Committee for the Revision of the 1990 Bank Act (SARB) and is a member of the Licensing Committee of the Financial Services Board (FSB) since 2004. Samson holds a B.Commerce degree from Unisa and a PMD from Harvard University.

PAUL JACKSON Chief Executive Officer

Paul, who holds a BSc honours degree in Agricultural Economics from the University of Pretoria, has worked in development finance since 1987. He was a Divisional Manager at the Development Bank of Southern Africa before becoming General Manager at the Transitional National Development Trust. Paul then joined the Johannesburg Housing Company as Operations Manager responsible for new development and financial strategy.

Paul joined TUHF in 2003 as the group's Chief Executive Officer.

CAS COOVADIA Deputy Chair
Managing Director: The Banking Association of South Africa

Cas is presently the Managing Director of The Banking Association of South Africa. Over and above his duties there, he is the chairman for: National Business Initiative, SA Banking Risk Company (SABRIC) and the Johannesburg Metropolitan Company, President: International Union for Housing Finance, Member of Council: University of Witwatersrand and Deputy Chairman: TUHF.

ROB EMSLIE

Robert is a non-executive member of the boards of listed companies (Blue Financial Services, SilverBridge and Vunani Property Investment Fund) and unlisted companies. He qualified as a Chartered Accountant in 1983 and was a career banker with Absa until 2008. Based on his background, he usually becomes a member of board audit, risk, credit and investment sub-committees.

MANDU MAMATELA
Executive Manager Credit: National Housing Finance Corporation

She holds an International Executive Development Programme (IEDP) UK from Wits Business School, an MBA from the University of Potchefstroom and Associate Accountant Technician (AAT) through SAICA, the South African Institute of Chartered Accountants. She has extensive experience in the financial and management accounting fields through various industries: Motor Industry, both manufacturing and Marketing, (BMW SA and Land Rover SA), Energy Industry (Engen SA) and Financial Services Industry (National Housing Finance Corporation).

She is currently employed as the Executive Manager Credit at the NHFC.

JILL STRELITZ
Executive Director: The New Housing Company (NewHco)

Jill has an honours degree in sociology and a masters degree in town and regional planning, as well as a diploma in financial instruments. Jill has also completed an executive development programme (University of the Witwatersrand and Harvard). She was an Executive Director (Housing) on the board of the Urban Foundation, a private-sector non-profit organisation (1980 – 1994). She received the National Housing Person of the Year Award in 1994. From 1994 to 1999, Jill was Senior Manager: Special Projects at Anglo-American Property Services. She later joined NURCHA (National Urban Reconstruction and Housing Agency) as an Executive Director responsible for operations and later, business development. She is currently the Executive Director of NewHco (The New Housing Company) a non-profit, public benefit organisation. She is a Non-Executive Director on the board of the Johannesburg Housing Company.

SAMSON MORABA
Chairman

"By providing responsible inner city commercial property finance in areas traditional banks continue to avoid, TUHF has an unrivalled ability to make a real difference in people's lives. Our unique position, specialised skills and network strength has allowed us to grow our business exponentially."

CHAIRMAN'S Statement

CONSISTENT GROWTH AND ACHIEVEMENT

Next year TUHF will celebrate its first decade of existence.

As we report on TUHF's ninth year, every indication is that this time next year, we will be celebrating ten years of consistent – even remarkable – growth, performance and achievement.

The year ending March 2012 was an exceptionally challenging one. I am pleased to report, however, that TUHF came through it thanks to outstanding leadership, a committed and talented team, and an unswerving commitment to the values and the vision that has defined the business from its launch in 2003.

The liquidity crisis and its impact on TUHF this past year are explored in greater detail in the chief executive's report, but it would be impossible to reflect on the year and TUHF's performance without touching on the severity of the funding crisis.

TUHF management explored every conceivable and reasonable means to source debt funding, which proved more difficult than ever to secure. Management's ability to raise some R550 million of a targeted R750 million was a considerable achievement, given lenders' heightened reluctance to finance inner city development.

This aversion to financing affordable inner city housing, on the part of mainstream lenders, underscores the important role that TUHF plays in the urban economies of South Africa, and in the lives of thousands of individuals.

BUILDING COMMUNITIES AND BUSINESSES

Since its inception, TUHF has financed more than 18,000 decent, affordable inner city housing units. Within the walls of these units families live and strive for better, imparting values to their children in stable environments. Together they create viable, indeed vibrant, communities and help to transform the once derelict areas in and around the centres of our major cities. Through the access to finance that TUHF has made possible, emerging property entrepreneurs have been able to build and sustain small businesses, to expand their horizons and to create value for countless stakeholders.

Thanks to the performance of the TUHF team, in these most testing of times, TUHF ended the year better equipped than ever to deliver on its mandate. The sustainability of the TUHF model is now proven beyond any reasonable doubt. Within this resoundingly positive context, liquidity constraints severely limited the business's ability to grow its book and to extend a much larger number of loans as had been envisaged at the outset of the financial year. However, a concerted focus on costs translated into a record after-tax profit, a great achievement under the circumstances.

RECAPITALISATION PROFOUNDLY IMPORTANT

This year the recapitalisation of our balance sheet was finally completed. The injection of equity amounting to R125 million by the National Housing Finance Corporation, the Public Investment Corporation and Futuregrowth is profoundly significant for TUHF. While we historically operated on capital ratios in the order of 4%, this has now been raised to a healthy 10%. The support of our core funders is greatly appreciated and I have no doubt that their confidence in the future of TUHF will be repaid with handsome rewards in the years to come.

Given our growth, the near-flawless quality of our book and the calibre of those entities already invested, I am confident that it is only a matter of time before one of the so called "Big Four" banks takes a sizeable equity stake in TUHF. The board and management would welcome such a partnership.

LIQUIDITY SHORTAGES RESTRICT ADVANCES

Demand for financing remained buoyant throughout the year and it was with the greatest regret that TUHF had to decline business, not because of concerns over the assets to be financed or the would-be borrowers' risk profiles, but simply because we were unable to access the required funds. Our business flows reflect not only an underlying demand but also, I believe, TUHF's growing stature within the R5 million to R20 million inner city housing finance sector.

Through the recapitalisation, TUHF today enjoys a net asset value of over R200 million but its intrinsic value – as a financier of quality housing in areas that are critically important to society at large and to the health of our cities – is indeed impossible to calculate.

We now have a far stronger balance sheet and an unassailable market position. Given these strengths and our ongoing focus on quality, low-risk credit combined with an incisive understanding of our market, TUHF is extremely well positioned to deliver on its five-year target of growing its book to R5 billion.

The year under review was one of great achievement in the face of daunting odds, but it was not without its disappointments. Chief among these was our inability to finance investments that we would normally have approved. That we let down some of our clients by having to decline them credit is undeniable. For this we sincerely apologise but look forward to forging mutually beneficial relationships with those clients we were unable to assist.

Another disappointment was that, as we focused sharply on reducing costs, it was considered inadvisable to advance our geographic spread. In recent years TUHF has successfully expanded into new centres, most notably in Durban and Port Elizabeth. After weathering the considerable storms of the past year and given our balance sheet strength, TUHF is now well positioned to resume this expansion strategy and expects to soon announce the opening of new offices in urban centres outside of those in which we have traditionally operated. Every decision to open a new office will, however, be dictated by demand and our ability to make a difference in that particular market as well as our ability to appropriately staff these offices.

As we set out to dramatically grow the order book and as TUHF becomes an increasingly complex business, the quality of our human resources will remain a key risk, a risk over which the board intends to maintain great vigilance.

EXCELLENCE IN A CHALLENGING YEAR

TUHF is defined by the quality of its people, their understanding of market dynamics and their clients, their integrity and ingenuity, and the relationships of trust they forge with emerging and established property entrepreneurs. Growth will be strictly controlled, organic and only embarked upon when we have the utmost confidence that we have the people needed to match the standards we have set ourselves.

Wherever growth
undermines quality
or unduly heightens risk,
we shall forego such growth.

Our executive team and all at TUHF deserve great credit for the way in which they performed in the past year and for the excellence they continue to bring to their work. This performance speaks to the maturity and depth of talent within the organisation. In particular, Paul Jackson and his executives must be congratulated on running a tight ship and keeping it well on course. As I know from working closely with him, Paul has been subjected to unprecedented stresses in the past year but has stood up to these with his reputation and that of his business not only undiminished but also very substantially enhanced.

Apart from staff, one of TUHF's key strengths is the depth of expertise and commitment of its board. As chairman, all of TUHF stakeholders and I are indebted to our directors for the interest and wisdom as well as the quality of dedicated oversight they have brought to bear on our company. I welcome our new shareholders and I have great confidence that their experience and ideas will bring even greater depth and strength to the board.

TUHF is a good business, doing good and in looking back on the last year, I take great pleasure in reporting that we have done great business. In looking forward, I feel secure in predicting that we will do even better business and significantly more good.

Samson Moraba
Chairman

PAUL JACKSON
Chief Executive Officer

"Our continued focus on responsible, committed and involved investing within defined geographic areas has ensured that we do business with good quality clients with whom we maintain a close working relationship."

CHIEF EXECUTIVE'S REVIEW

THE BEST OF TIMES, THE WORST OF TIMES

The year in review will, no doubt, be remembered for many years to come. This was a year that tested our business, our systems and our people to the limit.

It would be a gross understatement to say that access to funding became increasingly difficult this year. During the last financial year the liquidity shortages that had been building up in the capital markets since 2008 finally came to a head, with debt capital becoming very scarce and expensive. As a result we could not raise sufficient capital from our investors and others to finance the projects we otherwise would have. In this respect, the past year represented the worst of times.

However, the way in which we – both staff and investors – responded to this crisis meant that we are able to look back on the year as, in fact, the very best of times. With all major lenders comprehensively "red-lining" the areas in which TUHF operates, it meant we were the only remaining lender actively making loans. This allowed us to consolidate our brand and select the best projects to increase credit quality.

South Africa's inner cities are vital engines of growth. In these confined areas all manner of economic activity thrives. Central Johannesburg, where TUHF is headquartered, is home to some of the world's biggest and most influential mining houses. It has the head offices of three of the country's largest banking groups; local, provincial and national government departments; manufacturing and all types of services. The area is a major transport hub and has a thriving informal sector. It is therefore axiomatic that individuals would want to live near the places where all of this commercial activity is carried out and where they are able to earn a living.

In other cities the economic mix inevitably differs from that prevailing in Johannesburg. But the demand for housing near the centre of the local economy is the same. In Pretoria, Durban and Port Elizabeth the same rule applies as in Johannesburg: that a settled urban population, invested financially and emotionally in the areas in which they live and work, is essential to the wellbeing and sustainability of these areas.

Most unfortunately for the future of our urban engines of growth, most bankers have tended to look past or through the vibrant economic activity that is at the heart of our city centres, and see only the crime and grime. They recall the very substantial losses they suffered in the latter years of the 1990s when our city centres were undeniably in a state of decay. Most of these lenders fail to appreciate the significant programmes and substantive work done by local authorities and other interested parties to rejuvenate and clean up the streets and other infrastructure of the inner cities. Faced with a growing shortage of liquidity, bankers' response has been an almost blanket refusal to fund property development in the areas where it is most needed.

Funding such property development – low-cost, decent inner city accommodation – is what TUHF is all about. The option of acting as most of our peers did in the past year – sitting tight and not writing new loans until liquidity eased – was not an option for TUHF. This would have enabled us to present shareholders with a pristine balance sheet at year-end, but it would have meant treading water in a sea of huge need and enormous opportunity.

A GOOD BUSINESS, DOING GOOD

TUHF is a commercial entity that is firmly focused on the bottom line. We deliver shareholder value by running a quality low-risk book and providing superior service and advice. We are also very focused on doing good – on contributing towards urban regeneration, SMME development and broad-based BEE. Some 60% of our lending is to historically disadvantaged South Africans and we finance a great many emerging entrepreneurs. The fact that we have to date provided finance to over 94 previously disadvantage individuals (PDIs), converted more than 18,000 inner city housing units into safe, clean and affordable accommodation and in addition empowered 25 PDI women, tells of the very sizeable social and economic impact our activities have had. If we don't lend we are simply unable to discharge this most important part of our function, to have a beneficial impact on our cities and on the people who live and work there.

Living up to the imperative to keep lending and to keep performing our core function, we took the decision this year to carry on doing business as usual, even when in the third quarter funding all but evaporated.

Carrying on our business of lending under severe liquidity constraints proved exceptionally difficult. There was no shortage of opportunity, however, with existing customers looking to expand their investments and the strength of our brand ensuring a steady and growing stream of potential clients. But how to meet these aspirations and how to fund the loans investors and entrepreneurs were so determined to access?

PARTNERSHIPS WEATHERING THE STORM

Regrettably, as the chairman has mentioned, lack of liquidity this year meant that we had to turn business away. Close to R200 million in loans, which we ordinarily would have been more than happy to approve, had to be declined for no other reason than that we simply did not have the money. It was thanks to the strength of the partnerships we enjoy with, in particular, Futuregrowth and the National Housing Finance Corporation (NHFC) that we were able to weather the storm and to lend to the extent that we were able.

While we were unable to satisfy demand, our decision to stay active in the market has paid dividends that TUHF is likely to reap well into the future. The almost complete absence of competitors has served to cement our position as the number one lender in the R5 million to R20 million bracket and the sixth largest lender in the inner city overall. While some of our clients have been frustrated in the past year, the market understands and appreciates our commitment to affordable inner city housing, and that this commitment runs deeper than any short-term considerations and setbacks.

ADVANCES AND PROFITS BOTH INCREASE

Lending in the year increased by some R277 million, bringing the value of our book to R1.4 billion. This was below target and well shy of the increases of over R300 million achieved in the preceding two years, but entirely attributable to constraints in the debt market.

Profit growth was exceptional: gross profit rose by 44% to R17 million (FY2011: R11.8 million) and net profits increased by 32% to R11.5 million from R8.7 million the previous year. This was achieved not by growing the book but thanks to the growing annuity value of our book, and through rigorous cost containment with some non-essential investments and projects being postponed. At no time, however, did we contemplate compromising our core efficiencies and levels of quality and service.

Most significant for TUHF was the conclusion of our long-awaited capitalisation this year. The injection of R125 million by the NHFC, Futuregrowth and the Public Investment Corporation means that we now have total equity of approximately R200 million, sufficiently capitalised with a debt:equity ratio of 90%, a landmark development that has catapulted the company into the position of being a lender that can claim critical mass. This is clearly demonstrated by the substantial improvements in arrears management ratios. Impaired capital improved from manageable levels of 8.15% to 3.8%.

Our reputation for openness and transparency is today second to none, while our track record on defaults and arrears is the envy of many lenders. Herein lies the true value of TUHF: that we are today the lender of choice in our market niche and that we have earned the trust of our funders as much as we have earned that of our clients.

Signs are starting to emerge that the extreme liquidity squeeze of the past year is slowly loosening and, with our improved capitalisation, we can realistically project growing the book by R400 million to R500 million in the new year. Stronger than ever, TUHF remains committed to achieving the objectives of doubling its loan book to R3 billion within three years, rising to R5 billion after five years.

We continue to exercise extreme caution. The economic situation in Europe remains of grave concern. As that continent's dramas play themselves out, the outcomes will have a direct bearing on our own capital markets. Another area of uncertainty concerns the Basel III standards on bank liquidity. How the Registrar of Banks intends applying Basel III locally and what measures the Basel committee will accept are being awaited with great interest by all lenders, us included.

GEARING THE BUSINESS FOR GROWTH

One of the ways in which we intend to grow our loan book is by expanding TUHF's footprint nationwide. This will have the effect of increasing our market penetration and turnover as well as spreading any risks

associated with operating in a few defined areas. In the past financial year it was considered prudent to delay expansion until such time as conditions improved. We are evaluating the feasibility of opening offices in Cape Town, Nelspruit, Bloemfontein, Polokwane, Rustenburg and East London. Any decision on opening offices in these centres will be determined by that location's particular requirements and opportunities, and our ability to deliver sustainable local value. The successes achieved in expanding to Durban and, more recently, Port Elizabeth and the many lessons learnt in this process will be applied to all new opportunities.

Our business will become much larger and more complex as we expand both the book and our footprint, but we do not envisage any deviation from the systems and procedures that have stood us in such good stead in the past. TUHF's loan-cycle management system is standardised, well understood within the organisation and robust. We will continue to apply it in future. Just how robust our systems are is borne out by our capital impairment and arrears records, which at 3.8% and 0.11% per annum respectively, are among the best in the industry.

We will also continue to prioritise compliance and corporate governance. We place the greatest possible value on doing good business – being accountable and meeting the high financing, audit and business process standards that our investors and clients have come to associate with TUHF.

SHORT-TERM CHALLENGES AND LONG-TERM OPPORTUNITIES

TUHF is an invested stakeholder in our inner cities. We finance projects and investments that we believe are sustainable and that will continue to add value, not for years but for decades. By the very nature of their investments, our clients take similarly long-term views.

While we look to the long term, we are also keenly aware of short-term dynamics and how these impact the markets in which we operate. There is and will continue to be enormous demand for inner city housing, but buyers and sellers need to take cognisance of the short-term stresses applying to the market. The post-2008 recession and exponential increases in administered prices have hurt the inner city market as much, if not more, than they have impacted most other sectors. Some 60% of the properties that we are approached to finance are declined because their sellers are seeking unrealistic prices.

Electricity price hikes are part of everyday conversation but less attention is devoted to abnormal increases in the prices of water, sewage and refuse removal. Over the past three years municipalities appear to have used the electricity price hikes as an excuse to put through increases in the tariffs for these services, which appear to have little basis in reality. Coupled with recessionary pressures, the result is that the affordability of rented downtown accommodation is under extreme strain. The low-cost housing market is a very price-sensitive one and it is impossible for most landlords to increase rentals by more than 6% to 8%. In an environment in which administered service price increases are in the order of 12% or more, the viability of some of the investments we are asked to finance has to be questioned.

Addressing the reputational damage suffered by TUHF as a result of the prevailing liquidity crunch is a management priority and will be tackled with vigour in the new year. At the same time we plan to investigate ways in which to raise our profile. For most of its existence, TUHF has operated under the radar, relying on word of mouth and our presence "on the street" to generate goodwill and new business. As we embark on a quantum leap in the growth of our business, we shall seek out and exploit innovative opportunities to strengthen the TUHF brand so as to reflect its status as a serious lender of size.

THANKS FOR A JOB WELL DONE

All at TUHF recognise that relationships are integral to the company's success. We value our clients, the business they give us and the trust they continue to have in our services and, most importantly, our people.

We value our investors who have put their faith in our business model, our systems and people and who provide us with their capital. That three of these partners have seen fit this year to expand their investment in TUHF is most gratifying.

We value those who lend us money and the faith that they too place in our work and look forward to increasing this faith in future.

As management we greatly value the quality of advice and leadership provided by chairman Samson Moraba and our board of directors. And we particularly value the staff who make TUHF work, who have worked so diligently to see the business through an extremely demanding year, and whose skills and dedication will take us to even greater heights in the near future.

To all of these people, my sincere thanks and congratulations on a job very well done.

Paul Jackson
Chief Executive Officer

Barclay House
before the upgrade.

Case Study 1

OLD BUT GREEN

Coming from an experienced property background, Mitchell da Silva approached TUHF four years ago for finance for a commercial property in Hillbrow. Since then, Mitchell has grown his property portfolio in the inner city through TUHF finance, illustrating his commitment and passion to the regeneration of the inner city.

With four buildings already financed through TUHF, Mitchell decided to take on a new challenge. An old, run down building comprising 1,494 m^2 with 103 units, 45 underground parking bays and storage facilities would be refurbished into clean and affordable accommodation but would include green technology too. Still fairly new in the market, green technology in residential accommodation is becoming increasingly popular and to provide this type of accommodation in the inner city, offering the added benefits, would prove to be hugely successful.

The building – Barclay House – is situated in central Johannesburg and is in close proximity to taxi ranks, stations and the Central Business District.

The green finishes in Barclay House include controlled flush toilets, press button on all taps and two heat pumps with two 8,000 litre hot water storage tanks, all powered by a pressurised system that gives each tenant the same water pressure throughout the building. There are no baths in the building, only showers, and these showers are controlled by demand taps that mix water at a controlled temperature. Each shower rose is fitted with flow restrictors to minimise the water consumption. The commercial space at the bottom of the building was also revamped and is generating good returns. The building has been well received in the market and Mitchell had a list of tenants for all 103 units before construction was completed.

TUHF encourages its clients to become green conscious and Mitchell made sure that even during construction, waste was reduced to a minimum. During the construction process, 210 part time positions were created for individuals in the construction trade and on a full time basis in the building, 24-hour security has been employed, together with cleaners, caretakers and maintenance workers. Not only has Mitchell achieved what he set out to do, but he has also created employment where there was once none.

Already, the tenants have commented that the cost of electricity and water has been dramatically reduced in the building due to the green technology.

Mr Da Silva adds, “with the costs on utilities and the cost of living escalating far more than the salaries and wages of the South African population, we made a decision to invest more capital into products that would save electricity, save water and in the end reduce the costs for the tenants. Our main aim was to create a home which is safe, secure and most importantly affordable for the tenant. We are extremely excited about the success of Barclay house and would like to take this opportunity to thank TUHF for its role in the rejuvenation of our beautiful city.”

Barclay House after the upgrade.

Case Study 2

Property before the development/upgrade.

Santos complex before the upgrade.

Property after the development/upgrade.

Santos complex after the upgrade.

BUILDING DREAMS – AND BETTER LIVES

Fresh out of high school and still in his teens, in 1999 Himat Ramsugit set about making his living out of the booming cellphone industry.

From almost nothing, the then 19-year-old created Cellphone Addicts, one of Port Elizabeth's first independent suppliers of cellphone spares and repairs, a business he started in Sydenham. From the outset, Himat was committed to providing great deals and excellent service. He knew he wasn't afraid of hard work and he knew that he wasn't worried about failure – and overcoming it.

In 2004 Himat took the leap from cellphones into property, buying his first building on Govan Mbeki Avenue in North End. At the time the commercial property was derelict but, with a bit of ingenuity and plenty of elbow grease, Himat transformed the property, making it letable while adding 200 m² of workshop space.

Encouraged by his success in letting what had once been a dump, three years later the irrepressible Himat was at it again; this time venturing into affordable residential accommodation in Korsten. Called Exam Centre, the property was an abandoned office building which Himat converted into 18 residential units with retail space on the ground floor. Using cash flow to do the refurbishment work was difficult, requiring sacrifices but Himat was determined: this was his dream. Eventually he managed to get the property converted and fully let so that he could keep servicing the bond.

That was when it dawned on Himat that there was a major gap in the market for decent yet affordable rental housing in Port Elizabeth: most people in the inner city, he realised, were paying exorbitant rentals for rooms with few if any amenities, most of them in a terribly dilapidated condition.

After 2008, however, it became increasingly difficult to acquire finance for property, which meant that Himat could not complete the work he had started and so had to cut back on his expansion plans. Worse still was the fact that the major banks had effectively red-lined his target areas and would not give him finance without a strong balance sheet (which he didn't have).

But in 2010 Himat could not resist attending an auction at which he bid R400,000 for seven apartments in a sectional-title complex called Santos Building in North End. It wasn't a promising piece of real estate; it was then a den of iniquity that was home to drug dealers and prostitutes. But Himat could see beyond the crime and grime.

After his bid was accepted and after he had run around in circles trying to secure funding for the property, Himat came across TUHF.

TUHF investigated his plans, his purchase and his business plan and agreed to give the entrepreneur a facility allowing him to acquire and refurbish Santos Building. Today the property is fully let with seven families living there. To make the rent even more affordable, Himat has put in solar panels to provide electricity for geysers and there is free secure parking.

With Himat's investment today worth R1.5 million, TUHF has convinced the owner of an adjoining property to follow his example and to invest in upgrading. Owners of other nearby properties are showing similar interest.

Inspired by the success he has enjoyed to date – and the support he has received from TUHF – in March 2012 Himat bought Torrincton House in Central for R1.2 million. He plans to renovate this property into 16 high-quality apartments.

He has also agreed with TUHF to refinance and complete the further upgrade of Exam Centre in Korsten. Himat works with a small firm of architects and a quantity surveyor to evaluate and manage the renovation of his projects. He has also established good relationships with letting agents and building material suppliers. His projects continue to create jobs and quality accommodation for tenants in Port Elizabeth.

The Ridge before the upgrade.

Case Study 3

NEW KIDS ON THE BLOCK

Very soon renovation at The Ridge, a once grand but now rundown old hotel in Berea, Johannesburg, will be complete. With 274 clean, affordable units, The Ridge, on Abel Road, is one of TUHF's biggest refurbishments, yet its owners have almost no prior experience of being inner city landlords.

In May 2010 the three young professionals, who had hitherto been observing trends in the sector, felt it necessary to take advantage of the opportunities brought by the City of Johannesburg urban renewal programme and decided to concretise their dream of owning property by putting up an offer to purchase The Ridge Hotel. They put together a detailed business plan and presented it to TUHF and one of its funding partners, Gauteng Partnership Fund (GPF).

The business plan envisaged buying the old Ridge Hotel, refurbishing it from a residential hotel to residential flats and managing it as affordable housing units. TUHF was impressed by the proposal and the entrepreneurs' commitment and agreed to provide them with finance. "This has been an immense show of faith for the company by TUHF, for which Tenitor remains grateful," notes William Malebo, the Operations Director of Tenitor Properties.

Tenitor Properties has contracted a team of professionals to deliver the project. The result is state of the art units with top end interior finishes, built-in wardrobes, modern kitchens and bathrooms with an energy saving hot water system and lighting.

"It has been a long and arduous journey but thanks to the unwavering support from TUHF, we are almost there. We are so focused and energised that we are raring to start another project in the near future. We hope and believe TUHF will again walk side-by-side with us as we embark on our new journey," says Odilon Nkhasi of Tenitor Properties.

The Ridge after the upgrade.

Monaco Court before the upgrade.

Case Study 4

CREATING ORDER OUT OF CHAOS

ONCE a slum, Hillbrow has undergone radical changes in recent years – much of it brought about by dedicated, visionary entrepreneurs such as Lynn Okaro.

The owner of Lead Properties, which does sales, rentals, management and refurbishment, Lynn has forged long-standing relationships and alliances with other agents and key players in the property industry.

With seven years' experience, Lynn has gained an intimate understanding of the Johannesburg inner city property market, especially those areas within the urban development zone.

"We've formed strategic partnerships with key property management companies to manage all of our properties to do the advertising, letting and rent collection," says Lynn. "We oversee all upgrades and maintenance of our units on our own and maintain a hands-on approach."

In 2009 Lynn approached TUHF for funding for the "Nel Portfolio" that was then up for sale. The portfolio comprised four derelict buildings in Hillbrow.

TUHF realised that Lynn would face many challenges but her business plan spoke about how organised she was – and that she fully appreciated what a mountain she had to climb in refurbishing all four properties.

Monaco Court was the first building to be refurbished as it could be used to offer temporary housing for the tenants of the other buildings while refurbishment was underway (all four buildings were fully let at the time that Lynn bought the Nel Portfolio). Monaco Court is a six-storey building with 63 bachelor units, 12 one-bedroom units and two small retail stores at the bottom of the building.

Ilana Court, a six-storey building with 27 one-bedroom units, seven single rooms, one retail shop and ten basement parking spaces, was the next to be refurbished. Fortunately, it needed only minimal repairs including repainting the interior and parts of the exterior, installing geysers in all units, upgrading the plumbing and wiring, repairing the two broken lifts and beautifying the reception area.

Ronian Mansions, a purchase that had been approved but took two years to clear due to delays at the City of Johannesburg, is a six-storey building of 496 m^2: 18 one-bedroom units, six two-bedroom apartments and 16 rooms with ten basement parking bays and five retail shops. Located near a taxi rank, Ronian Mansions' surrounding areas have been extensively upgraded. The exterior did not require much attention but the interiors needed renovating; kitchens and bathrooms had to be fixed as did the fittings. Upon completion of the refurbishment, rentals range from R1,800 a month to R4,200 per month.

Eden Rock, currently under refurbishment, is a ten-storey building with 20 three-bedroom units. Refurbishing the building was to

Monaco Court after the upgrade.

have started in January 2012 but was postponed when tenants refused to move out and stopped paying rent. Helped by her attorneys, Lynn succeeded in obtaining an eviction order and, in June, all tenants were successfully evicted. With the building empty, Lynn reconfigured Eden Rock into 40 flats: 20 two-bedroom and 20 one-bedroom.

Refurbishment of the various properties is in the hands of an experienced project management team appointed by Lead Properties to ensure that the project delivers the right quality at the right time and at the right price. Lead Properties ensure that the project management team complies at all times with all relevant rules and regulations and that all aspects of the project are executed in a socially responsible way.

TUHF is delighted with the success of the buildings' renovation – and the new life that the properties are bringing to Hillbrow.

Says Lynn: "Working in the inner city is exciting and rewarding. Creating clean and comfortable living spaces in previously derelict buildings has been hugely fulfilling. Successfully completing this project can be attributed to our partnership with TUHF who have a deep understanding of the work required to upgrade properties in the inner city. We're privileged to have this opportunity."

CORPORATE GOVERNANCE

OUR COMMITMENT

"... to embrace good governance principle... by balancing sound governance policies and practices... to meet shareholder and stakeholder expectations."

The Trust for Urban Housing Finance (TUHF) applies the principles specified in the King Code of Governance for South Africa and the King Report on Governance for South Africa 2009 (King III Code) where these practices are appropriate and add value to TUHF and our group of companies. Annually, our governance policies and practices are reviewed as this is an ongoing process to ensure that we comply with legal requirements, meet the expectations of our shareholders and other stakeholders and we ensure that we are constantly addressing the needs of our business. As such, we remain committed to best practice of corporate governance. It is after all, essential to our business integrity and performance.

The King III Code sets an international benchmark and requires organisations to adopt an "apply or explain" approach that relates to all businesses across-the-board and, although voluntary, its application is not limited to listed companies only. While compliance remains essentially voluntary, the implication is that all organisations should adopt good corporate governance principles, identifying which aspects of the codes are applicable and should disclose (apply or explain) those that are not. TUHF embraces the relevant principles contained in the King III Code in keeping with our commitment to good governance and broader stakeholder interests.

GOVERNANCE FRAMEWORK

"... the framework prioritises a positive turnaround time... which assists in creating balanced and stable communities in which many South Africans can live..."

On a continuous basis, through sustainable and integrated reporting, the governance framework requires that TUHF observes the impact (both positive and negative) on the community that we serve. To this end, our concerns are related and involve the environment, social and other governance issues. In the last nine years, we have invested over R1 billion in the refurbishment of rental housing stock in the inner city, primarily in Johannesburg.

Nevertheless, our priority involves more than generating a positive turnaround for the property entrepreneur and the investor. Our aim is to assist in creating balanced and stable communities in which many South Africans can live and work. TUHF has introduced green financing, which will provide for the use of better insulation in the design phase of development projects, and by using water heaters among other more efficient solar design measures, we actively encourage our clients to be more aware of, and sensitive to, environmental impact.

In terms of a risk based internal audit stemming from the combined assurance of management and the 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 of South Africa Limited, as internal auditor in 2009 on a project by basis. From 2012 KPMG has been appointed as internal auditors and will work together with management on building an organisation wide internal audit plan.

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 TUHF's board committees – objectives; and
- appointments, meetings, duties, scope of authority.

The King III Code emphasises that a compliance based approach adds little value to the governance of a company as it merely assesses the compliances of existing procedures and processes without any evaluation of whether or not a particular procedure or process 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.

TUHF has invested significantly in IT in the past and has developed an in-house loan cycle workflow and document management system. The development has been put to the test on numerous occasions through due diligence reviews performed from time to time by funders and stakeholders. During the 2012 year, our internal auditors focused on the loan cycle process controls and, in addition, our external auditors, now PWC, performed additional control reviews as this was the first year where they were responsible for the external audit of TUHF. No significant weaknesses were identified in the review but recommendations made have been implemented to enhance our general IT environment.

We are mindful of the need to strike a healthy balance between conformance and performance while maintaining acceptable risk levels, and we maintain 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.

The board is satisfied that TUHF is compliant, that internal controls with regards to key business process are effective, and that financial controls as designed are operating efficiently. KPMG has performed a review of key internal financial controls and concluded that the internal financial controls currently in place within the processes at TUHF, have been assigned an overall rating of Satisfactory as per the reporting framework. The assigned rating represents the independent conclusion of Internal Audit based on the results of the internal audit.

BOARD OF DIRECTORS

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

The purpose of TUHF's board of directors is to oversee how management best serves shareholders and stakeholder interests. Ultimately responsible for corporate governance within regulatory risk parameters, the board of directors (the board) ensures sound governance is practised as this benefits long-term equity performance and enhances shareholder value. A minimum of six meetings are scheduled per year (with additional ad hoc meetings as required). Key roles of the board include:

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

BOARD COMPOSITION

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

The Independent and non-executive members of the board include: Robert Emslie, Cas Coovadia, Mandu Mamatela and Jill Sterlitz.

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.

Going into the 2013 year, the board composition changed in June 2012 following the implementation of the additional capital raised and the appointment of additional directors. These new appointments will continue to contribute to the skills and experience of TUHF's board.

Members:
Samson Moraba (group chairman),
Cas Coovadia (vice chairman and board member), Robert Emslie (board member), Mandu Mamatela (board member), Paul Jackson (CEO), and Jill Sterlitz (board member).

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 to the management process. Although the board reviews the retrospective 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 delegates explicit responsibility to five committees (credit committee, finance and audit committee, risk management committee and management committee). The company secretary manages the day-to-day group financial affairs (including annual audits), ensuring TUHF's compliance with relevant legislation and regulation, keeping the board informed of its legal responsibilities.

CREDIT COMMITTEE

Meeting monthly, the primary mandate of the credit 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; and
- 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) and Rose Valloo (mortgage manager).

By invitation:
Nano Makwela, Rekwele Mmatli, George Chauke, Lusanda Netshifhefhe (KZN regional manager), Med Kwesiga, Khumbulani Chikomo (Eastern Cape regional manager), Linda Dotwana (loan officers) and Pressage Nyoni (liaison officer).

INVESTING FOR THE FUTURE

"… accountable and principled business practices promote ethical behaviour and quick decision making…"

TUHF has developed a world class, custom made Loan Cycle Management System and Accounts Receivable Module. 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.

The system will ensure that TUHF continues to meet reporting and governance requirements and enhance its product offering. Accountable and principled business practices throughout the group promote the ethical behaviour and quick decision-making of the board, our managers and our employees.

The restructured TUHF 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 at September 2009, in line with accepted commercial practice, non-executive board members are now remunerated for their services. These remuneration levels remain well below those of other large institutions and as TUHF continues its upwards growth trend, the remuneration policy will certainly be reviewed in the future.

Fully conversant with the specialist business environment and market in which TUHF operates, the board shares a clear vision for the group. The board comprises expertise across the development finance, banking and broader credit and financial institution spectrum and with the group's expected positive growth prospects and plans to increase group shareholders, the board intends to build on its resources by adding to its to profile additional members from development finance, assets and investment management backgrounds.

REMUNERATION COMMITTEE

TUHF's remuneration committee (REMCO) aims to drive a high performance culture that consistently delivers above average returns to shareholders through employees who are motivated and fully engaged. REMCO also supports the attraction, development and retention of employees with specialised and critical skills who contribute to sustained business growth.

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; and
- review and recommend annual incentive bonuses.

Members:
Samson Moraba (committee chairman and group chairman), Paul Jackson (CEO), Cas Coovadia (board member) and Robert Emslie (board member).

By invitation:
Ilona Roodt (financial manager) and Sally Blaine (human resource consultant).

FINANCE AND AUDIT COMMITTEE

The finance and audit committee is responsible for the successful and credible reporting and very often is considered to be the cornerstone of corporate governance and risk management.

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; and
- oversee reporting provided by internal auditors and external auditors.

Members:
Cas Coovadia (committee chairman and board member), Samson Moraba (group chairman), Robert Emslie (board member), Mandu Mamatela (board member), Paul Jackson (CEO) and Ilona Roodt (financial manager).

RISK MANAGEMENT COMMITTEE

Effective execution of business strategy depends on the ability to take calculated risks without compromising the stakeholder's interests. Although the risk management committee is accountable to the board, each employee is responsible for risk management. 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.

Monthly meetings are scheduled to:

- review risk management policy and processes;
- review the risk strategies and policies;
- ensure risk management is integrated into business operations;
- ensure management considers and implements appropriate risk responses;
- evaluate the basis and adequacy of insurance cover;
- ensure internal audit is aligned with risk management processes;
- identify emerging areas of risk;
- ensure compliance with legislation, regulation and governance codes, including King lll; and
- identify areas of governance non-compliance and propose remedial action.

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 (mortgage manager), Med Kwesiga (loan officer) and Rekwele Mmatli (loan officer).

MANAGEMENT COMMITTEE

Together with the executive committee (Exco), the CEO guides and controls the overall direction of the group of companies and manages the business at a strategic level.

Weekly meetings are scheduled to:

- assess and discuss key strategic business issues including: liquidity and stakeholder relationships;
- review the company balanced score card and implementation of strategic issues;
- discuss progress on projects identified as high risk, including litigation matters;
- assess all operational aspects of projects, financing, development and implementation including procedures for project preparation and approval; and
- discuss any staff matters relevant to existing or new staff required.

Members:
Paul Jackson (CEO), Ilona Roodt (financial manager), Belinda Cooke (loan administration manager), Rose Valloo (mortgage manager), Lusanda Netshifhefhe (KZN regional manager: Mortgages) and Khumbulani Chikomo (Eastern Cape regional manager: Mortgages).

By invitation:
Sally Blaine (human resource consultant).

SOCIAL AND ETHICS COMMITTEE

Under the new Companies Act, TUHF is required to put a social and ethics committee in place. The purpose of the committee is to monitor the group's activities having regard to legislation, best practice, social and economic development, good corporate citizenship, environment, health and public safety as well as labour and employment. The committee will then report to the board and to shareholders on any matters within its mandate.

The terms of reference of the committee are being drafted, whereafter suitable candidates will be identified to be elected to the Committee. The committee will include three directors or officers of the company, at least one of whom is not involved in the day to day affairs.

LOOKING FORWARD

The board will focus on the following six areas relating to governance during the next financial year:

- To review and evaluate the corporate governance structure and arrangements to ensure they are operating effectively.
- The implementation of the social and ethics committee and the effective and efficient functioning of this committee.
- To maintain compliance with King III principles and monitor progress on sustainability and related matters, stakeholder relations, good corporate citizenship strategies and to ensure that integrated reporting is contained in key management reports and embedded in the management report.
- To ensure that the remuneration policies, processes and practices are compliant.
- To continue monitoring and improving IT governance.
- To enhance the governance and controls in group subsidiary companies.

DIRECTORS' RESPONSIBILITIES

Directors' responsibilities and approval of the annual financial statements

In accordance with Companies Act, 2008 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 and up to the date of this report.

The directors have a reasonable expectation that the company and the group has 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 and the Companies Act, 2008, which appear on pages 16 to 53, were approved by the board of directors on 28 August 2012 and signed on its behalf by

S Moraba
Chairman

P Jackson
Chief Executive Officer

COMPANY SECRETARY'S CERTIFICATE

To the members of the **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 2012, 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
28 August 2012

REPORT OF THE INDEPENDENT AUDITORS

To the members of Trust for Urban Housing Finance

We have audited the consolidated and separate financial statements of Trust for Urban Housing Finance set out on pages 16 to 53, which comprise the statements of financial position as at 31 March 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate 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 about whether the consolidated and separate 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 judgement, 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Trust for Urban Housing Finance as at 31 March 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 March 2012, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Stefan Beyers
Registered Auditor

Sunninghill

28 August 2012

REPORT OF THE DIRECTORS

To the members of

TRUST FOR URBAN HOUSING FINANCE

Your directors submit their report for the year ended 31 March 2012.

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 total loan impairment of R4,927,106 (2010 – R5,766,653) for the year under review has been provided. A risk rating of certain projects has resulted in the impairment provision of mortgage loans being increased to R3,326,719 (2010 – R1,326,715) and reduced to R1,137,480 (2010 R1,591,764) 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 (SARS) 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, additional tax was provided in respect of the company with the accrual increasing to R8,213,975. An amount of R6,502,961 was paid by TUHF (Pty) Ltd in respect of provisional tax payments. The company's subsidiary, Intuthuko Equity Fund (Pty) Ltd, provided normal taxation of R28,251 (2011 – R13,274) and TUHF Properties (Pty) Ltd provided deferred tax only in the current year of R2,027 (2011 – R1,793) and increasing the assessable loss to R320,147 for 2012. TUHF Holdings (Pty) Ltd has paid provisional tax of R411,857 in the current year for tax (2011 – R353,616) and TUHF Bridge (Pty) Ltd incurred R108,769 (2011 – R403,670) on reduced loan advances and interest income.

Funding

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

R250 million from Futuregrowth Asset Management (Pty) Ltd (acting on behalf of Old Mutual Life Assurance Company (South Africa) Limited) previously short-term facilities were restructured into 10-year amortising loans repayable in full by July 2021.

An additional R50 million facility from the National Housing Finance Corporation was approved in March 2012 and is repayable within three months.

R300 million from the Public Investment Corporation has been approved subject to meeting specific conditions.

Mettle and Grant Thornton have been appointed by TUHF to assist in raising a further R600 million in debt finance.

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

Due to current market conditions the securitisation structure has been put on hold for now.

Discussions continue for an on balance sheet pooled security structure.

Capitalisation

The company has been in discussions with prospective shareholders to strengthen the group balance sheet and improve its ability to raise further debt capital. The negotiations have been successful and consequently the National Housing Finance Corporation will invest a further R75 million in equity in mid 2012, increasing its share in TUHF Holdings to an effective 28.49%.

Two further negotiations have been concluded with the Public Investment Corporation and Futuregrowth Asset Management each investing R25 million and for an effective 12.5% share.

Negotiations continue with stakeholders for a further R25 million investment to obtain 12.5% of TUHF Holdings.

Organisational structure

The group has brought in additional shareholders bringing skills and expertise to the TUHF fold at TUHF Holdings level and at board level. This will significantly strengthen TUHF's ability to raise further debt capital.

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 R23.1 million. The company's duties of agent were concluded during June 2007, but negotiations are underway to continue or increase the agency funds.

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. Negotiations have been concluded for an additional R8 million, which is fully committed.

An additional R10 million has been approved by the Gauteng Partnership Fund during 2012. TUHF is currently negotiating with other funders to increase our equity funding on a national basis.

Directors and secretary

Details of the directors and secretary of the company are given on pages 16 and 17.

Preparation of financial statements

The financial statements have been prepared by Ilona Roodt CA(SA) and audited in compliance with the requirements of the Companies Act.

Auditors

PricewaterhouseCoopers Inc will continue in office in accordance with section 90 of the Companies Act of South Africa with Mr S Beyers as the designated auditor responsible for performing the functions of auditor.

Special resolution

The authorised share capital of the company's subsidiary TUHF Holdings (Pty) Ltd was increased by special resolution approved on 27 March 2012. 55,000,000 no par value ordinary B shares, 35,000 no par value cumulative redeemable preference shares and 100,000,000 no par value unspecified shares were authorised.

The following shares were issued by TUHF Holdings (Pty) Ltd following the increase of the authorised share capital and registration of the Memorandum of Incorporation and special resolutions on 8 June 2012: 18,227,135 B shares to the National Housing Finance Corporation, 11,391,959 B shares each to the Public Investment Corporation SOC and Futuregrowth Asset Management (Pty) Ltd.

The Memorandum of Incorporation of TUHF Holdings (Pty) Ltd was amended and approved by special resolution on the same date.

In accordance with S 45 of the Companies Act, 2008, the board passed a special resolution whereby TUHF Holdings (Pty) Ltd is generally authorised to provide financial assistance to its subsidiaries. The resolution is valid for a period of two years.

Share-based payment scheme

TUHF has implemented a conditional share plan in respect of which 2,300,000 founders shares and 1,119,750 equity awards and 63,500 cash awards have been gra nted.

The awards vest over three years from 2013 to 2015 subject to staff service and performance conditions. The awards vest equally over the next three years.

Awards are valued currently at R2.19 per award following an independent valuation of the TUHF Holdings Group and the value agreed by shareholders.

No awards have been forfeited or exercised during the period and management estimate that all awards granted will be exercised over the vesting period.

Members' funds

The company is a non-profit organisation and there are no members' funds in the company.

Members' guarantee

The company is a company without share capital and it was originally incorporated as a non-profit company under the Companies Act 71 of 2008. The company is deemed to be incorporated as a non-profit company (NPC) in terms of the transitional provisions of the Companies Act, 2008. In terms of the Memorandum of Incorporation, each member of the company guarantees to contribute R1 (one rand) in the event of the company being wound up. At the balance sheet date, the guarantee value amounted to R12 (2011 – R12).

Subsidiary companies

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

STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2012

		Group		Company	
		2012	2011	**2012**	2011
	Note	**R**	R	**R**	R
ASSETS					
Cash and cash equivalents	1	**2,120,842**	1,852,055	**2,700**	12,180
Money market assets	2	**39,283,790**	67,315,576	**5,898,129**	1,899,759
Advances	3	**1,318,323,359**	1,149,466,133	**–**	–
Other assets	5	**3,019,032**	2,509,500	**1,658,069**	898,192
Deferred taxation	23	**7,943,444**	5,200,500	**–**	–
Amounts owing by related parties	6	**–**	–	**27,979,554**	31,258,023
Equipment and intangible assets	7	**3,496,570**	4,121,748	**–**	–
Total assets		**1,374,187,037**	1,230,465,512	**35,538,452**	34,068,154
LIABILITIES					
Taxation	10	**8,495,791**	7,448,570	**8,254,056**	7,818,666
Trade payables	8	**6,666,712**	4,751,149	**–**	–
Financial liabilities at fair value	11	**1,640,115**	1,536,896	**–**	–
Deferred income	9	**11,444,571**	9,199,489	**–**	–
Financial liabilities at amortised cost	12	**1,295,718,237**	1,169,591,087	**–**	–
Total liabilities		**1,323,965,426**	1,192,527,191	**8,254,056**	7,818,666
EQUITY CAPITAL AND RESERVES					
Members' funds		**–**	–	**–**	–
Non-controlling interest		**5,515,539**	2,659,872	**–**	–
Share-based payment reserve	13	**253,955**	104,095	**–**	–
Reserves		**44,452,117**	35,174,354	**27,284,397**	26,249,488
Total liabilities, deferred income and reserves		**1,374,187,037**	1,230,465,512	**35,538,452**	34,068,154

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

		Group		Company	
		2012	2011	**2012**	2011
	Note	**R**	R	**R**	R
Interest income	17	**147,459,089**	125,381,880	**760,786**	1,469,638
Interest expenses	18	**96,511,593**	85,090,274	**543,531**	487,210
Net interest income		**50,947,497**	40,291,606	**217,255**	982,428
Notional interest on present valuing of financial assets and liabilities		**19,593**	223,198	**–**	–
Present valuing financial assets		**122,812**	319,666		
Present valuing financial liabilities		**(103,219)**	(96,468)	**–**	–
Loan impairment	19	**6,520,562**	4,927,107	**–**	-212,839
Income from lending activities		**44,446,528**	35,587,697	**217,255**	1,195,267
Non-interest income	20	**4,533,197**	3,207,467	**1,508,698**	1,527,273
Operating income		**48,979,725**	38,795,164	**1,725,954**	2,722,540
Operating expenditure	21	**32,002,265**	26,980,248	**256,398**	269,235
Profit before taxation		**16,977,460**	11,814,916	**1,469,556**	2,453,305
Taxation	22	**5,435,134**	3,060,292	**434,647**	155,264
Net profit for the year		**11,542,326**	8,754,624	**1,034,909**	2,298,041
Non-controlling shareholders income		**2,855,667**	1,842,815	**–**	–
Ordinary shareholders income		**8,686,659**	6,911,809	**–**	–
Total comprehensive income for the year		**11,542,326**	8,754,624	**1,034,909**	2,298,041

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012

	Share scheme	Retained income	Minority interest	Total equity
Company				
Balance at 31 March 2010	–	23,951,447	–	23,951,447
Changes in equity				
Total recognised income and expenses for the year	–	2,298,041	–	2,298,041
Balance at 31 March 2011		26,249,488		26,249,488
Total recognised income and expenses for the year	**–**	**1,034,909**	**–**	**1,034,909**
Balance at 31 March 2012	**–**	**27,284,397**	**–**	**27,284,397**
Group				
Balance at 31 March 2010	–	26,684,494	731,500	27,415,994
Changes in equity				
Total recognised income and expenses for the year	–	6,911,809	1,842,815	6,911,809
Other comprehensive income for the period		–		–
Subsidiary share-based payment reserve – share issue	1,180,126	–	587,577	1,767,703
Subsidiary share-based payment reserve – cost adjusted to equity settled	(1,076,031)	1,578,051	(502,020)	–
Balance at 31 March 2011	104,095	35,174,354	2,659,872	36,095,506
Total recognised income and expenses for the year	**–**	**8,686,659**	**2,855,667**	**8,686,659**
Other comprehensive income for the period				**–**
Subsidiary share-based payment reserve – charge	**740,964**	**–**	**–**	**740,964**
Subsidiary share-based payment reserve – adjustment to equity settled	**(591,104)**	**591,104**	**–**	**–**
Balance at 31 March 2012	**253,955**	**44,452,117**	**5,515,539**	**45,523,129**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2012

		Group		Company	
		2012	2011	**2012**	2011
	Note	**R**	R	**R**	R
Cash flows from operating activities					
Interest received		**142,974,843**	123,236,730	**1,510,350**	2,624,723
Interest paid		**(92,678,982)**	(80,030,115)	**(543,531)**	(487,210)
Taxation		**(6,962,089)**	(6,077,045)	**–**	–
Cash received from clients		**2,383,867**	1,433,608	**–**	25,773
Cash paid to suppliers and employees		**(30,055,430)**	(25,880,851)	**(256,398)**	(269,235)
Net cash inflow from operating activities	25	**15,656,487**	**12,682,327**	**710,421**	**1,894,051**
Cash flows (utilised)/generated by investing activities		**(169,649,856)**	**(223,496,293)**	**3,278,469**	**2,667,578**
Acquisition of property, plant and equipment		**(792,630)**	(789,650)	**–**	–
Advances to customers		**(168,857,226)**	(222,706,643)	**–**	5,077,163
(Increase)/decrease in investments		**–**	–	**3,278,469**	(2,409,585)
Cash flows from financing activities		**126,230,369**	244,724,932	**–**	(9,567,426)
Proceeds from financial liabilities		**290,073,628**	366,523,800	**–**	–
Repayment of financial liabilities		**(163,946,478)**	(122,482,913)	**–**	–
Proceeds from non-interest bearing financial liabilities		**103,219**	96,468	**–**	(9,567,426)
Proceeds from share issue		**–**	587,577	**–**	–
Net increase/(decrease) in cash resources for the year		**(27,763,000)**	33,910,966	**3,988,890**	(5,005,797)
Cash and cash equivalents at beginning of the year		**69,167,631**	35,256,665	**1,911,939**	6,917,736
Cash and cash equivalents at end of the year		**41,404,632**	69,167,631	**5,900,829**	1,911,939
Made up as follows:					
Cash and bank current accounts	1	**2,120,842**	1,852,055	**2,700**	12,180
Money market assets	2	**39,283,790**	67,315,576	**5,898,129**	1,899,759
		41,404,632	69,167,631	**5,900,829**	1,911,939

ACCOUNTING POLICIES

1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available for sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the note 6.

2. Basis of consolidation

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of the potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3. Equipment

The cost or subsequent 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.

The carrying amount of replaced parts is de-recognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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 of an asset is defined as the higher of an asset's value in use, and fair value less costs to sell.

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.

Impairment

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

4. 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 software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

5. Financial instruments

The company 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 company's balance sheet when the company becomes party to the contractual provisions of the instrument. Financial assets and liabilities are recognised initially at fair value.

Financial assets

Cash and cash equivalents:

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.

Amounts owing by (to) related parties:

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.

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.

Financial assets: recognition

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the income statement within other (losses)/gains – net in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Derivative financial instruments and hedging

The group initially recognises derivative instruments, including interest rate swaps at fair value. Derivatives are subsequently measured at fair value. The fair value of non-traded derivatives is based on discounted cashflow models. The group recognises derivatives as assets when the fair value is positive and as liabilities when the fair value is negative. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately as part of fair value income in non-interest income in the income statement.

The group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

6. 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. Estimates are made using available information and the application of judgement. Actual results in the future could differ from these estimates, which may be material to the financial statements.

The only area of estimation uncertainty where there is significant risk of material adjustment to the carrying value of assets and liabilities in the next accounting period is the impairment of financial assets. This is more fully dealt with in Accounting Policy Note 5 above.

Loans and advances

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. Management applies judgement to these balances based on the value of the underlying loan balance, the collateral held, arrears and past history.

Taxation

The group is subject to local income taxes and significant judgement is required in determining the worldwide provisions for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

7. Interest income and expenses

Interest income and expense are recognised in the income statements for all interest bearing instruments on a time apportionment basis using the effective interest method. In terms of this method, interest receipts and payments are brought to 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.

8. Non-interest income

Revenue from the provision of services is recognised on an accrual basis, as the service is rendered by reference to the stage of completion in accordance with the substance of the relevant agreements.

9. Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on an either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

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.

10. Operating leases – Office rental

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

11. Employee benefits

Short-term employee benefits

The costs 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.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

12. Share-based payments

The group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the group. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period);

- including the impact of any non-vesting conditions (for example, the requirement for employees to save);
- non-market vesting conditions are included in assumptions about the number of shares that are expected to be acquired. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity; and
- when the shares are acquired, the company issues new shares. The shares are acquired for no consideration and the actual consideration is compared to the amount provided over the vesting period and any adjustment is made where appropriate.

13. Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer) If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at fair value and subsequently measured at amortised cost using the effective interest method.

14. 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.

Title	New amendment to standard/ interpretation	Annual period starting on or after
IFRS 10: Consolidated financial statements This standard identifies the concept of control as the determining factor in whether an entity should be included within consolidated financial statements of the parent company and provides additional guidance to assist in determination of control where this is difficult to assess. This standard is effective for annual periods beginning on or after 1 January 2013.	New interpretation	01-Jan-13
IFRS 12: Disclosure of interest in other entities This standard addresses disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	New interpretation	01-Jan-13
IFRS 13: Fair value measurement New guidance is provided on fair value measurement and related disclosure requirements.	New interpretation	01-Jan-13
IFRIC 19: Extinguishing financial liabilities with equity instruments The interpretation addresses divergent accounting by entities issuing equity instruments in order to extinguish all or part of a financial liability (often referred to as debt for equity swaps). This interpretation is effective for annual periods beginning on or after 1 July 2010 and is likely to impact the business during 2012 when an applicable transaction may be concluded.	New standard	01-Jul-10
IFRS 3: Business combinations Amendments have been made that deal with the transitional requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS 3, provide clarity on the measurement of non-controlling interest and provides additional guidance on un-replaced and voluntary share-based payment awards.	New interpretation	not yet effective
IFRS 7: Financial instruments – disclosures Amendments were made that clarify the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and removed disclosure items which were seen to be superfluous or misleading. These amendments are effective for annual periods beginning on or after 1 January 2011. Further amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.	New interpretation	not yet effective

		Group		Company	
		2012	2011	**2012**	2011
		R	R	**R**	R
1.	**Cash, bank current accounts and short-term assets**				
	Cash	**127,780**	48,292	**–**	–
	Current accounts	**1,993,062**	1,803,763	**2,700**	12,180
		2,120,842	1,852,055	**2,700**	12,180
2.	**Money market assets**				
	Money market accounts	**32,284,973**	35,289,291	**5,898,129**	1,899,759
	Deposits for payment guarantees	**6,679,765**	30,467,170	**–**	–
	Deposits pending property transfer registrations	**319,052**	1,559,115	**–**	–
		39,283,790	67,315,576	**5,898,129**	1,899,759
3.	**Advances**				
	Loan advances	**1,345,178,288**	1,171,791,778	**–**	–
	Loan impairment (see note 4)	**(24,328,656)**	(18,385,706)	**–**	–
	Notional interest on present valuing advances	**(41,953)**	(164,765)	**–**	–
	Suspended interest	**(2,484,320)**	(3,775,174)	**–**	–
		1,318,323,359	1,149,466,133	**–**	–
	Maturity analysis				
	Within 1 year	**61,037,058**	65,690,121	**–**	–
	Within 2 to 5 years	**196,190,478**	196,672,863	**–**	–
	Within 6 to 10 years	**376,221,396**	385,224,707	**–**	–
	Within 11 to 15 years	**711,729,356**	524,204,087	**–**	–
		1,345,178,288	1,171,791,778	**–**	–

	Group 2012 R	Group 2011 R	Company 2012 R	Company 2011 R
3. Advances continued				
Geographical analysis				
Bellevue	**75,562,012**	74,884,818	**–**	–
Berea	**204,661,399**	181,021,750	**–**	–
Bertrams	**5,590,265**	6,091,284	**–**	–
Bez Valley	**9,854,579**	6,924,754	**–**	–
Braamfontein	**25,904,028**	21,152,021	**–**	–
Brixton	**2,877,417**	–		
Denver	**372,692**	381,872	**–**	–
Doornfontein	**24,166,482**	42,272,509	**–**	–
Durban	**54,530,770**	35,004,052	**–**	–
Fairview	**4,113,552**	4,253,360	**–**	–
Foresthill	**581,071**	600,794		
Germiston	**24,666,403**	14,760,116	**–**	–
Highlands North	**2,307,004**	2,408,327	**–**	–
Hillbrow	**221,420,229**	212,193,291	**–**	–
Houghton		488,174		
Johannesburg CBD	**323,921,537**	289,201,911	**–**	–
Jeppestown	**10,202,648**	9,164,137	**–**	–
Joubert Park	**96,295,695**	81,225,000	**–**	–
Judithspaarl	**1,310,832**	322,871		
Kensington	**447,141**	–		
La Rochelle	**2,105,794**	1,254,850		
Lorentzville	**5,521,816**	4,960,219	**–**	–
Malvern	**1,733,087**	1,897,212	**–**	–
Marshalltown	**19,105,201**	19,880,799	**–**	–
New Doornfontein	**9,096,873**	2,113,184		
North End	**4,207,556**	2,390,809		
Orange Grove	**11,020,475**	8,309,017	**–**	–
Pietermaritzburg	**6,242,147**	–		
Pinetown	**21,073,165**	–		
Port Elizabeth	**9,181,778**	–		
Pretoria	**37,053,888**	22,671,966	**–**	–
Rosettenville	**3,771,183**	2,416,803		
Rouxville	**3,640,194**	3,812,593	**–**	–
Rustivia	**3,510,402**	–		
Salt River	**692,768**	303,906		
Selby	**6,009,181**	6,354,852	**–**	–
Sunnyside	**10,561,779**	5,090,031		
Troyeville	**10,714,900**	10,080,853	**–**	–
Turf Club	**1,503,775**	1,267,429	**–**	–
Turffontein	**17,084,933**	17,935,441		
Vanderbijlpark	**1,347,466**	1,408,087	**–**	–
Witpoortjie	**1,221,300**	451,112		
Yeoville	**69,992,871**	76,841,574	**–**	–
	1,345,178,288	1,171,791,778	**–**	–

		Group		Company	
		2012	2011	**2012**	2011
		R	R	**R**	R
4.	**Loan impairment**				
	Balance at beginning of the year	**18,385,706**	13,979,779	**–**	279,733
	Legal fees and loans written off against impairment provision	**(577,611)**	(521,180)	**–**	(66,894)
	Impairments raised during the year	**6,520,562**	4,927,107	**–**	(212,839)
	Balance at the end of the year	**24,328,656**	18,385,706	**–**	–
	Refer to Note 26 for further details				
5.	**Other assets**				
	Interest rate swap fair value	**–**	40,555	**–**	–
	Interest receivable	**662,068**	431,406	**–**	–
	Other receivables	**1,745,147**	1,394,451	**1,657,340**	887,302
	Prepaid expenses	**611,817**	643,088	**729**	10,890
		3,019,032	2,509,500	**1,658,069**	898,192
	Terms: Amounts receivable are current				
6.	**Related parties**				
	Opening balance: Amount owing by subsidiaries			**31,258,023**	19,281,011
	Payments by subsidiaries			**(29,611,803)**	(14,356,321)
	Advances to subsidiaries			**–**	–
				1,646,221	4,924,690
	Investment in subsidiary			**26,333,333**	26,333,333
	Share capital			**1,428**	1,428
	Share premium			**–**	–
	Equity loan			**26,331,905**	26,331,905
	Net amount owing to subsidiaries (Note 27)			**27,979,554**	31,258,023
	Advance from subsidiary company (Note 6)				
	Net amount owing to subsidiaries			**27,979,554**	31,258,023

	Group Office furniture and equipment R	Group Computer software R	Group Computer hardware and fax R	Total R
7. Equipment and computer software				
Year ended 31 March 2012				
Opening balance	**266,141**	**3,480,725**	**374,881**	**4,121,748**
Cost	723,266	5,241,111	1,044,525	7,008,902
Accumulated depreciation	(457,124)	(1,760,386)	(669,644)	(2,887,154)
– Re-allocation (correction of error in Note)				
Cost	(2,775)	–	2,775	–
Accumulated depreciation	2,775	–	(2,775)	–
Book value after re-allocation				
Cost	720,491	5,241,111	1,047,300	7,008,902
Accumulated depreciation	(454,349)	(1,760,386)	(672,419)	(2,887,154)
Additions during the year	127,964	561,916	102,750	792,630
Disposals during the year	–	–	(2,032)	(2,032)
Depreciation for the year	(108,914)	(1,106,000)	(200,863)	(1,415,777)
Net book value at 31 March 2012	**285,191**	**2,936,641**	**274,737**	**3,496,570**
Cost	**848,455**	**5,803,027**	**1,137,093**	**7,788,575**
Accumulated depreciation	**(563,264)**	**(2,866,386)**	**(862,356)**	**(4,292,006)**

	Company Office furniture and equipment R	Company Intangible assets R	Company Hardware R	Total R
Year ended 31 March 2011				
Restated net book value at 1 April 2010	**474,932**	**3,666,847**	**758,353**	**4,900,131**
Cost	836,607	4,464,379	1,216,903	6,517,889
– Re-allocation	(157,194)	58,219	(188,042)	(287,016)
	679,413	4,522,598	1,028,861	6,230,873
Accumulated depreciation	(416,009)	(743,278)	(745,487)	(1,904,774)
– Re-allocation	54,334	(54,254)	286,937	(287,016)
	(361,675)	(797,532)	(458,550)	(1,617,758)
Book value after re-allocation	317,738	3,725,066	570,311	4,613,115
Additions during the year	43,852	718,513	28,785	791,150
Disposals during the year	–	–	(13,121)	(13,121)
Depreciation for the year	(95,449)	(962,853)	(211,093)	(1,269,395)
Net book value at 31 March 2011	**266,141**	**3,480,725**	**374,881**	**4,121,748**
Cost	723,266	5,241,111	1,044,525	7,008,902
Accumulated depreciation	(457,124)	(1,760,386)	(669,643)	(2,887,154)

		Group		Company	
		2012	2011	**2012**	2011
		R	R	**R**	R
8.	**Trade payables**				
	Fair value of interest rate swap	**11,775**	–	**–**	–
	Creditors	**1,057,787**	1,502,677	**–**	–
	Operating lease accrual	**19,551**	13,829	**–**	–
	Bonus remuneration	**4,234,321**	2,463,222	**–**	–
	Leave pay	**1,343,278**	771,421		
		6,666,712	4,751,149	**–**	–
9.	**Deferred Income**				
	Raising fees deferred over nine-year average loan period	**11,444,571**	9,199,489	**–**	–
10.	**Taxation**				
	Amount owing to revenue authorities – VAT	**113,431**	272,549	**16,940**	16,197
	Amount owing to revenue authorities – Income tax	**8,382,360**	7,176,021	**8,237,116**	7,802,469
	Total	**8,495,791**	7,448,570	**8,254,056**	7,818,666
11.	**Financial liabilities at fair value**				
	The loan from the National Housing Finance Corporation (NHFC), which has a nominal value of R10 million, is unsecured and is currently interest free.	**–**	–	**–**	–
	The R10 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 R10 million made by the NHFC in TUHF Holdings (Pty) Ltd.	**–**	–	**–**	–
	The loan from the Gauteng Partnership Fund, which has a nominal value of R2 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	2,000,000	**–**	–
	Notional interest on present valuing financial liabilities	**(359,885)**	(463,104)		
		1,640,115	1,536,896	**–**	–

	Group 2012 R	Group 2011 R	Company 2012 R	Company 2011 R
12. Financial liabilities at amortised cost				
The loan of R50 million from the National Housing Finance Corporation (NHFC) is at an interest rate of prime minus 2%. Interest and capital is repaid over the remaining term and will be repaid by September 2024. 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.	**37,055,443**	38,850,051	**–**	–
The loan of R50 million from the NHFC 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.	**43,163,662**	44,568,357	**–**	–
The loan of R150 million from the Standard Bank of South Africa Limited is at an interest rate of prime minus 0.8%. 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.	**110,687,864**	139,869,562	**–**	–
The loan of R50 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.	**37,947,663**	40,307,871	**–**	–
The loan of R100 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.	**84,892,835**	89,113,874	**–**	–
The loan of R100 million from Futuregrowth Asset Management is at an average interest rate of prime minus 0.9%. 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.	**85,874,787**	91,222,007	**–**	–

	Group 2012 R	Group 2011 R	Company 2012 R	Company 2011 R
12. Financial liabilities at amortised cost continued The loan of R100 million from the NHFC is at an interest rate of prime minus 2%. Interest and 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.	**92,520,702**	95,449,378	**–**	–
The loan of R100 million from the NHFC is at an interest rate of prime minus 2%. Interest and 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.	**95,319,210**	98,019,765	**–**	–
The three loans of R150 million from Futuregrowth Asset Management are 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 July 2011.	**–**	140,583,014	**–**	–
The short-term facilities from Futuregrowth Asset Management have been restructured into a long-term on balance sheet facility of R250 million at an interest rate of prime plus 0.5%. Interest and capital are repayable monthly and the facility must be fully repaid by July 2021.	**243,214,208**	–	**–**	–
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 facility are made as and when the collateral security in respect of the project is registered. Interest and capital are 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.	**187,028,439**	195,120,311	**–**	–
The loan of R40 million from Cadiz Life and R10 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 draw down 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.	**47,865,976**	30,672,014	**–**	–

	Group 2012 R	Group 2011 R	Company 2012 R	Company 2011 R
12. Financial liabilities at amortised cost continued				
The loan of R15 million from Mergence Asset Management is at an interest rate of prime less 0.5%. The facility is fully drawn and interest and capital are paid monthly. The facility is repayable in full by July 2025.	**15,558,179**	–	**–**	–
The loan of R50 million from the NHFC is at an interest rate of prime. The facility is fully drawn and interest is capitalised to the loan. The interest and capital are repayable in June 2012.	**50,209,589**	–	**–**	–
The loan of R30 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.	**29,652,570**	29,649,346	**–**	–
The loan of R8 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.	**7,773,670**	5,910,012	**–**	–
The loan of R7,523,456 from the NHFC is at an interest rate of prime plus 10%. Interest payments have been deferred for three years. The intention is that this loan is in place for an indefinite period and any repayment of the facility within a five-year period is subject to TUHF board approval and the equity loans are unsecured and are subordinated to all the company's other unsecured loans and liabilities.	**7,563,096**	7,563,096	**–**	–
The loan of R120 million from the NHFC 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 is capitalised to the loan during the first six months and thereafter interest and capital repayments are made over the remaining term. The loan will be repaid in full by December 2025. 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.	**119,390,344**	122,692,429	**–**	–
	1,295,718,237	1,169,591,087	**–**	–
Repayable within 12 months	**103,348,265**	206,712,289	**–**	–
Repayable 1 to 3 years	**180,080,006**	152,305,690	**–**	–
Repayable 3 to 5 years	**96,639,522**	139,622,666	**–**	–
Repayable >5 years	**915,650,445**	670,950,441	**–**	–
	1,295,718,237	1,169,591,086	**–**	–

	Group 2012 R	Group 2011 R	Company 2012 R	Company 2011 R
13. Share-based payment reserve				
TUHF has implemented a conditional share plan in respect of which 1,119,750 equity awards and 63,500 cash awards have been granted.				
The awards vest over three years from 2013 to 2015 subject to staff service and performance conditions. The awards vest equally over the next three years.				
Refer to the Directors' Report for further information on the number and value of shares exercised.				
The share-based payment reserve reflects the value of the costs set aside on a group basis in respect of the shares to be issued.				
14. 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.				
A draft copy of the Final Liquidation and Distribution Account is pending following the outcome of future liquidation between parties.				
15. Post balance sheet events				
A financial structure is likely to be concluded during the 2012 financial year. The security structure is dependent upon ongoing negotiations between TUHF (Pty) Ltd and the investors. (Refer to Directors' Report for further details).				
16. Commitments				
Advances				
Advances for refurbishment of buildings	**43,765,564**	142,562,724	**–**	–
Advances pending contractual compliances	**254,349,800**	226,752,225	**–**	–
	298,115,364	369,314,949	**–**	–
Future aggregate minimum lease payments under none cancelled leases are as follows:				
Operating leases				
Office rental payable within one year	**120,856**	656,332	**–**	–
Office rental payable between two to five years	**185,066**	185,803	**–**	–
	305,922	842,135	**–**	–
17. Interest Income				
Interest on advances	**146,084,206**	122,828,956	**–**	659,694
Interest on advances to subsidiaries	**–**	–	**636,901**	718,660
Interest on guarantee deposits	**599,954**	1,542,277	**–**	–
Interest on call deposits	**845,286**	1,010,647	**123,885**	91,284
Interest on staff loans	**6,245**	–	**–**	–
Hedging costs offset against interest received	**(76,602)**	–	**–**	–
	147,459,089	125,381,880	**760,786**	1,469,638

	Group 2012 R	Group 2011 R	Company 2012 R	Company 2011 R
18. Interest expenses				
Interest on borrowings	**96,509,752**	85,121,670	**–**	487,195
Interest on advances from subsidiaries and other funds	**–**	–	**543,519**	–
Interest on overdrafts and other	**1,841**	4,751	**11**	15
Hedging income set off against interest paid	**–**	(36,147)	**–**	–
	96,511,593	85,090,274	**543,531**	487,210
19. Loan impairment				
See note 7 of Accounting Policies and the Directors' Report and Note 26.3 of the Notes to the Financial Statements.				
20. Non-interest income				
Agency fee	**1,505,614**	1,501,500	**1,505,614**	1,501,500
Management and incentive fees	**–**	–	**–**	–
Raising fees	**2,856,097**	1,455,512	**–**	–
Grant income	**3,624**	–	**–**	–
Profit on sale of fixed asset	**1,000**	207	**–**	–
Sundry income	**166,862**	250,248	**3,084**	25,773
	4,533,197	3,207,467	**1,508,698**	1,527,273
21. Operating expenditure				
Auditors' remuneration	**790,000**	515,960	**25,000**	269,593
Audit fees	**790,000**	515,960	**25,000**	269,593
Other fees	**–**	–	**–**	–
Consulting fees	**878,557**	892,612		
Depreciation	**1,415,777**	1,281,224	**–**	236,361
Computer equipment	**200,863**	208,131	**–**	41,423
Intangible assets	**1,106,000**	962,853	**–**	144,304
Office furniture and equipment	**108,914**	110,240	**–**	50,634
Information technology costs	**610,182**	493,863	**–**	216,597
Marketing	**406,785**	476,252	**–**	–
Directors' emoluments – executive director in respect of services rendered	**2,042,667**	1,688,600	**–**	508,420
– bonus	**126,000**	250,000	**–**	–
– cash component	**1,423,408**	896,052	**–**	348,020
– pension	**401,762**	438,600	**–**	111,010
– other	**91,497**	103,948	**–**	49,390
Directors' emoluments – non-executive directors in respect of services rendered	**755,500**	290,167	**–**	–
Share-based payment expense	**591,104**	691,672	**–**	–
Staff costs	**16,820,636**	13,983,999	**–**	4,991,572
Office rental	**846,761**	643,952	**–**	224,708
Project management	**816,728**	580,874	**–**	–
Valuations	**275,995**	439,300	**–**	–
VAT written off	**1,626,705**	1,340,790	**8,224**	11,047
Other expenses	**4,124,869**	3,660,983	**223,174**	1,607,498
	32,002,265	26,980,248	**256,398**	8,065,796

	Group 2012 R	Group 2011 R	Company 2012 R	Company 2011 R
22. Taxation				
South African normal tax – current	**8,178,079**	6,466,753	**434,647**	333,935
South African deferred tax:	**(2,742,945)**	(3,406,461)	**–**	(178,671)
Current	**(2,742,945)**	(3,406,461)	**–**	(178,671)
Arising from change in taxation rate	**–**	–	**–**	–
	5,435,134	3,060,292	**434,647**	155,264
Reconciliation between expected tax charge to actual tax charge:				
Profit before tax	**16,977,460**	11,778,769	**1,469,556**	2,453,305
Tax at 28% on the above	**4,753,689**	3,298,055	**411,476**	686,925
Factors affecting the tax rate:				
Provisions and expenses not deductible for tax	**3,021,438**	3,451,590	**30**	(158,316)
Permanent differences	**402,952**	34,989	**–**	44,802
Unutilised assessed tax losses	**–**	(317,881)	**–**	(239,476)
Actual tax current charge	**8,178,079**	6,466,753	**411,506**	333,935
The movement of deferred tax is as follows:				
Balance at beginning of the period	**5,200,500**	1,794,038	**–**	(178,671)
Deferred taxation timing differences	**2,742,945**	3,406,462	**–**	178,671
Rate change	**–**	–	**–**	–
Creation/(utilisation) of tax losses	**–**	–	**–**	–
Balance at end of period	**7,943,444**	5,200,500	**–**	–
Comprising:				
Deferred taxation asset/(liability)	**–**	–	**–**	–
Provisions	**943,755**	304,013	**–**	(3,325)
Accelerated depreciation	**(912,458)**	(928,020)	**–**	511,773
Loan impairment	**4,422,547**	3,270,687	**–**	46,287
Recoupment	**–**	–	**–**	(648,556)
Rental equalisation	**(4,660)**	(6,260)	**–**	–
Deferred income	**3,204,480**	2,354,687	**–**	221,965
S 24 J accrual	**446,480**	205,393	**–**	–
Deferred and prepaid expenses	**(156,700)**	–	**–**	50,527
Assessable taxation losses carried forward	**–**	–	**–**	–
	7,943,444	5,200,500	**–**	178,671

	Group 2012 R	Group 2011 R	Company 2012 R	Company 2011 R
23. 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.	**1,467,525**	1,356,614	**–**	–
The company has no obligations for post-retirement health benefits.				
24. Borrowing capacity				
In terms of the company's articles of association the borrowing powers of the company and its subsidiaries are unlimited.				
25. Cash generated from operations				
Reconciliation of profit before tax to cash generated from operations:				
Profit for the period	**16,977,460**	11,778,769	**1,469,556**	2,453,305
Adjusted for:				
Bad debts	**–**	683,901	**–**	–
Depreciation of equipment	**1,415,777**	1,281,224	**–**	–
Notional interest	**(19,593)**	(223,198)	**–**	–
Loan impairment	**6,520,562**	4,927,107	**–**	(212,839)
Provisions	**–**	(293,565)	**–**	–
Other non cash items	**(10,638,027)**	(4,859,793)	**–**	188,568
Operating profit/(deficit) before working capital changes	**14,256,179**	13,294,445	**1,469,556**	2,429,034
Working capital changes	**1,406,031**	(612,118)	**759,877**	(534,983)
Increase/(decrease) in accounts receivable	**(509,532)**	(1,154,015)	**(759,877)**	(551,180)
Increase/(decrease) in accounts payable	**1,915,563**	541,897	**–**	16,197
Cash generated/(utilised) by operating activities	**15,662,209**	12,682,327	**709,679**	1,894,051

26. Risk management

Financial risks

Financial risks are identified and managed on a group basis. 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.

The main risks managed by the risk committee as described below include, credit risk, liquidity risk, operational risk and interest rate risk.

Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure and reduce the cost of capital.

The group monitors capital on the gearing ratio. This ratio is calculated as total interest bearing debt divided by total capital (Tier 1 and Tier 2 capital as contracted).

Capital is defined in the relevant agreements with shareholders is included in the calculation and may differ to the IFRS definition of capital.

Total capital is calculated as equity shown in the balance sheet together with any subordinated shareholders' loans plus interest bearing debt.

	Group		Company	
	2012	2011	**2012**	2011
	R	R	**R**	R
Interest bearing debt	**1,295,718,237**	1,169,591,087	**–**	–
Equity	**77,874,636**	62,499,963	**–**	–
Tier 1	**44,452,117**	35,174,354	**–**	–
Tier 2	**33,422,519**	27,325,609	**–**	–
Total capital	**1,373,592,873**	1,232,091,050	**–**	–
Debt capital ratio	**94%**	95%	**–**	–

The gearing ratio improved during the year as a result of the increase in profits during the year.

During 2013 the group's strategy is to reduce the gearing ratio to 90% or below. This has been achieved by June 2012. See Capitalisation Note in Directors' Report.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for another party by failing to discharge an obligation.

The credit risk that the group faces arises mainly from commercial loans and advances. 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 arising from other financial assets. 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, and the group dedicates considerable resources to controlling it 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		Company	
	2012	2011	**2012**	2011
	R	R	**R**	R
26. Risk management continued				
26.1 Assets: Credit exposures				
Balances with local banks	2,120,842	1,852,055	**2,700**	12,180
Cash and short-term assets (Note 1)	**2,120,842**	**1,852,055**	**2,700**	**12,180**
Call funds with local banks	32,284,973	35,289,291	**5,898,129**	1,899,759
Deposits for payment guarantees	6,679,765	30,467,170	**–**	–
Deposits held in attorneys' trust	319,052	1,559,115	**–**	–
Money market assets (Note 2)	**39,283,790**	**67,315,576**	**5,898,129**	**1,899,759**
Loans and advances to clients	1,345,178,288	1,171,791,778	**–**	–
Loan impairment	(24,328,656)	(18,385,706)	**–**	–
Notional interest and other interest adjustments	(2,526,274)	(3,939,939)	**–**	–
Advances (Note 3)	**1,318,323,359**	**1,149,466,133**	**–**	**–**
Prepayments	611,817	643,088	**–**	–
Other receivables	1,745,147	1,435,006	**1,658,069**	898,192
Interest on guarantees and other	662,068	431,406	**–**	–
Other assets (Note 5)	**3,019,032**	**2,509,500**	**1,658,069**	**898,192**
Gross amount owing: related parties (Note 6)	**–**	**–**	**27,979,554**	**31,258,023**
Total assets subject to credit risk	**1,362,747,023**	**1,221,143,264**	**35,538,452**	**34,068,154**
Assets not subject to credit risk	**11,440,013**	**9,322,249**	**–**	**–**
Total assets	**1,374,187,037**	**1,230,465,513**	**35,538,452**	**34,068,154**
Undrawn commitments (Note 16)				
Advances for refurbishment of buildings	**143,653,662**	**142,562,724**	**–**	**–**
Advances pending contractual compliances	**43,765,564**	**226,752,225**	**–**	**–**
	187,419,226	**369,314,949**	**–**	**–**

26. Risk management continued

26.2 Financial assets subject to credit risk – Group: 2012

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	Money market	Advances	Other assets
Neither past due nor impaired (net of notional interest)	2,120,842	39,283,790	1,296,830,388	3,019,032
Past due but not impaired	–	–	31,398,170	–
Impaired	–	–	14,423,457	–
Carrying value before impairment	**2,120,842**	**39,283,790**	**1,342,652,015**	**3,019,032**
Less: Impairment allowance	–	–	(24,328,656)	–
Identified impairments	–	–	(6,042,604)	–
Identified individual	–	–	(6,042,604)	–
Identified collective	–	–	–	–
Unidentified impairments	–	–	(18,286,052)	–
Carrying value of financial assets per note 26.1	**2,120,842**	**39,283,790**	**1,318,323,359**	**3,019,032**
Financial assets subject to credit risk – Group: 2011				
Neither past due nor impaired (net of notional interest)	1,852,055	67,315,576	1,099,477,644	2,509,500
Past due but not impaired	–	–	49,114,247	–
Impaired	–	–	19,259,948	–
Carrying value before impairment	**1,852,055**	**67,315,576**	**1,167,851,839**	**2,509,500**
Less: Impairment allowance	–	–	(18,385,706)	–
Identified impairments	–	–	(4,464,199)	–
Identified individual	–	–	(4,464,199)	–
Identified collective	–	–	–	–
Unidentified impairments	–	–	(13,921,507)	–
Carrying value of financial assets per note 26.1	**1,852,055**	**67,315,576**	**1,149,466,133**	**2,509,500**
Financial assets subject to credit risk – Company: 2012				
Neither past due nor impaired (net of notional interest)	2,700	5,898,129	–	1,658,069
Past due but not impaired				
Impaired	–	–	–	–
Carrying value before impairment	**2,700**	**5,898,129**	**–**	**1,658,069**
Less: Impairment allowance	–	–	–	–
Identified impairments	–	–	–	–
Identified individual	–	–	–	–
Identified collective	–	–	–	–
Unidentified impairments	–	–	–	–
Carrying value of financial assets per note 26.1	**2,700**	**5,898,129**	**–**	**1,658,069**

	Cash and short-term assets	Money market	Advances	Other assets
26. Risk management continued				
26.2 Financial assets subject to credit risk – Company: 2011 continued				
Neither past due nor impaired (net of notional interest)	12,180	1,899,759	–	898,192
Past due but not impaired	–	–	–	–
Impaired	–	–	–	–
Carrying value before impairment	**12,180**	**1,899,759**	**–**	**898,192**
Less: Impairment allowance	–	–	–	–
Identified impairments	–	–	–	–
Identified individual	–	–	–	–
Identified collective	–	–	–	–
Unidentified impairments	–	–	–	–
Carrying value of financial assets per note 26.1	**12,180**	**1,899,759**	**–**	**898,192**

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.

Financial Assets that are past due but not impaired – Group 2012

	30 days	60 days	> 90 days	120 days +
Mortgage loans	**444,564**	**183,509**	**152,165**	**737,408**

The mortgage loan amounts past due but not impaired relate to the overdue instalment portion in respect of loans amounting to R44,189,995. 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 2011

	30 days	60 days	> 90 days	120 days +
The mortgage loan amounts past due but not impaired relate to the overdue instalment portion in respect of loans amounting to R49,096,925. 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.	461,330	220,063	226,914	908,307

26. Risk management continued

26.3 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.

a. Analysis of assets individually assessed as impaired

Group – 2012	Carrying amount	Impairment	Revised carrying amount
Mortgage loans	10,263,396	4,760,000	5,503,396
Bridging finance	2,536,133	1,282,604	1,253,529
Deferred sale	–	–	–
Equity loans	–	–	–
	12,799,529	**6,042,604**	**6,756,925**
Group – 2011			
Mortgage loans	13,590,115	3,326,719	10,263,396
Bridging finance	3,673,613	1,137,480	2,536,133
Deferred sale	–	–	–
Equity loans	–	–	–
	17,263,728	**4,464,199**	**12,799,529**
Company – 2012			
Mortgage loans	–	–	–
	–	**–**	**–**
Company – 2011			
Mortgage loans	6,112,352	–	–
	6,112,352	**–**	**–**

26. Risk management continued

26.3 Analysis of assets continued

b. Reconciliation of total impairments (identified and unidentified)

Group – 2012	Opening balance	Impairment	Closing balance
Mortgage loans			
Identified individual	3,326,719	1,433,281	4,760,000
Unidentified collective	13,115,599	4,731,303	17,846,902
	16,442,318	**6,164,584**	**22,606,902**
Bridging finance			
Identified individual	1,137,480	145,125	1,282,605
Unidentified collective	763,055	(359,520)	403,535
	3,180,206	**(214,395)**	**1,686,140**
Deferred sale loans			
Identified individual	–	–	–
Unidentified collective	42,853	(7,238)	35,615
	42,853	**(7,238)**	**35,615**
Total (per note 26.2)	**19,665,377**	**5,942,951**	**24,328,657**

Group – 2011	Carrying amount	Impairment	Revised carrying amount
Mortgage loans			
Identified individual	1,326,715	2,241,450	3,326,719
Identified collective	9,143,868	3,971,731	13,115,599
	10,470,583	**6,213,181**	**16,442,318**
Bridging finance			
Identified individual	1,591,764	(454,284)	1,137,480
Identified collective	1,588,442	(825,387)	763,055
	3,180,206	**(1,279,671)**	**1,900,535**
Deferred sale loans			
Identified individual	–	–	–
Identified collective	49,256	(6,403)	42,853
	49,256	**(6,403)**	**42,853**
Total (per note 26.2)	**13,700,045**	**4,927,107**	**18,385,706**

26. Risk management continued

26.3 Analysis of assets continued

Company – 2012	Carrying amount	Impairment	Transfer	Revised carrying amount
Mortgage loans				
Identified individual	–	–	–	–
Identified collective	–	–	–	–
Total (per note 26.2)	**–**	**–**	**–**	**–**
Company – 2011				
Mortgage loans				
Identified individual	–	–	–	–
Identified collective	279,733	(212,839)	(66,894)	–
Total (per note 26.2)	**279,733**	**(212,839)**	**(66,894)**	**–**

	Group 2012 R	Group 2011 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	**2,089,382,867**	1,796,384,445
– loans past due and not impaired	**71,382,761**	66,096,680
– loans individually impaired	**28,889,922**	22,789,772
	2,189,655,550	1,885,270,897
Bridging finance loans – unsecured lending	**–**	700,000
Deferred sale loans – value of property held	**23,553,344**	23,088,179
Equity – risk borne by Gauteng Partnership Fund (2nd bond registered)	**20,368,497**	7,838,718
Total	**2,213,208,894**	**1,909,059,076**

26. Risk management continued

26.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuate because of changes in market interest rates.

Other price risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market process (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market).

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 cash flow 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 and the exposure in relation to the total book has declined to less than 10%.

Where clients request fixed rates applicable to loans, the interest rate risk is mitigated by management entering into an interest rate swap contract to swap the fixed interest rate for a floating interest rate. In this way, the group ensures that no interest rate risk is taken on.

Hedge accounting applied in respect of interest rate risk			**R**	R
	Currency	Interest rate	**2012**	2011
As at 31 March 2011, the group had the following designated cash flow hedge interest rate swap contract:				
Fair value of asset – designated cash flow hedge ZAR interest rate swap contract	ZAR	prime plus 2%	**438,542.00**	1,076,672
Fair value of (liability) – designated cash flow hedge ZAR interest rate swap contract	ZAR	11.44%	**(450,318.00)**	(1,036,117)
The notional amount reduces over the period of the contract and at 31 March 2012 is R5,561,428. The contract is for a remaining eight months, maturing in November 2012.				
Total			**(11,776)**	40,555
Gains and losses on interest rate swaps are recognised in profit and loss.				
Interest rate sensitivity: Group				
Increase in basis points (prime rate)			**100**	100
Sensitivity of annual net interest income			**258,304**	182,098
Net interest margin: Group				
Loan book balance and Impairment provisions differ by 10%				
Sensitivity of net interest income			**504,442**	439,422
Income tax estimates sensitivity: Group				
Cashflow estimates differ by 10%				
Sensitivity of income tax liability			**785,842**	599,750

26.5 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 cash flows for a 12-month window period.

A summary of the undiscounted liquidity profile is reflected in the tables that follow:

a. Contractual maturity of financial liabilities – undiscounted

	Within 1 year	1 to 5 years	>5 years	Discounting	Total
Liabilities: Group 2012					
Other liabilities	6,666,712			–	6,666,712
Non-interest bearing liabilities	–	1,640,115		–	1,640,115
Interest bearing liabilities	207,906,399	691,632,777	1,523,904,261	(1,127,725,200)	1,295,718,237
Total liabilities	214,573,111	693,272,892	1,523,904,261	(1,127,725,200)	1,304,025,064
Liabilities: Group 2011					
Other liabilities	4,751,149				4,751,149
Non-interest bearing liabilities		1,440,428	–	–	1,440,428
Interest bearing liabilities	258,417,463	469,050,328	1,357,030,130	(914,906,834)	1,169,591,087
Total liabilities	263,168,612	470,490,756	1,357,030,130	(914,906,834)	1,172,534,192
Liabilities: Company 2012					
Other liabilities					
Subsidiary companies		–	–	–	–
Non-interest bearing liabilities		–	–	–	–
Interest bearing liabilities	–	–	–	–	–
Total liabilities	–	–	–	–	–
Liabilities: Company 2011					
Other liabilities					
Subsidiary companies	–	–	–	–	–
Non-interest bearing liabilities	–	–		–	
Interest bearing liabilities	–	–	–	–	–
Total liabilities	–	–	–	–	–

26. Risk management continued

26.6 Classification of financial assets and financial liabilities

Group: 2012

	Loans and receivables	Other	Total carrying amount	Fair value
Financial assets				
Cash and short-term assets	2,120,842	–	2,120,842	2,120,842
Money market assets	39,283,790	–	39,283,790	39,283,790
Loan advances	1,318,323,359	–	1,318,323,359	1,318,323,359
Other assets: Excluding prepayments	2,407,216	–	2,407,216	2,407,216
	1,362,135,207	**–**	**1,362,135,207**	**1,362,135,207**

	Amortised cost	Other	Total carrying amount	Fair value
Financial liabilities				
Other liabilities	6,666,712	–	6,666,712	6,666,712
Accruals	–	–	–	–
Non-interest bearing liabilities	1,640,115	–	1,640,115	1,640,115
Interest bearing liabilities	1,295,718,237	–	1,295,718,237	1,295,718,237
	1,304,025,064	**–**	**1,304,025,064**	**1,304,025,064**

Group: 2011

	Loans and receivables	Other	Total carrying amount	Fair value
Financial assets				
Cash and short-term assets	1,852,055	–	1,852,055	1,852,055
Money market assets	67,315,576	–	67,315,576	67,315,576
Loan advances	1,149,466,133	–	1,149,466,133	1,149,466,133
Other assets: Excluding prepayments	1,866,412	–	1,866,412	1,866,412
	1,220,500,176	**–**	**1,220,500,176**	**1,220,500,176**

	Amortised cost	Other	Total carrying amount	Fair value
Financial liabilities				
Other liabilities	4,751,149	–	4,751,149	4,751,149
Accruals	–	–	–	–
Non-interest bearing liabilities	1,536,896	–	1,536,896	1,536,896
Interest bearing liabilities	1,169,591,087	–	1,169,591,087	1,169,591,087
	1,175,879,132	**–**	**1,175,879,132**	**1,175,879,132**

26. Risk management continued

26.6 Classification of financial assets and financial liabilities continued

Company: 2012

	Loans and receivables	Other	Total carrying amount	Fair value
Financial assets				
Cash and short-term assets	2,700	–	2,700	2,700
Money market assets	5,898,129	–	5,898,129	5,898,129
Loan advances	–	–	–	–
Other assets	1,658,069	–	1,658,069	1,658,069
Subsidiary companies	27,979,554	–	27,979,554	27,979,554
	35,538,453	**–**	**35,538,453**	**35,538,453**

	Amortised cost	Other	Total carrying amount	Fair value
Financial liabilities				
Other liabilities	–	–	–	–
Accruals	–	–	–	–
Subsidiary companies	–	–	–	–
Non-interest bearing liabilities	–	–	–	–
Interest bearing liabilities	–	–	–	–
	–	**–**	**–**	**–**

Company: 2011

	Loans and receivables	Other	Total carrying amount	Fair value
Financial assets				
Cash and short-term assets	12,180	–	12,180	12,180
Money market assets	1,899,759	–	1,899,759	1,899,759
Loan advances	–	–	–	–
Other assets	898,192	–	898,192	898,192
Subsidiary companies	31,258,023	–	31,258,023	31,258,023
	34,068,154	**–**	**34,068,154**	**34,068,154**

	Amortised cost	Other	Total carrying amount	Fair value
Financial liabilities				
Other liabilities	–	–	–	–
Accruals	–	–	–	–
Subsidiary companies	–	–	–	–
Non-interest bearing liabilities	–	–	–	–
Interest bearing liabilities	–	–	–	–
Total liabilities	**–**	**–**	**–**	**–**

		Investment in shares		Indebtedness	
		2012	2011	**2012**	2011
		R	R	**R**	R
27. Investments in subsidiaries (directly/indirectly)					
The company has the following interests in group subsidiary companies:					
TUHF Holdings (Pty) Ltd – 73%	*	**1,428**	1,428	**26,331,905**	26,331,135
TUHF Properties (Pty) Ltd – 100%	**	**100**	100	**1,657,471**	2,002,295
Intuthuko Equity Fund (Pty) Ltd – 100%	***	**100**	100	**–**	–
TUHF Bridge (Pty) Ltd – 100%	#	**–**	–	**–**	–
TUHF (Pty) Ltd – 100%		**–**	–	**(11,450)**	2,922,195
		1,628	1,628	**27,977,926**	31,255,625
Total investment and indebtedness (Refer to note 6)				**27,979,554**	31,258,023

Nature of business:
Holding company
* Property deferred sales
** Equity funding
*** Bridging funding
\# Mortgage finance sub subsidiary

Contractual maturity of liabilities

	2012 R	2011 R
TUHF Holdings (Pty) Ltd		
Interest is charged at call rates		
Repayable within 12 months	**–**	–
Repayable more than 12 months	**–**	–
	–	–
TUHF Properties (Pty) Ltd		
Interest is charged at variable rates		
Repayable within 12 months	**–**	–
Repayable more than 12 months	**1,657,471**	2,002,295
	1,657,471	2,002,295
Intuthuko Equity Fund (Pty) Ltd		
Interest paid at market call rates		
Repayable within 12 months	**–**	–
Repayable more than 12 months	**–**	–
	–	–
TUHF Bridge (Pty) Ltd		
Interest on amounts owing – market call rates		
Interest on amounts receivable – Prime plus 10%		
Repayable within 12 months	**–**	–
Repayable more than 12 months	**–**	–
	–	–
TUHF (Pty) Ltd		
Interest on amounts owing – market call rates		
Interest is charged at variable rates		
Repayable within 12 months	**(11,450)**	2,922,195
Repayable more than 12 Months	**–**	–
	(11,450)	2,922,195

	Indebtedness 2012 R	2011 R
28. Related parties		
Related parties:		
Subsidiary companies as disclosed in note 27		
Amount due to and from related parties:		
(refer to notes 6)		
Related parties transactions:		
TUHF Holdings Group (Pty) Ltd: Subsidiary		
Interest received	**–**	–
Interest paid	**–**	–
Management fees	**–**	–
TUHF Properties (Pty) Ltd: Subsidiary		
Interest received	**155,176**	192,403
Intuthuko Equity Fund (Pty) Ltd: Subsidiary		
Interest paid	**–**	–
TUHF Bridge (Pty) Ltd: Sub subsidiary		
Interest received	**6,282**	–
Interest paid	**–**	–
Management fees paid	**–**	–
TUHF (Pty) Ltd: Sub subsidiary		
Interest received	**475,443**	526,257
Interest paid	**–**	–
Management fees earned	**120,459**	110,951
Key management:		
All members of the board are considered key management. For remuneration refer to note 21.		
S Moraba, a director of the company, is the chief executive officer of the National Housing Finance Corporation Ltd. This company has granted wholesale loan facilities amounting to R470 million to TUHF (Pty) Ltd, a subsidiary company within the group (2011: R420 million to Trust for Urban Housing Finance/TUHF (Pty) Ltd).		
Total NHFC debt facilities: Capital advanced	**R470,000,000**	R420,000,000
Interest paid	**29,602,306**	23,118,238
Interest and capital repayments	**41,523,336**	28,634,191

THE TUHF TEAM

"Making it happen"

CEO's department

From left to right, Pressage Nyoni, Delrie Coetzee, Paul Jackson (CEO), Subayga Ownhouse, Tryphinah Dakana and Chantelle Letzler.

Loan admin department

From left to right, Belinda Cooke (manager), Portia Gxabuza, Sameer Khan, Antoinette Herandien and Janine Nothnagel.

Operations' department

From left to right, Rekwele Mmatli, Rose Valloo (manager), Pressage Nyoni, Med Kwesiga, Justine Soloman, Nano Makwela, Charmaine Meth, Linda Dotwana, Jade Lochner and George Chauke.

Finance department

From left to right, Ilona Roodt (manager), Desmond Kalamer, Kekeletso Tsotsotso, Imke Kruger and Connie Masogo.

Durban office

From left to right, Taryn-Lee van Wyk, Lusanda Netshifhefhe (KZN regional manager) and Siphiwe Msimango.

Port Elizabeth office

Khumbulani Chikomo (PE regional manager) and Khulasande Naku.

TRUST FOR URBAN HOUSING FINANCE CORPORATE INFORMATION

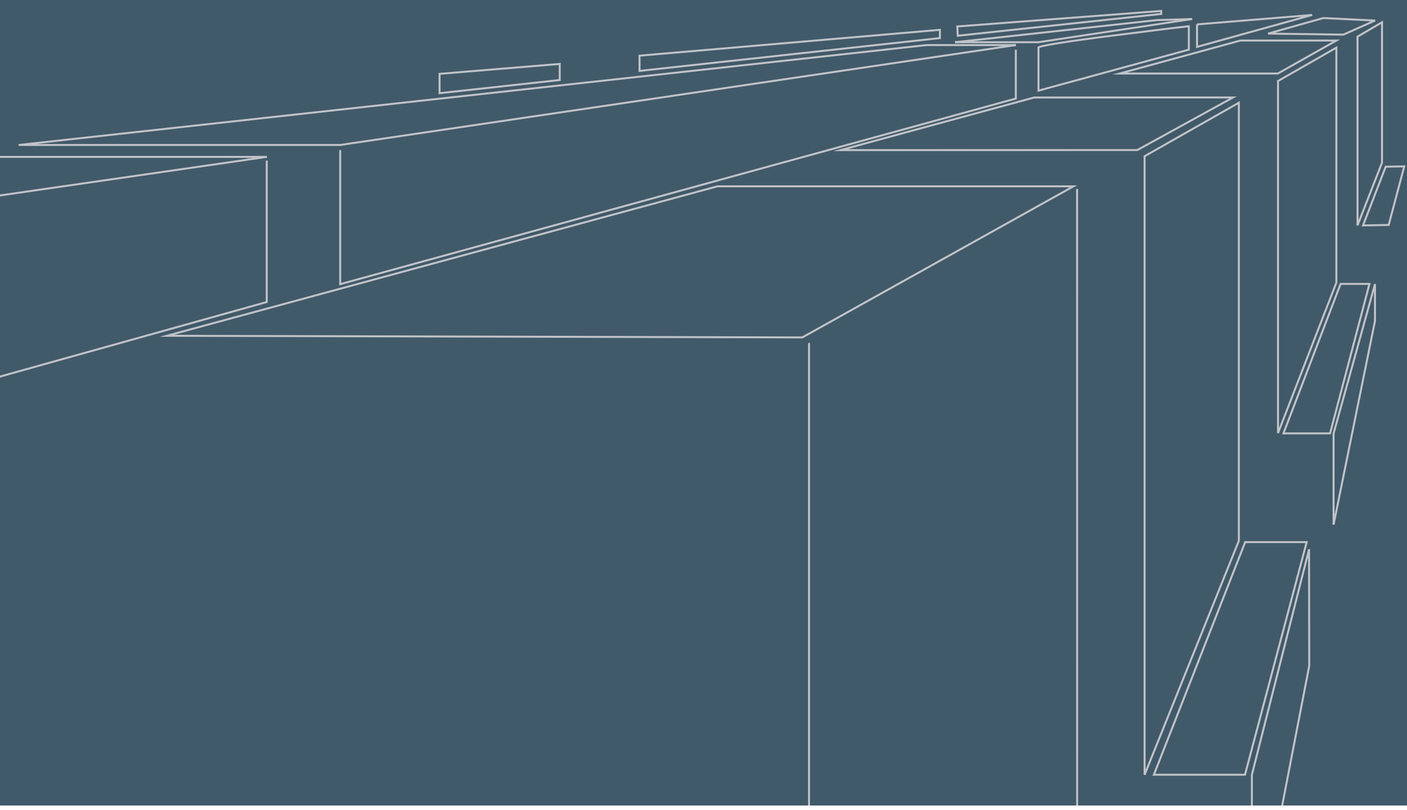
Country of incorporation and domicile	Republic of South Africa
Nature of business	A development finance organisation providing finance for the purchase, construction, conversion and improvement of residential property within South African inner city precincts.
Directors	S Moraba* (Chairman) C Coovadia* R Emslie* PGN Jackson (CEO) M Mamatela* JS Strelitz* * Non-executive director
Secretary	I Roodt
Business address	26th Floor 209 Smit Street Braamfontein 2001
Postal address	PO Box 30872 Braamfontein 2017
Bankers	The Standard Bank of South Africa Limited
Auditors	PricewaterhouseCooper Inc 2 Eglin Road, Sunninghill 2157 Chartered Accountants (SA) Registered Auditors
Attorneys	Cliffe Dekker Hofmeyr Inc.
Company registration number	1993/000217/08

Name of company	**Registration number**	**NCR number**
TUHF (Pty) Ltd	2007/025898/07	NCRCP4016
Trust for Urban Housing Finance	1993/000217/08	NCRCP1709
TUHF Bridge (Pty) Ltd	2006/014097/07	NCRCP1711
Intuthuko Equity Fund (Pty) Ltd	2004/034588/07	NCRCP1708
TUHF Properties (Pty) Ltd	2003/021683/07	NCRCP1710
TUHF Holdings (Pty) Ltd	2007/024010/07	NCRCP4015

STUDIO 5

"We are grateful for the support of our funders who have assisted us in the rejuvenation of the inner cities across South Africa."

Paul Jackson
CEO TUHF



TUHF (PTY) LTD

Financing Rental Housing in South African Cities

Leaders in inner city commercial property finance, because only TUHF is Specialised, Networked and Confident

HEAD OFFICE – GAUTENG

26th Floor
209 Smit Street
Braamfontein 2017
TEL: +27 (11) 276 1440
FAX: +27 (11) 339 1784

REGIONAL OFFICE – DURBAN

1st Floor, Perm Building
Office 101
343 Anton Lembede Street
(ex Smith Street)
Durban 4001
TEL:+27 (31) 306 5036
FAX: +27 (31) 301 1662

REGIONAL OFFICE – PORT ELIZABETH

2nd Floor
BCX Building
106 Park Drive
St Georges Park
Port Elizabeth 6000
TEL: +27 (41) 582 1450
FAX: +27 (41) 582 1451

PO Box 30872, Braamfontein 2017

Sharecall: 086 000 TUHF (8843)
www.tuhf.co.za
info@tuhf.co.za

TUHF (PTY) LTD IS A REGISTERED CREDIT PROVIDER

Registration number 2007/025898/07 and NCR number NCRCP4016