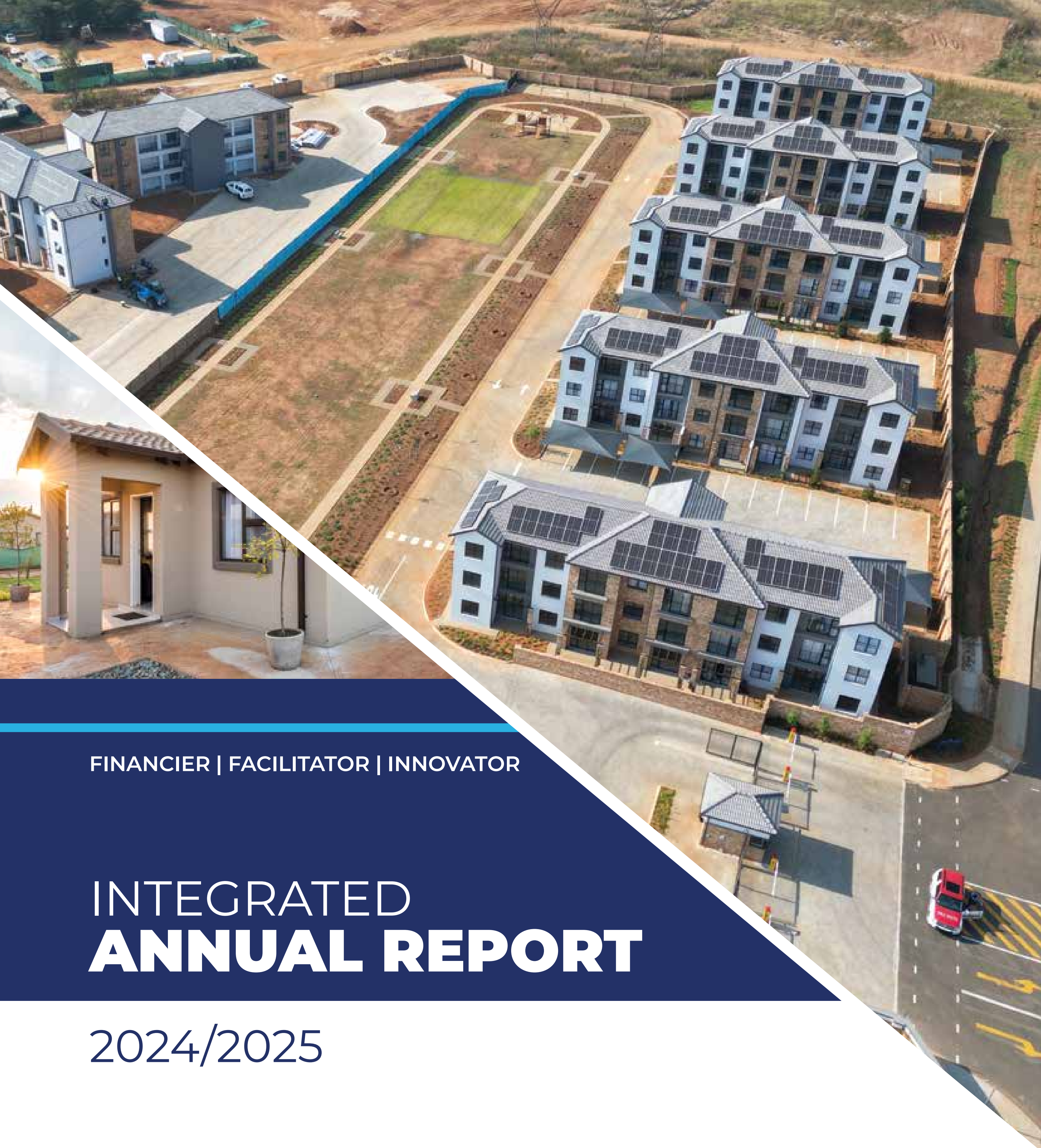

FINANCIER | FACILITATOR | INNOVATOR

INTEGRATED ANNUAL REPORT

2024/2025

NATIONAL HOUSING FINANCE CORPORATION SOC LTD.


FIRST HOME FINANCE
CONGRATULATIONS

1. GENERAL **INFORMATION**

Registered name	National Housing Finance Corporation SOC Ltd
Company registration number	1996/005577/30
Country of incorporation and domicile	South Africa
Nature of business and principal activities	The NHFC provides housing finance to property developers, contractors, social housing institutions and ODAs as well as retail intermediaries. To broaden the impact of its mandate, it also invests in private sector companies and private equity funds that operate in the low cost and affordable housing market and forges strategic partnerships to facilitate effective delivery.
Registered office	90 Grayston Drive Sandton 2196
Telephone number	(011) 644 9800
Fax number	(011) 484 6406
First Home Finance Call centre	(010) 085 2199
Email address	webinfo@nhfc.co.za
Website address	www.nhfc.co.za
Bankers	Standard Bank of South Africa Limited First National Bank Limited
Internal Auditors	Nexia SAB&T Audit and Advisory Firm
Auditors	Auditor-General of South Africa Chartered Accountants (SA) Registered Auditors

2. PERFORMANCE **HIGHLIGHTS**

OPERATIONAL PERFORMANCE

R931 million
Value of loans approved during the year

R432 million
Value of funds disbursed during the year

LEVERAGED FUNDS

R644 million
NHFC core business

R1.652 billion
First Home Finance

PRIORITIES

LAUNCHED THE EMERGING DEVELOPER INCUBATOR AND POST-INVESTMENT SUPPORT PROGRAMME

ACCOLADES & AWARDS

FIRST HOME FINANCE PROVIDER OF THE YEAR AWARD
17th South African Construction Awards

DRIVING MEANINGFUL TRANSFORMATION AND ADVANCING INCLUSIVE ECONOMIC GROWTH
24th Annual Nedbank Oliver Top Empowerment Awards

SAIBPP 100 CLASS OF 2025
South Africa's Top 100 Black Property Practitioners

DEVELOPMENTAL IMPACT

5 504
Housing opportunities for the year (excluding First Home Finance)

R59 million
Disbursements to designated groups including women and the youth

R71 million
Loan disbursements to black-owned entities

FIRST HOME FINANCE

(included below)*

3 568
Number of subsidies **disbursed** during the year **to women** headed households

R347 million
Value of subsidies **disbursed** during the year **to women** headed households

FIRST HOME FINANCE*

54 288 / R7 billion
Pre-approved applications

8 193
Number of subsidies approved during the year

R934 million
Value of subsidies approved during the year

6 135
Number of subsidies disbursed during the year

R600 million
Value of subsidies disbursed during the year

*The First Home Finance Developmental impact is included in the overall First Home Finance performance

3. CONTENTS

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LIST OF **ABBREVIATIONS/ACRONYMS**

AGSA	Auditor-General of South Africa
BCIC	Board Credit and Investment Committee
BNG	Breaking New Ground
CA	Chartered Accountant
CSI	Corporate Social Investment
DFI	Development Finance Institution
ECM	Enterprise Content Management
ePHP	Enhanced People's Housing Process
ERP	Enterprise Resource Planning
FIC	Financial Intelligence Centre
FMVA	Financial Modelling and Valuation Analyst
GDP	Gross Domestic Product
HSDB	Human Settlements Development Bank
IFRS	International Financial Reporting Standard
IMF	International Monetary Fund
ITRC	Information Technology and Risk Committee
MOU	Memoranda of Understanding
MTDP	Medium-Term Development Plan
NARSSA	National Archives and Records Service of South Africa
NDoHS	National Department of Human Settlements
NDP	National Development Plan
NEHAWU	National Education, Health and Allied Workers' Union
NHFC	National Housing Finance Corporation
ODA	Other Delivery Agents
PAIA	Promotion of Access to Information Act
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SCM	Supply Chain Management
SDGs	Sustainable Development Goals
SHI	Social Housing Institutions
SHRA	Social Housing Regulatory Authority
SLA	Service Level Agreement

4. FOREWORD BY THE MINISTER

The 2024/25 financial year was a defining period for our country and the human settlements sector. As Government, we navigated a challenging macroeconomic environment characterised by sluggish economic growth, high unemployment, and constrained fiscal space, while at the same time laying the foundations for stability and renewal through the establishment of the Government of National Unity (GNU).

In this context, the NHFC demonstrated resilience and commitment to its developmental mandate. As the shareholder, I am encouraged by the progress made in advancing our collective vision of integrated, inclusive, and sustainable human settlements.

Despite high interest rates, affordability pressures, and service delivery backlogs, the NHFC delivered over 11 253 housing opportunities in the first year of the Medium-Term Development Plan (MTDP), representing 17% of its five-year target. This achievement reflects both a strong start and a clear commitment to scale impact in the years ahead.

Through the First Home Finance programme, more than 6 000 households were supported to access their first homes. Importantly, women-headed households remained leading beneficiaries, affirming our priority of ensuring that housing finance interventions are inclusive and transformative.

The launch of the Emerging Developer Incubator and Post-Investment Support Programme has set a new benchmark for empowering black-owned, women-led, youth-driven, and disability-inclusive enterprises in the housing value chain. By nurturing these developers, the NHFC is building future capacity, strengthening transformation, and broadening the ecosystem of affordable housing delivery.

A central NHFC role is mobilising private and blended finance to expand delivery. During the year under review, the Corporation leveraged over R1.6 billion from the private sector, a significant contribution towards bridging the housing finance gap. This underscores the NHFC's ability to serve as a trusted partner and intermediary, unlocking capital that multiplies the developmental impact of every rand of public funding.

The alignment of NHFC's programmes with the Human Settlements White Paper (2024) positions the organisation to play a leading role in advancing sustainable, climate-resilient, and digitally enabled human settlements.

The challenges before us remain profound. South Africa's demand for housing continues to grow, reflecting both deep-rooted socio-economic inequalities and the rapid pace of urbanisation. Yet, these challenges also present opportunities to foster dignity, inclusion, and resilience through decent housing.

As Minister of Human Settlements, I remain committed to working closely with the NHFC Board, management, and all stakeholders to ensure that our policies, resources, and partnerships converge towards one goal: ensuring that every South African household has access to safe, affordable, and sustainable shelter.

The NHFC has shown that even in difficult conditions, delivery is possible. With greater collaboration, innovation, and commitment, we can accelerate progress and and make home ownership and secure tenure a reality for millions.

I acknowledge and thank the outgoing Board for their stewardship during a period of complexity and transition and I warmly welcome the newly appointed Board under the leadership of Chairperson Desmond Khalid Golding. I also commend the CEO, Ms Azola Mayekiso, the dedicated employees of the NHFC, and our partners across the public and private sectors for their unwavering commitment to our shared mandate. Together, we will not only deliver houses, but also foster vibrant, resilient communities that advance dignity and inclusion for all South Africans.

Ms TP Simelane (MP)
Minister of Human Settlements

5. FOREWORD BY **THE CHAIRPERSON**

As the newly appointed Chairperson of the NHFC Board, it is an honour to present this Integrated Annual Report.

This report reflects the performance of the NHFC for the year ended March 2025, a period overseen by the previous Board and leadership team.

TRANSITION IN LEADERSHIP

I acknowledge their stewardship during a time of significant macroeconomic, political, and social challenges, and their role in navigating a complex environment.

While we were not in office during the year under review, our responsibility going forward is clear, to build a shared vision, sharpen the NHFC's strategic direction, and "Reposition, Repurpose and Recalibrate" the Corporation for optimal performance.

NAVIGATING A COMPLEX ENVIRONMENT

The operating environment in FY2024/25 was defined by dual realities, cautious optimism amid easing inflation and lower interest rates, alongside structural barriers, such as persistently high unemployment, weak economic growth, and service delivery backlogs. These dynamics, compounded by climate-related risks and social pressures, directly shaped the housing landscape and the demand for affordable housing finance. Ours would be to fully contribute to the realisation of Section 26 of the Constitution that of decent housing, which is part of real economic integration, wealth creation and sustainable livelihood, particularly those in the margins of the economy.

DELIVERY HIGHLIGHTS DESPITE THESE CONDITIONS

The NHFC delivered measurable impact. In the first year of its five-year Medium-Term Development Plan, the organisation achieved 16% of the housing opportunities target, signalling a strong start to the cycle. Notably, the First Home Finance programme enabled more than 6 000 households to access subsidies, with women-headed households as leading beneficiaries. The NHFC also succeeded in leveraging over R1.6 billion from the private sector, demonstrating its ability to attract capital and strengthen partnerships. In addition, innovative initiatives such as the Emerging Developer Incubator and Post-Investment Support Programme were introduced to nurture black-owned, women-led, youth-driven, and disability-inclusive developers. This strengthens transformation within the housing value chain and expands delivery capacity across the sector.

INSTITUTIONAL STRENGTHENING

The period also saw important strides in institutional capability, including investments in human capital, governance, ethics, and digital transformation. These efforts are critical for the NHFC's evolution into the Human Settlements Development Bank (HSDB), a transformation that will allow us to mobilise resources at scale, integrate financing solutions, and enhance developmental impact, in line with the priorities of the Government of National Unity.

Looking ahead as the new Board, we take forward a mandate that is both urgent and inspiring, to catalyse the affordable housing ecosystem, deepen sustainability, broaden developmental impact, and strengthen institutional resilience. South Africa's housing backlog remains one of the country's greatest socio-economic challenges, but it is also an opportunity to foster dignity, resilience, and inclusion in human settlements. We will continue to work with our shareholder, government, the private sector, and civil society to unlock financing solutions, strengthen delivery models, and ensure that more South Africans realise the dream of owning or accessing a home.

ACKNOWLEDGEMENTS

On behalf of the new Board, I extend appreciation to Hon. Thembi Simelane, Minister of Human Settlements, and the Department for their continued support. To our partners, stakeholders, and the dedicated NHFC team under the leadership of the CEO, Ms Azola Mayekiso. We also acknowledge the previous Board for their contributions during the reporting period. Together, we will continue to build not only houses, but the foundations of a more equitable, sustainable, and prosperous South Africa.

Mr Desmond Khalid Golding
Chairperson

6. CHIEF EXECUTIVE OFFICER **OVERVIEW**

In a year marked by economic headwinds, continued cost of living pressures, structural challenges in the housing sector, as well as high building costs, the NHFC demonstrated resilience and agility. The 2024/25 financial year can be dubbed the year of turnaround and recalibration at the NHFC. As the first year of the new Medium-Term Development Plan (MTDP) cycle (2024–2029), served as a sobering reminder of the gravity of the NHFC's work; particularly as it concerns Priority 2 of the MTDP: reducing poverty and tackling the high cost of living.

Our focus has been on strengthening processes and procedures to drive efficiencies as well as developing and realising turnaround plans to address the deterioration in the loan book (in collaboration with experts). The NHFC is entering a new era - we are on a drive to present as a Development Finance Institution (DFI) that is responsive to the market we serve. Not only must our day-to-day work be of the highest standard, but we must also be agile and empowered to respond to changing market conditions so that our vast customer base has the best opportunity to better their lives and raise their families in safe and secure homes.

RESPONDING TO ECONOMIC REALITIES

Responding to lower inflation, the South African Reserve Bank (SARB) gradually reduced interest rates during the reporting period. This benefited low-to-middle-income earners – our core market – by reducing borrowing costs and increasing demand for housing loans. While prospectively positive, we have seen rental demand increase instead as historically high interest rates continue to impact housing affordability.

The NHFC impacted 11 253 households for the year by delivering both housing units and housing opportunities for them through our direct lending and strategic investments activities across our product spectrum. This was underpinned by the value of loans approved of R931 million and value of funds disbursed of R432 million during the year.

A notable highlight was the subsidy housing product, which saw a strong recovery: approvals of R83 million (against a R45 million target) and disbursements of R51 million (exceeding the R36 million target). While small relative to the national housing backlog, this progress is significant given historical performance. However, structural challenges persist, as the sector has yet to support the irrevocable undertaking security alternative developed by the NHFC, which could unlock broader contractor participation in RDP and BNG housing delivery throughout the country.

Social housing continued to face deep-rooted structural and fiscal challenges on the Consolidated Capital Grant (CCG) front. Policy limitations, particularly the delay in adjusting the CCG in line with inflation, have constrained delivery. These challenges are compounded by poor stock management leading to rental boycotts, as well as fewer new project accreditations by the Social Housing Regulatory Authority (SHRA) due to budgetary constraints. The NHFC delivered a stellar turnaround in approvals for social housing where actual performance of R105 million far outpaced the target of R20 million. To unlock this performance, we structured agreements using blended financing instruments to assist struggling social housing projects. Engagements with the SHRA continue in an effort to address bottlenecks.

In the private rental stock segment, our sharpened focus on student accommodation delivered positive results. Approvals of R227 million far surpassed the R75 million target.

Lastly, the organisation experienced record achievement in the First Home Finance programme ever since the NHFC was appointed a national implementing agent on behalf of the Department of Human Settlements in April 2019. We approved 8 193 subsidies during the year, against a target of 3 088 subsidies. This was supported by the value of subsidies approved during the year of R934.4 million. We further disbursed 6 135 subsidies during the year, against a target of 2 470; thus seeing 6 135 households moving into their new homes or starting the process of building their homes incrementally. The funds utilised to support these disbursements were R600 million in value. It is pleasing to note that of the 6 135 households we impacted, 3 568 were female headed households and out of the R600.04 million, they benefited to the tune of R347 million. What is important to note regarding the First Home Finance Programme is that the uptake has increased exponentially now that our shareholder has enhanced the scope of the programme to also cater for non-mortgage products. Due to the programme now also being implemented with non-mortgage products, we have seen an increase in beneficiaries who are based in rural areas who are building for themselves incrementally on the back of Permission To Occupy (PTO) certificates that are issued by traditional authorities.

OPERATIONAL ENHANCEMENTS TO IMPROVE DELIVERY

Operational progress during the reporting period includes modernising policies such as those related to credit, pricing and risk appetite, and stress testing the models that will guide us to the amended concentration thresholds and clear delineation between developmental and commercial risk appetites. Improving International Financial Reporting Standard (IFRS) 9 readiness and refining operational processes through an enterprise resource planning (ERP) solution to aid agility and market responsiveness, were additional highlights.

Additional improvements to how we work and collaborate – also in response to a constrained economic environment – include focusing our business development efforts on developers who specialise in serviced stands to increase the pipeline. This has already started to show positive results.

Initiatives to attract new business and increase the number of bridging subsidy units include engagements with provincial human settlement departments, hosting contractor financing workshops, and exploring partnerships with the private sector around providing security and scaling up new transactions.

Our collaboration with the Infrastructure Fund and Infrastructure South Africa is projected to accelerate the financial readiness of approximately 50 priority projects, including unlocking mega human settlements projects that are blocked as a result of non-availability of bulk infrastructure.

We have restructured our equity and quasi-equity instruments to, among others, enable the participation of capital-constrained emerging developers and address market failures.

HUMAN SETTLEMENTS DEVELOPMENT BANK

Together with our shareholder, we are committed to the creation of the HSDB through the necessary legislative and statutory processes. While awaiting the finalisation of the approach that will lead to the establishment of the bank, we are working to position the NHFC as a sustainable, apex development finance institution in the human settlements sector. Key efforts include shedding non-core assets (subject to necessary approvals), such as President Place and the retail mortgage book and deregistering inactive subsidiaries. A development in this regard is that during the reporting period we managed to deregister 6 out of 8 inactive subsidiaries.

The Project Management Office (PMO) that was appointed in the latter part of the past financial year (FY2023/24) to assist us with the work required to establish the HSDB, has made significant progress with the only outstanding aspect being engagement of the remaining stakeholders that operate in the affordable housing ecosystem. Together with the PMO, we have revised the strategy & business case of the HSDB, developed an optimal funding model, drafted a revised Bill for 2 PFMA schedule options, proposed a fit for purpose organisational structure and developed a change management process. The relatively new shareholder and the newly appointed Board need to be workshopped on all the work that has been done and provide a way forward with respect to the approach to establishment.

CAPACITY DEVELOPMENT

Human capital development is increasingly important as we prepare for the HSDB. Endeavours to improve our capacity in this regard involved staff realignment, change management, capacity integration, creating opportunities for skills development and institutional renewal. Financial constraints notwithstanding, we have continued our investment in graduate programmes, learnerships, succession planning, and skills transfer to support long-term transformation and talent retention. Comprehensive skills development targeting our credit personnel has been aligned to our long-term capacity needs following an enhanced DFI model under the HSDB. In addition to building meaningful technical expertise, training endeavours aim to improve portfolio stewardship and entrench a culture of risk accountability.

The NHFC is in the process of embarking on a digital transformation journey, that will see key internal processes automated, legacy systems overhauled and replaced with new age responsive systems capability, enhanced interface with projects as they are being rolled out so as to bolster our post-investment monitoring capability. This ERP procurement exercise was faced with delays due to the fact that the ERP consultant that was brought on board to provide expert advice, advised the organisation to change the procurement approach to minimise risks. With the new approach which is agile and cloud based, the NHFC will get to value for money a lot quicker and priority areas of the business will get to automation a lot quicker than other areas of the organisation.

The NHFC Emerging Developer Incubator and Post-Investment Support Programme will also support emerging developers that fall into majority black-owned and designated groups, to enhance their skills, build their capacity and access funding for housing projects. This is a new intervention and is a game changer for entrepreneurs having difficulty concluding their projects successfully. We have developed it as part of the NHFC's contribution towards building a credible pipeline of housing projects such that the country can begin to chip away at the housing backlog crisis.

DISCONTINUED KEY ACTIVITIES

No key activities were discontinued during the reporting period.

AUDIT REPORT MATTERS

The NHFC received an unqualified audit opinion with material findings. These findings are being addressed by closer monitoring of the audits of the investee companies, implementing system enhancements to manage the increased volumes in the First Home Finance product, and bolstering the training of all staff in the Supply Chain Management (SCM) unit and those involved in bid committees. We are also reviewing all SCM-related policies and procedures.

ECONOMIC VIABILITY AND FUTURE OUTLOOK

Despite persistent macroeconomic and housing sector constraints, the NHFC remains a going concern. Financial resilience remains a priority as we seek to leverage private and public funds to scale housing delivery and broaden access to sustainable human settlements. Effective operating controls, guided by our risk appetite, support the long-term strategy and transition to the HSDB.

APPRECIATION

I value the strategic input and guidance from our Executive Authority as well as our Accounting Authority. My heartfelt gratitude goes to the outgoing Board whose tenure concluded at the end of the 2024/25 financial year. To the NHFC staff: Our work goes far beyond just bricks and mortar. Thank you for your commitment to the bigger picture and seeing thousands of South Africans enjoying the sometimes unrecognised milestone of a first, safe and secure home in which to make lasting memories.

Ms Azola Mayekiso
Chief Executive Officer: National Housing Finance Corporation

PART A
GENERAL INFORMATION

1. ABOUT THIS **REPORT**

This report provides information about the performance of the National Housing Finance Corporation (NHFC) for the period 1 April 2024 to 31 March 2025.

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

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

1.1 SCOPE AND BOUNDARY

This Integrated Annual Report provides strategic, operational, governance and financial overviews of the activities of the NHFC for the period 1 April 2024 to 31 March 2025. The information in this report refers to the performance of the core business functionality of the NHFC, operating in South Africa, and its major operating subsidiaries, unless stated otherwise.

1.2 REPORTING FRAMEWORK

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

- The Public Finance Management Act (No. 1 of 1999);
- The Companies Act (No. 71 of 2008);
- The principles of the King Codes Report on Corporate Governance™;
- The International Integrated Reporting (IR) Council's International Framework;
- National Treasury Regulations; and
- Standards of Generally Recognised Accounting Practice (GRAP).

1.3 BASIS OF PREPARATION

This report reflects the adoption by the NHFC of integrated thinking and the application of the process. Issues that materially affect the company's adeptness to create and maintain value for its stakeholders informed the content of the Integrated Annual Report. This information was drawn from the company's records, and includes details of the operating context, strategic performance, risks and associated mitigation measures, stakeholder engagement and identified business opportunities. The report includes inputs from the executive management team. All information has been approved by the NHFC's various committees and ultimately by its Board of Directors (the Board).

With this report, the NHFC provides, to the best of its ability, an accurate and transparent account of the company's performance for the reporting period, as expanded upon by the recommendations of the King Codes Report and International <IR> Framework.

1.4 RISK TAKING

The NHFC is a moderately risk-averse corporation. However, the company does not undertake reckless lending and investment behaviour. This report considers that the risks encountered often occur as we bring new opportunities into the affordable housing market.

Our pricing is set in accordance with our mandate to be a sustainable company while balancing our role as a DFI. As a DFI, the NHFC needs to strike the right balance, constantly and consistently, between its developmental mandate and its financial sustainability.

1.5 FORWARD-LOOKING STATEMENTS

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

1.6 ASSURANCE

The NHFC's Integrated Annual Report for 2024/25 is compiled in accordance with the ethical values of the company, statutory legislative frameworks, and reporting leading practices. The Board has reviewed the report and is satisfied that its content, to the best of its knowledge, portrays an accurate and true representation of the NHFC's position. The financial statements contained herein have been assured via an audit conducted by the Auditor-General of South Africa (AGSA).

END CONSUMERS

The NHFC focuses on serving the gap market with affordable housing.

2. STRATEGIC **OVERVIEW**

2.1 VISION

To be the apex financing partner and catalyst for development in the human settlements value chain in South Africa.

2.2 MISSION

To provide innovative financial solutions that enable the development of affordable, sustainable and high-quality housing for all South Africans.

2.3 VALUES

Our guiding values are:

"WE EXCEL AT WHAT WE DO"

A
ACCOUNTABILITY

C
COLLABORATION

E
EXCELLENCE

“WE INNOVATE AND LEAD WITH INTEGRITY”

L
LEADERSHIP

I
INTEGRITY

I
INNOVATION

“WE RESPECT AND VALUE DIVERSITY, HUMANITY, AND PROFESSIONALISM”

D
DIVERSITY

U
UBUNTU

P
PROFESSIONALISM

3. WHO WE **ARE**

3.1 CATALYSING THE HOUSING ECOSYSTEM, TRANSFORMING LIVES

Purpose driven and impact focused, the NHFC is a DFI dedicated to bridging South Africa's housing and human settlements gaps. We mobilise resources, leverage partnerships, and capitalise on innovation from the public and private sectors, both locally and internationally, to strengthen the affordable housing ecosystem. Guided by our strategic pillars we bridge funding gaps, and deliver sustainable housing solutions that expand access, build capacity, and support inclusive growth in line with national development priorities.

3.2 STRATEGIC PILLARS

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

MAXIMISE DEVELOPMENT IMPACT

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

CATALYSE THE MARKET

NHFC acts as a catalyst for a thriving human settlements ecosystem.

TRANSFORM HUMAN SETTLEMENTS SECTOR

Facilitate market participation that prioritises inclusivity, with deliberate consideration of enterprise scale (small, medium, and large), while advancing the active involvement of women and youth in building sustainable, integrated human settlements.

ACHIEVE SUSTAINABILITY

Delicate balancing of the twin challenges of the NHFC as a development finance institution (DFI), namely maximising developmental impact whilst ensuring that it is done in a financially sustainable manner.

Figure 1: Strategic pillars of the NHFC

While the four strategic pillars define what the NHFC seeks to achieve, they are supported by a set of strategic enablers that guide how the organisation delivers on its mandate. These enablers provide the institutional capacity, systems, and culture required to translate intent into sustainable impact.

STRATEGIC ENABLERS

1

DIGITAL TRANSFORMATION

Leveraging modern platforms such as ECM to drive digital integration, enable real-time and data-driven decision-making, and streamline business processes. This transformation enhances efficiency, systems, fosters innovation, and strengthens service delivery to stakeholders.

2

ROBUST RISK MANAGEMENT

Embedding advanced pricing models, stress-testing tools, and prudent lending practices to balance development impact with financial sustainability.

3

PEOPLE AND CULTURE

Building leadership capability, nurturing talent, and fostering a performance-driven, ethical workforce aligned with the NHFC's mandate.

4

GOVERNANCE EXCELLENCE

Maintaining the highest standards of governance and accountability in line with King Codes and PFMA compliance, ensuring transparency and ethical leadership.

5

COLLABORATION

Partnering with all spheres of government, DFIs, private sector players, civil society and other stakeholders expands reach, shares resources, and scales delivery across the housing ecosystem.

3.3 ALIGNMENT WITH NATIONAL DEVELOPMENT PLAN OUTCOMES

As regards the radical revision of the human settlements housing sector and creating liveable neighbourhoods, the National Development Plan (NDP) has as its objectives a strong and efficient spatial planning system well integrated across government spheres; upgrading all informal settlements on suitable, well-located land by 2030 where more people live closer to their employment; opportunities for the latter also increasing in urban townships; and better quality public transport.

NHFC's purpose is to impact significantly on the human settlements sector in the country by, among others, contributing to the goals outlined in Outcome 8 – as encompassed in our impact statement – of the NDP. The NHFC’s work gives expression to Outcome 8 in the following way:

- Enhanced accessibility to (affordable) housing finance for a broader range of individuals as per mandate, including those traditionally underserved by mainstream financial institutions.
- Increased availability of affordable housing units near places of employment and essential services. This aligns with the National Department’s Integrated Human Settlements initiatives which consider spatial transformation as a key imperative.
- Align the NHFC’s efforts with the national objective of ensuring adequate housing for all citizens
- Successful implementation of a flexible hybrid model that leverages partnerships to drive inclusivity and innovation in the housing finance sector.

ALIGNMENT WITH THE MEDIUM-TERM DEVELOPMENT PLAN (MTDP)

The 2024–2029 MTDP outlines three medium-term strategic priorities and below is how the NHFC contributes to the priorities:

NATIONAL PRIORITY	NHFC CONTRIBUTION	DEVELOPMENTAL IMPACT
Strategic Priority 1: Drive Inclusive Growth and Job Creation	Blended finance; support small-scale landlords, emerging developers, and SMEs. Blended finance mechanisms reduce risk and enhance bankability, allowing the NHFC to unlock funding for projects that promote broad-based black economic empowerment and transformational impact.	Housing development is a high employment multiplier and facilitates economic participation. Extending funding to developers, contractors, and intermediaries supports employment in the construction, real estate, property management and financial services sectors.
Strategic Priority 2: Reduce Poverty and High Cost of Living	First Home Finance - the extension of the First Home Finance programme to non-mortgage products broadens access for financially excluded households, directly enabling homeownership. Other offerings: Incremental housing; affordable rental.	Access to affordable and adequate housing reduces household vulnerability and fosters social stability. This intervention contributes to wealth creation and asset building, improves household financial security, and indebtedness, creates equity, and value appreciation. It also bequeaths to future generations security of tenure, reduces homelessness and creates upward mobility through stable environments. It also unlocks economic opportunities. Extending funding to developers, contractors, and intermediaries supports employment in the construction, real estate, property management and financial services sectors.

NATIONAL PRIORITY	NHFC CONTRIBUTION	DEVELOPMENTAL IMPACT
Strategic Priority 3: Build a capable and ethical state	Governance excellence, risk management, digital transformation, and ethical commitments.	Strengthened institutional capacity and trust in the NHFC as a custodian of public funds.

3.4 HOW WE ACHIEVE OUR MANDATE

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

A structured and outcomes-driven strategy is an essential enabler for the NHFC to achieve its mandate. To this end, the company employs a Theory of Change framework to strategy execution. This approach facilitates a comprehensive situational analysis, mapping out key challenges and opportunities while establishing a clear causal link between planned activities, expected outcomes, and the ultimate developmental impact.

By integrating well-defined assumptions, success indicators, and impact statements, this framework ensures that interventions are measurable, adaptive, and aligned with long-term objectives.

The NHFC also achieves its mandate through various strategies and approaches:

1. **The DFI Model:** The NHFC operates primarily as a DFI, providing direct and wholesale funding to the affordable housing market. It adopts a flexible hybrid model by forming strategic partnerships to make markets more inclusive and leverages partner resources, skills, and competencies.
2. **Risk appetite and market gap:** As a DFI, the NHFC's risk appetite threshold is higher than that of traditional banks. It invests or provides finance in areas where banks would typically not participate, addressing market failure, the missing middle and underserved segments of the housing market.
3. **Market expansion:** The NHFC identifies and enters new markets to unlock opportunities. This includes areas such as township residential property markets, student accommodation, backyard rentals by small-scale landlords, and micro living solutions. By entering these markets, the NHFC aims to address liquidity constraints and perceived commercial risks.
4. **Financial closure and equity stakes:** The NHFC plays a role in facilitating financial closure for projects. It provides longer tenures to improve project viability and may also take equity stakes in projects to support their development.
5. **Catalysing private sector involvement:** The NHFC's role is to catalyse, attract, and mobilise private sector participation in the affordable housing sector. It collaborates with like-minded partners and through the NHFC's participation, transactions are de-risked and thereby private sector participation is encouraged and attracted.
6. **Lead arranger:** The NHFC positions itself as the 'bank of first choice in financing for affordable housing'. It takes the lead in arranging and co-ordinating financing for projects, bringing together various stakeholders and funding sources to support the development of sustainable human settlements.
7. **Blended finance solutions:** The NHFC utilises blended finance solutions to bridge gaps and address market barriers in areas with strategic importance and high development impact. By combining public and private funds, the NHFC aims to overcome financing challenges and promote sustainable housing development.

3.5 THE NHFC'S PRODUCT OFFERINGS

Our product offerings are designed to address South Africa's housing affordability gap by providing diverse solutions that cater to different income groups and housing needs. Through these products, we enable financial inclusion, expand housing access, and contribute to integrated human settlements.

01

SOCIAL HOUSING FINANCE

- Subsidised rental housing
- Made available by social housing institutions and other delivery agents approved and accredited with the SHRA
- NHFC provides between 10% to 30% of medium- to long-term project funding to ODAs and SHIs respectively, as secured debt; the balance being provided by the SHRA and provinces through grants and subsidies.

02

PRIVATE RENTAL HOUSING FINANCE

- Medium- to long-term funding to develop or refurbish affordable privately owned rental accommodation, including student accommodation.

03

AFFORDABLE HOUSING - BRIDGING FINANCE

- Short- to medium-term bridging loans are provided by the NHFC to developers who develop this affordable housing stock.

04

SUBSIDY HOUSING – BRIDGING FINANCE

- Bridging and development finance to contractors and developers of BNG and affordable housing, and related community facilities
- Bridging finance to contractors and developers during construction phase
- Short- to medium-term revolving facilities.

05

INCREMENTAL HOUSING FINANCE

- Funding to non-banking retail intermediaries who on-lend to homeowners for incremental building and/or improvements, including additional living space and rooms to rent
- Empowers rural and urban low-income earners to improve living conditions and livelihoods
- Growth encourages access to funding from other institutions, crowding in private sector as NHFC funding partner.

06

FIRST HOME FINANCE

- NDoHS appointed the NHFC as a National Implementing Agent to facilitate implementation of the First Home Finance programme (previously called FLISP) from 1 April 2019
- Qualifying applicants receive a once-off subsidy to enhance affordability of accessing their first home in both the mortgage and the non-mortgage housing markets.

07

STRATEGIC INVESTMENTS

- Collaborating with private investors, developers, housing development agencies, and fund managers to encourage private sector and development funders to finance and create affordable housing stock. This collaboration takes the form of the NHFC taking equity stakes and/or providing quasi-equity instruments to these private sector vehicles.

08

STRATEGIC PARTNERSHIPS AND PROGRAMME MANAGEMENT

- The NHFC formulates strategic partnerships in the human settlements ecosystem designed to broaden the impact of the NHFC and enhance effective delivery of its mandate
- Programme management offers implementation services to provincial and local authorities
- Enhancing development of project and programme management capacity to enhance service delivery in human settlements sector.

CUMULATIVE DEVELOPMENT IMPACT

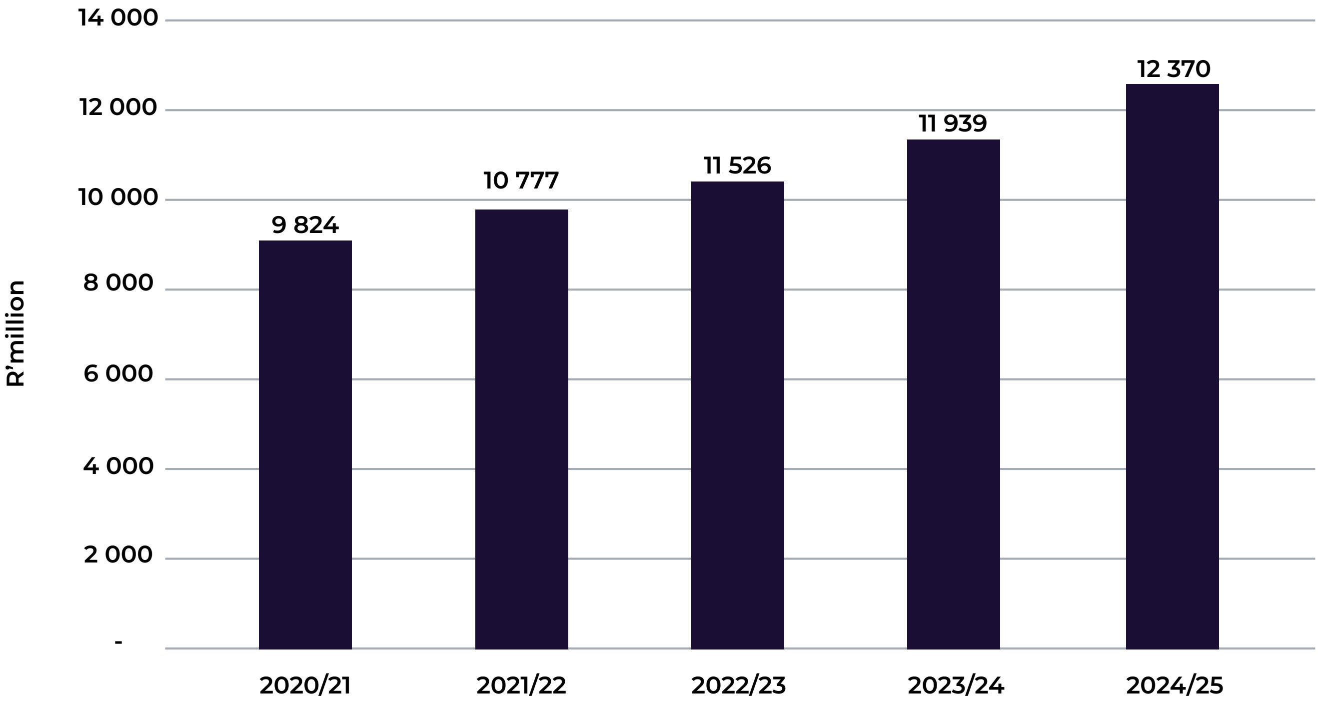


Figure 3: Cumulative funds disbursed directly by the NHFC

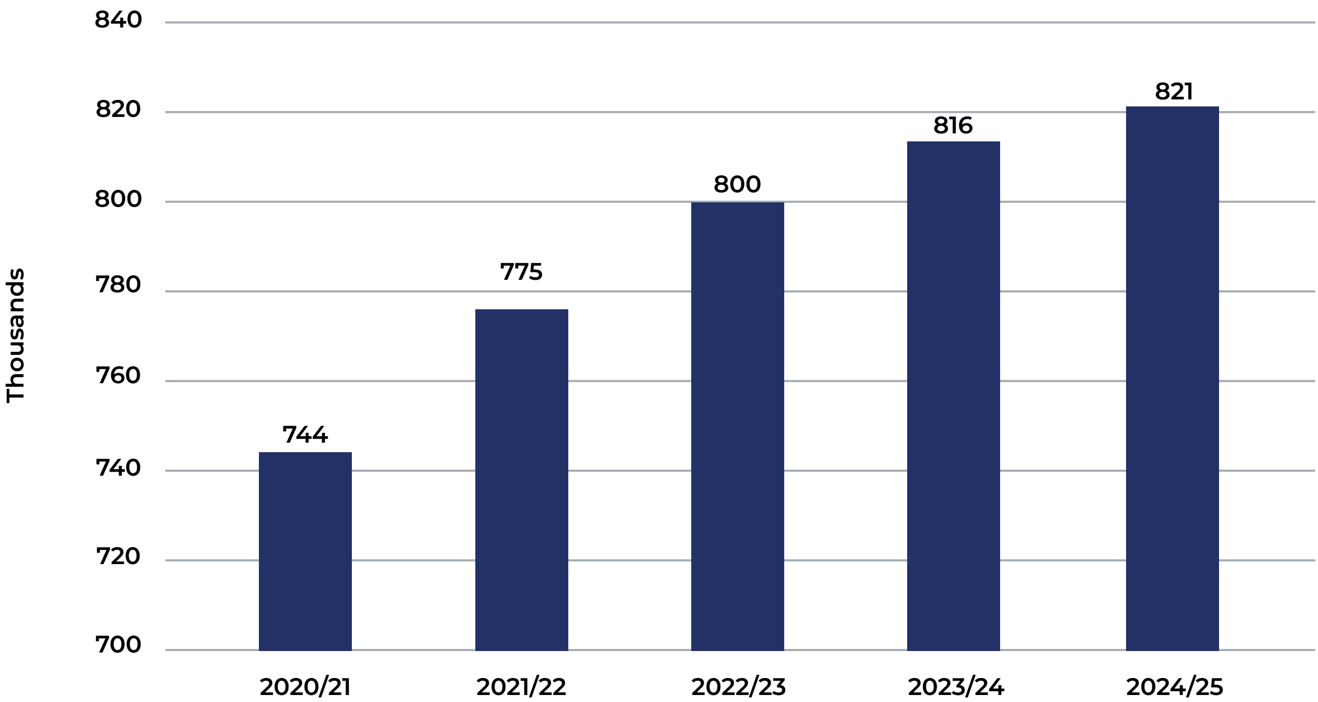


Figure 4: Cumulative housing opportunities facilitated through funding, interventions and partnerships

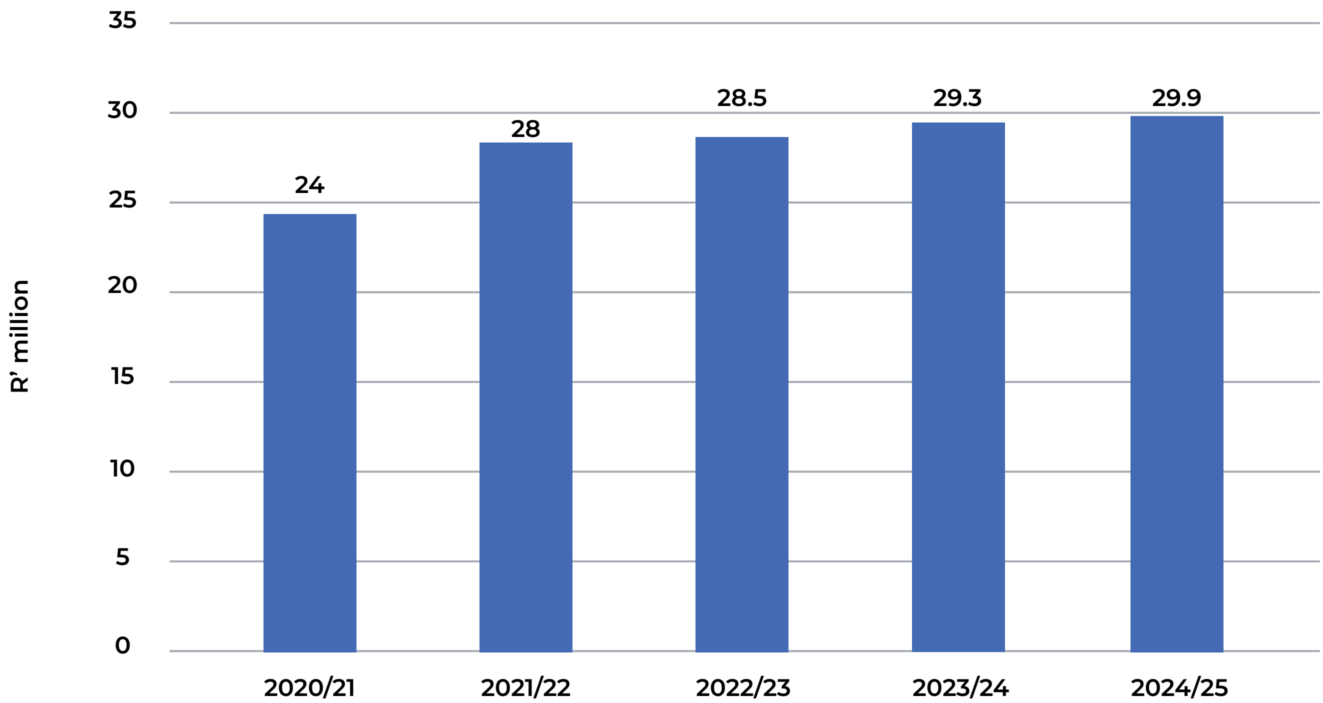


Figure 5: Cumulative private-sector funds leveraged through funding, interventions and partnerships (excl. First Home Finance)

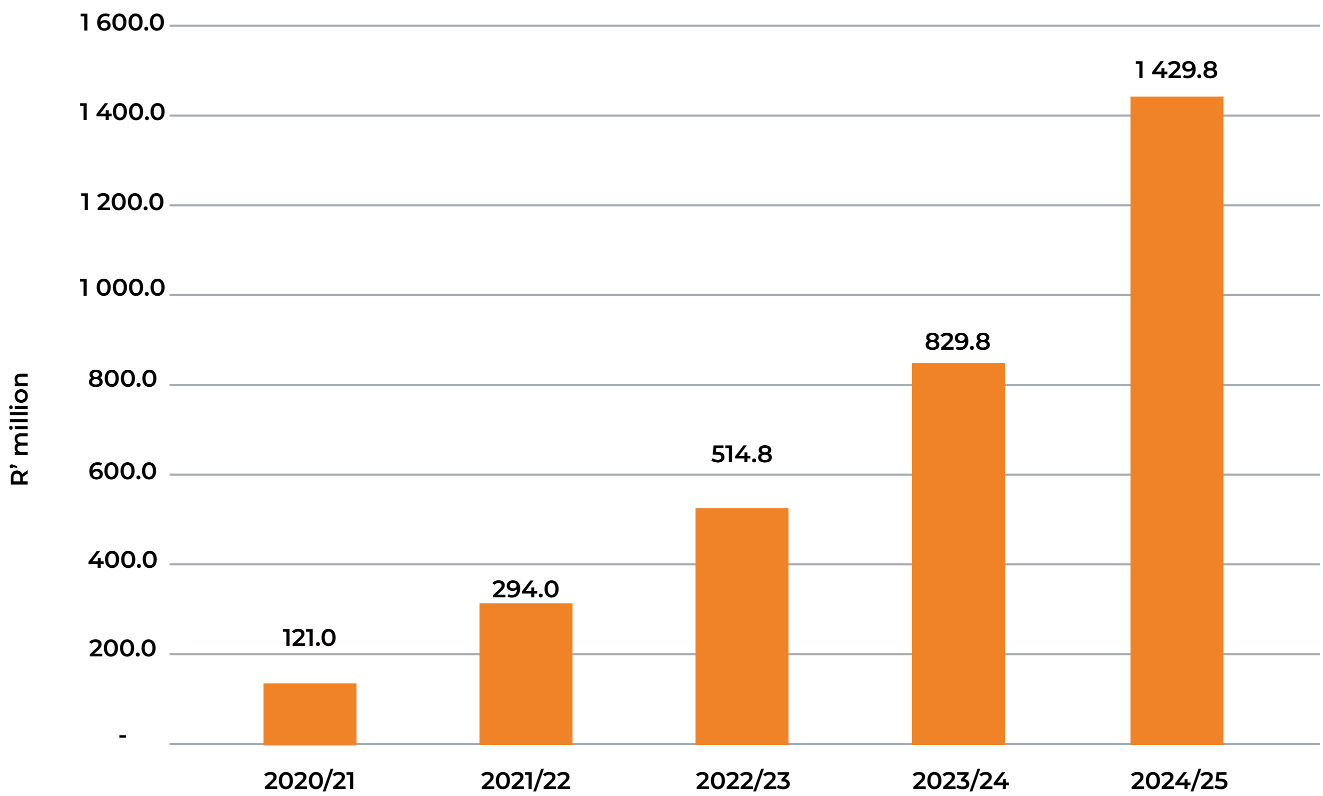


Figure 6: Cumulative value of First Home Finance subsidies disbursed

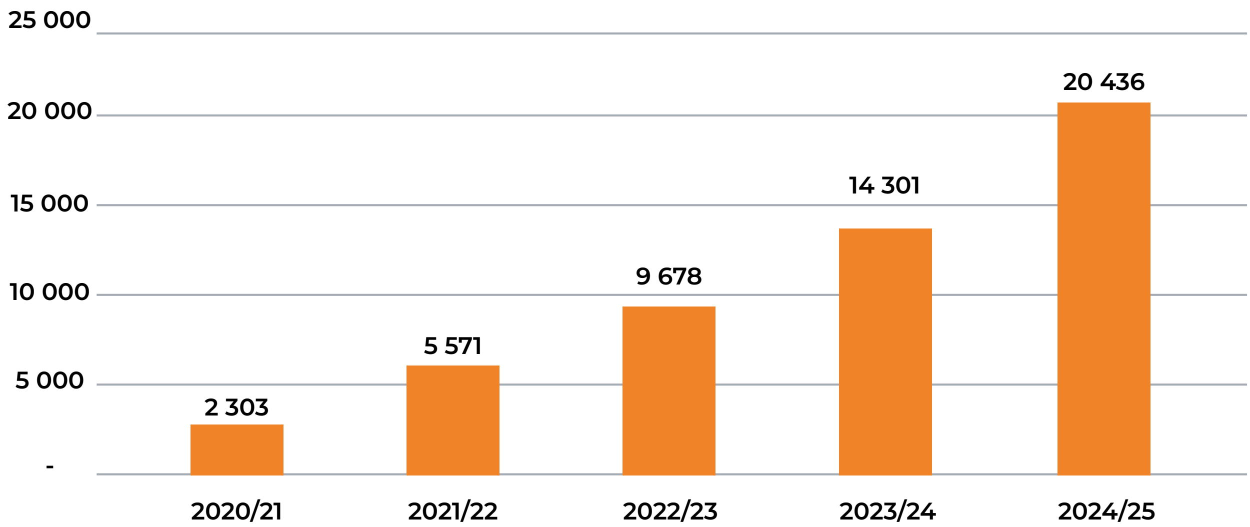


Figure 7: Cumulative number of First Home Finance subsidies disbursed

3.6 YEAR IN REVIEW (2024/25)

In a year marked by economic headwinds, cost-of-living pressures, and structural challenges in the housing sector, the NHFC demonstrated resilience and agility. Key priorities included:

Supporting Emerging Developer – Launched the Emerging Developers Incubator and Post-Investment Support Programme (EDIP) to drive transformation and build sector capacity.

Strengthening Digital Capabilities – Advanced the Enterprise Content Management (ECM) project with NARSSA approval, progressing towards a Go-Live in the new financial year 2025/26; upgraded cyber security systems, with no breaches reported.

Enhancing Risk Management – Developed a new pricing model for greater risk-return alignment and developed a stress testing model to anticipate market shocks, strengthening capital deployment decisions.

Promoting Ethical Leadership – Launched the Ethics Pledge and implemented the Ethix App to embed integrity, accountability, and ethical decision-making across the organisation.

Human Settlements Development Bank (HSDB) Completed the business case review, funding model, and legislative groundwork, with ecosystem engagement planned for 2025 to finalise the internal preparatory work towards its establishment.

Accelerating Access to Housing Finance – During the year, the NHFC facilitated 54 288 pre-approvals through its network of subsidy origination partners under the First Home Finance (FHF) programme. This milestone significantly broadened affordability and created new entry points for households aspiring to own their first homes, thereby strengthening inclusivity in South Africa's housing market.

Forging Partnerships – Partnered with the Gauteng Partnership Fund to support student accommodation finance; advanced the Infrastructure Fund's Social Housing SPV through advisory appointments, policy alignment, and pipeline development.

Preparing for Scale – Refined internal systems and secured new provincial agreements to strengthen the pipeline for 2025/26 delivery.

3.7 OUR BUSINESS MODEL AND VALUE CREATION

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

	INPUTS	OUTPUTS & OUTCOMES
FINANCIAL CAPITAL	**GROUP** • Debt: R964 million • Equity: R5.537 million • Revenue: R718 million • Cash and investments: R1.848 million **COMPANY** • Debt: R110 million • Equity: R5.040 million • Revenue: R501 million • Cash and investments: R1.742 million	• Availability of capital to fund projects • Sustained liquidity and financial flexibility • Mobilisation of public and private capital • Contribution to inclusive growth and economic development
MANUFACTURED CAPITAL	• 3 497 m² of leased office space • 45 new laptops and 60 UPS units • R7.5million invested in ECM • Modern IT infrastructure supporting Green ICT strategy	• 5 504 housing opportunities • Modern and collaborative work environment • Enhanced remote and mobile work capabilities • Reliable IT and data systems
INTELLECTUAL CAPITAL	• Institutional knowledge and policies • Developmental funding instruments • Credit granting and monitoring systems • Strategic partnerships and networks	• Innovative housing finance solutions • Improved credit risk management • Increased operational efficiency and innovation • Enhanced governance and compliance
HUMAN CAPITAL	• 150 employees • Training and professional development: - 77 trained on self-paced/self development (formal institutions NQF qualifications) - 28 learners in experiential programmes • Accredited SAICA training site	• Strengthened organisational capability through training, leadership development, and experiential learning • Inclusive growth and job creation
SOCIAL AND RELATIONSHIP CAPITAL	• Partnerships with government, private sector, regulators, intermediaries • 5 signed MOUs • R2.882million Corporate Social Investment spend • Emerging Developer Incubator and Post-Investment Support Programme	• Strengthened stakeholder trust and engagement • Community initiatives: laptops and books donated to schools, pairs of school shoes, and homes rebuilt for vulnerable families • Empowered emerging developers through mentorship and capacity building • Greater collective impact on affordable housing
NATURAL CAPITAL	• 420 kl water consumed • 220,166 kW electricity used • Waste management practices • Environmental impact monitoring	• Compliance with environmental regulations in projects funded • Adoption of sustainable office practices • Long-term resource efficiency and risk mitigation

Figure 8: The NHFC's value creation process

BUSINESS **MODEL**

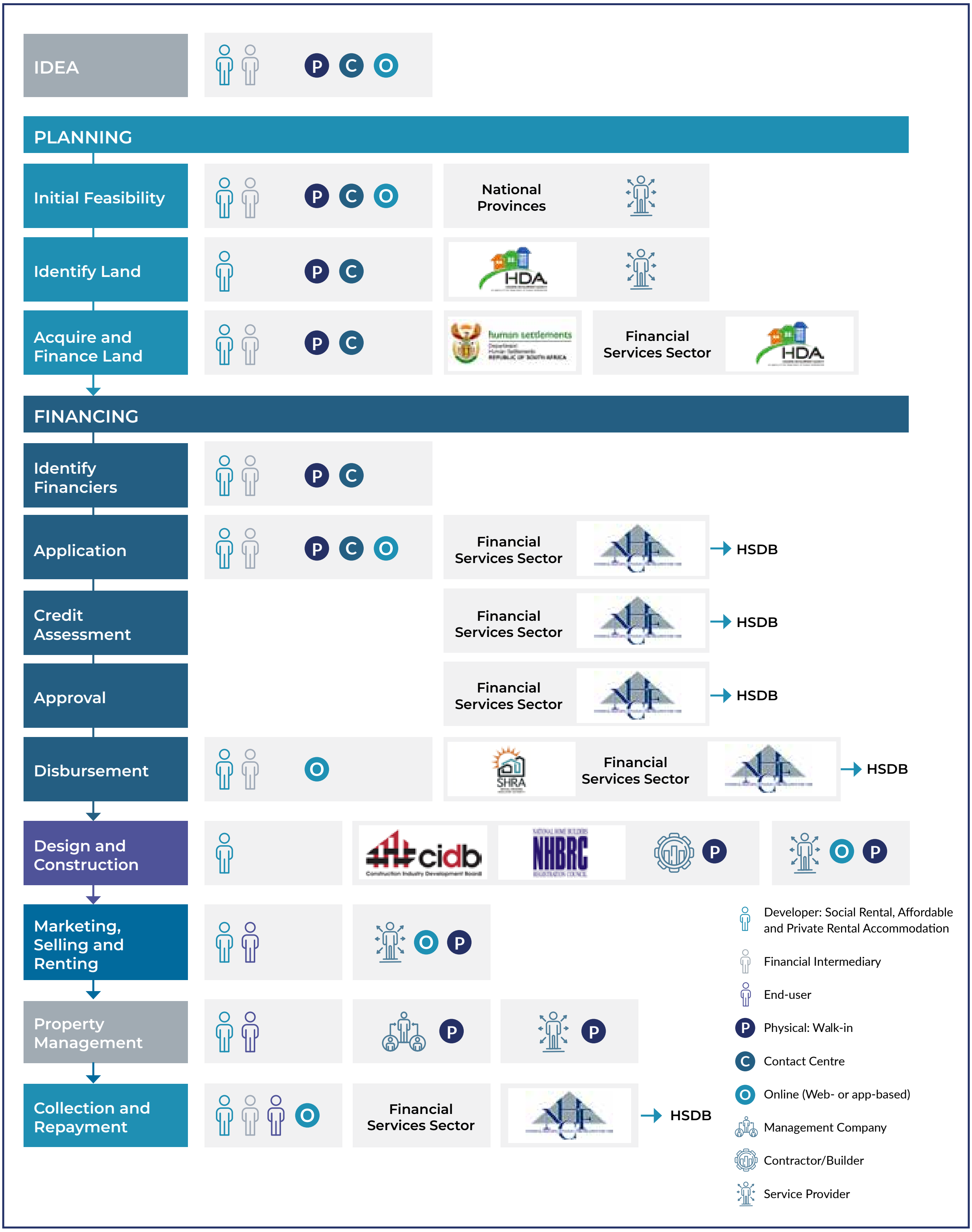


Figure 9: NHFC's current business model

3.8 STAKEHOLDERS

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

INTERNAL STAKEHOLDERS

Internal stakeholders are groups or individuals who work within the organisation. They play a pivotal role in shaping and executing the mandate of the NHFC, contributing at both strategic and operational levels. Their responsibilities span governance and leadership, strategic planning and implementation, which ensures that the organisation remains aligned to its strategic direction, operational objectives, and performance commitments.

EXTERNAL STAKEHOLDERS/STRATEGIC PARTNERS

External stakeholders are individuals, groups, and organisations outside the NHFC that either significantly influence our operations or are materially affected by them. They form a diverse network that includes regulators such as the National Credit Regulator, the Financial Sector Conduct Authority, the Financial Intelligence Centre (FIC), the Social Housing Regulatory Authority, the Property Practitioners Regulatory Authority (PPRA), and funding, advocacy, oversight, and partner/customer entities such as National Treasury, the NDoHS, provincial government, municipalities, short-term financiers, banks, research institutions and other strategic collaborators. Together, they shape the environment in which we operate and are integral to the achievement of our mandate.

CURRENT INTERMEDIARIES – FUTURE CUSTOMERS

Intermediaries are strategic partners who access NHFC funding to meet the needs of our target market. By leveraging their established infrastructure, networks, and operational capabilities, these partners enable the efficient flow of affordable housing finance into the market.

Because end-user needs vary, the NHFC works with a broad spectrum of intermediaries, including non-banking retail intermediaries, social housing institutions (SHIs), private developers, student accomodation providers, contractors and other delivery agents (ODAs). The beneficiaries of these intermediary' services range from rural and urban households to beneficiaries in the social housing and affordable housing markets, the private rental sector, and recipients of Breaking New Ground (BNG) housing. By empowering intermediaries, the NHFC extends its reach, accelerates delivery, and ensures that more South Africans in the gap market have access to quality housing opportunities.

END CONSUMERS

The NHFC focuses on serving the indigent as well as the gap market. As a financier, the NHFC provides suitable financing for wholesale financiers. These, in turn, provide affordable financing solutions to end consumers in need of affordable housing. The NHFC also provides direct affordably priced finance to developers and contracts who in turn deliver various affordable housing typologies to our end user market. End consumers are the ultimate beneficiaries of the NHFC's product offering through which they can either build, buy or rent formal accommodation.

3.9 STRATEGIC OUTLOOK (2025/26 AND BEYOND)

Looking ahead, the NHFC will build on the progress made during 2024/25 by focusing on the following priorities:

1. **Scaling First Home Finance**
   - Improve efficiency of approval and disbursement procedures to speed up delivery.
   - Continue to extend access beyond mortgage-based products to reach financially excluded households.
   - Expand provincial partnerships to increase uptake and improve affordability.
2. **Strengthening Partnerships**
   - Deepen collaboration with DFIs, provincial governments, municipalities, and the Infrastructure Fund to unlock larger housing pipelines.
   - Finalise the Social Housing SPV and broaden investor participation.
3. **Driving Digital Transformation**
   - Roll out the ERP system and Enterprise Content Management (ECM) solution to improve efficiency, transparency, and data-driven decision-making.
4. **Advancing Expanding Housing Supply**
   - Accelerate financing in emerging markets such as township rental, backyard units, and student accommodation.
   - Support small-scale developers through the EDIP by equipping them with the skills and resources to grow sustainable businesses. The programme begins with 10 developers in its first cohort, expanding to 20 in 2026/27 and 30 in 2027/28, thereby progressively strengthening the pipeline of emerging players in the affordable housing sector.
5. **Embedding Risk and Ethics Culture**
   - Operationalise the new risk stress-testing model to strengthen resilience.
   - Promote ethical leadership and governance through digital tools (Ethix App) and culture programmes.
6. **Positioning for Sustainability**
   - Expand blended finance structures to balance developmental and financial objectives.
   - Bring in capacity to develop ESG strategy and resultant policies both for NHFC operations as well as for our lending activities.
   - Explore climate-resilient housing finance instruments.

4. LEGISLATIVE AND **OTHER MANDATES**

4.1 CONSTITUTIONAL MANDATE

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

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

4.2 LEGISLATIVE MANDATES

Table 1: NHFC legislative mandates

REGULATION	PURPOSE
Housing Act (No. 107 of 1997)*	Provides for the facilitation of a sustainable housing development process, including general principles applicable to housing development across government spheres.
Companies Act (No. 71 of 2008) and the Companies Regulations, 2011	Provides the regulatory framework for registration and governance of enterprises regardless of type and size to promote growth, employment, innovation, stability, good governance, confidence, and international competitiveness.
Housing Consumers Protection Measures Act (No. 95 of 1998) as amended by Act No. 27 of 1999	Prepares for the protection of housing consumers, and provides for the establishment and functions of the NHBRC.
Consumer Protection Act (No. 68 of 2008)	Promotes a fair, accessible, and sustainable marketplace for consumer products and services.
Public Finance Management Act (No. 1 of 1999) (PFMA) and Treasury Regulations	Promotes good financial management within the public service to maximise service delivery through the effective and efficient use of limited resources.
Financial Intelligence Centre Act (No. 38 of 2001)	Establishes a Financial Centre and Money Laundering Advisory Council to combat money laundering activities.
National Credit Act (No. 34 of 2005)	Promotes and advances the social and economic welfare of South Africans. To protect consumers, it promotes a fair, transparent, competitive, sustainable, responsible, efficient, effective, and accessible credit market.
Financial Sector Regulation Act (No. 9 of 2017)	Aims to achieve a stable financial system that works in the interests of financial customers and supports balanced and sustainable economic growth. Introduces the Twin-Peaks model of financial sector regulation in South Africa and establishes the Prudential Authority under the South African Reserve Bank (SARB) and the Financial Sector Conduct Authority (replacing the Financial Services Board).

REGULATION	PURPOSE
Housing Development Act (No. 107 of 1997)	Facilitates a sustainable housing development process by formulating general principles applicable to housing development across government spheres.
Rental Housing Act (No. 50 of 1999)	Defines the responsibility of government in respect of rental housing property to create mechanisms to promote the provision of rental housing property.
Home Loan and Mortgage Disclosure Act (No. 63 of 2000)	Promotes fair lending practices by encouraging financial institutions to disclose information, and identifies discriminatory lending patterns.
Preferential Procurement Policy Framework Act (No. 5 of 2000)	Gives effect to Section 217(3) of the Constitution by providing a framework for the implementation of the procurement policy contemplated in Section 217(2) of the Constitution, and provides for matters connected therewith.
Prevention and Combating of Corrupt Activities Act (No. 12 of 2004)	Provides for: a) the strengthening of measures to prevent and combat corruption and corrupt activities; b) the offence of corruption and offences relating to corrupt activities; c) investigative measures in respect of corruption and related corrupt activities.
Prevention of Organised Crime Act (No. 121 of 1998)	Introduces measures to combat organised crime, money laundering and criminal gang activities; prohibits certain activities relating to racketeering; provides for the prohibition of money laundering and an obligation to report certain information in the Criminal Matters Act 1996; repeals the Proceeds of Crime Act, 1996, and incorporates provisions contained therein and matters connected therewith.
Protection of Personal Information Act (POPIA) (No. 4 of 2013)	Aims to ensure that all South African institutions conduct themselves responsibly when collecting, processing, storing, and sharing a person or entity's personal information.
Promotion of Access to Information Amendment Act (PAIA) (No. 54 of 2002)	Amends PAIA, 2000, by revising a definition and providing for the training of presiding officers in the magistrates' courts for purposes of the Act, and providing for matters connected therewith.

*It is envisaged that the Housing Act of 1997 will be repealed and replaced with the Human Settlements Act that will result from the White Paper: Housing Act for Human Settlements, approved by Cabinet in 2024. The White Paper introduces several initiatives including the revision of legislation and the housing code. It also highlights the need to improve the roles and responsibilities of all government spheres in the human settlements value chain, establishing a whole-society approach to strengthen partnerships and effect a focused methodology on building resources. The NHFC contributed significantly to the draft White Paper before its approval by Cabinet.

4.3 POLICY MANDATES

Table 2: NHFC policy mandates

POLICY DOCUMENT	PURPOSE
White Paper: A New Housing Policy and Strategy for South Africa, 1994	A broader policy document on South Africa's challenges around housing and the substantive responses and strategy to the challenge (including the establishment of the NHFC).
Government Notice, No.1378 of 17 October 1997	Providing for the designation of an institution of which the activities do not fall within the meaning of 'the business of a bank' (namely the National Housing Finance Corporation SOC Limited).
The National Housing Code, 2000 amended in 2009	Sets the underlying policy principles, guidelines, norms, and standards that apply to government's various housing assistance programmes introduced since 1994.
Breaking New Ground (BNG), 2004	A comprehensive plan for new sustainable human settlements, shifting focus from social to financial/ wealth creation and from quantitative to qualitative standards.
First Home Finance Programme Policy, February 2022	Provides for expansion of housing finance products with which the First Home Finance Programme can be implemented. The programme is now implemented with non-mortgage products in addition to mortgages, and this has enabled implementation of the programme in rural areas on the back of Permission-to-Occupy issued by Traditional Authorities.
White Paper: Housing Act for Human Settlements, December 2024	The significance of the revised White Paper is that it introduces a wide variety of initiatives such as the revision of the legislation, the revision of the housing code, improving the roles and responsibilities of all spheres of government in the human settlements value chain, concretising an all-of-society approach in strengthening partnerships, and focused approach on building resources. Overall, the white paper seeks to create an enabling environment for development of integrated and sustainable human settlements.

5. ORGANISATIONAL **STRUCTURE**

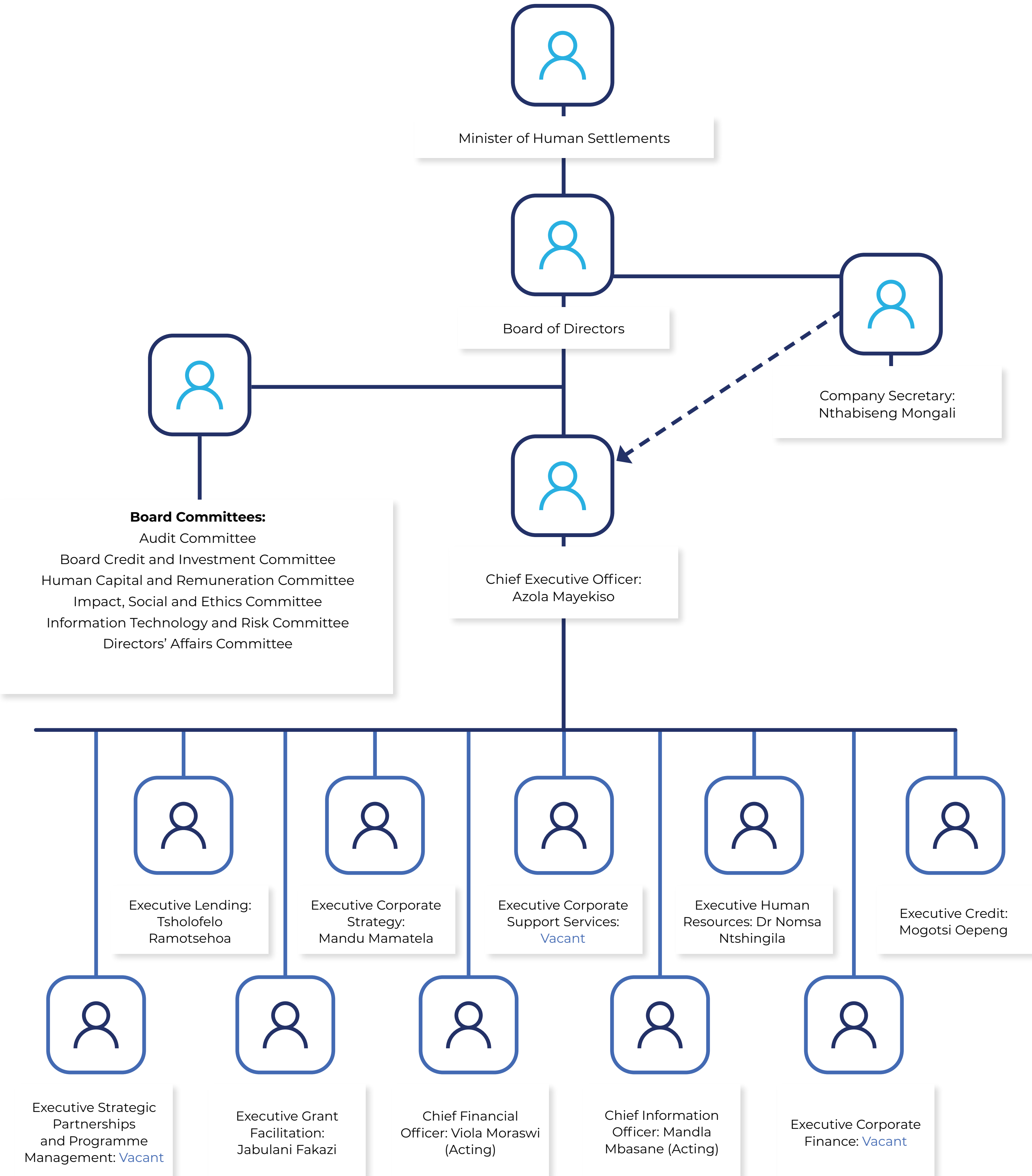


Figure 10: Organisational Structure

5.1 MEMBERS OF THE BOARD

MR DESMOND KHALID GOLDING
Chairperson
(Appointed: 1 August 2025)

QUALIFICATIONS: PhD Candidate (Corporate Governance in SA Public Entities); LLM (Banking and Finance) University of London; MA (International Relations) University of Witwatersrand; B.Proc; Finance for Senior Executives Harvard Business School; Advanced Management and Leadership Programme Oxford University; and Project and Infrastructure Finance London Business School.

OTHER DIRECTORSHIPS: Managing Director of Khabran Investments; Gautrain Management Agency

PROFESSIONAL MEMBERSHIPS: Chartered Banking Professional (SA) Institute of Bankers South Africa; Institute of Directors in Southern Africa (IoDSA), Institute of Risk Management South Africa (IRMSA)

AREAS OF EXPERTISE: Corporate governance; economics; investment banking; public finance; transaction advisory; financial modelling; investments; risk management; financial law; project and infrastructure finance; deal structuring; business strategy; capital raising; and economic research

MS NOLUTHANDO KHULUKAZI MASHOLOGU
Deputy Chairperson
(Appointed: 1 August 2025)

QUALIFICATIONS: MBA University of Stellenbosch; BCom Honours (Trade and Development) University of Johannesburg; BCom (Economics) University of Cape Town

PROFESSIONAL MEMBERSHIPS: Institute of Directors South Africa (IoDSA)

AREAS OF EXPERTISE: Public finance analysis; economic analysis; strategic management; business development; stakeholder management

MS ALISON HICKEY TSHANGANA
Independent Non-Executive Director
(Appointed: 1 August 2025)

QUALIFICATIONS: Master of Public Policy, Harvard University; BA Political Science and Religious Studies Brown University, USA

OTHER DIRECTORSHIPS: Centre for Economic Governance and Accountability in Africa; Southern African Home and Residential Alliance (SAHARA)

AREAS OF EXPERTISE: Human settlements policy research with analysis and development; research, analysis and planning for urban issues and local government; inter-governmental relations and local government advocacy and lobbying; housing finance research and data analysis

MS TSHEPISO FLORAH KOBILE, CDir
Independent Non-Executive Director
(Reappointed: 1 August 2025)

QUALIFICATIONS: BSc Honours (Property Studies) University of Cape Town; BSc Property Studies

PROFESSIONAL MEMBERSHIPS: Institute of Directors South Africa (IoDSA)

AREAS OF EXPERTISE: Deal structuring; project preparation or capital mobilisation; bulk infrastructure funding; development finance; property and project finance; corporate governance.

MS SPHUMELELE BALUNGILE DLUNGWANE
Independent Non-Executive Director
(Appointed: 1 August 2025)

QUALIFICATIONS: MPhil (Development Finance) University of Stellenbosch; Chartered Accountant (SA); Postgraduate Diploma in Accounting University of South Africa; BCom (Financial Accounting) University of Cape Town

OTHER DIRECTORSHIPS: Ithala Development Finance Corporation Limited; KZN Tourism and Film Authority; KZN Trade and Investments

PROFESSIONAL MEMBERSHIPS: South African Institute of Chartered Accountants (SAICA); Institute of Directors South Africa (IoDSA)

AREAS OF EXPERTISE: Corporate governance and ethics; audit; accounting; risk management

MR SIYABONGA THULANI MABASO
Independent Non-Executive Director
(Reappointed: 1 August 2025)

QUALIFICATIONS: PhD Candidate (Business Administration) Regenesys Business School; Master of Business Leadership University of South Africa; B-Tech (Architectural Technology) Tshwane University of Technology

OTHER DIRECTORSHIPS: South African Council for the Architectural Profession; Pretoria Institute of Architects

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

AREAS OF EXPERTISE: Strategy development; policy development and monitoring; human resources; infrastructure maintenance; Leadership; Strategy development; Policy development and monitoring; Transformation and change management; Infrastructure Development and maintainance; Engineering Project & Program Management

MR VELILE DUBE
Independent Non-Executive Director
(Reappointed: 1 August 2025)

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

OTHER DIRECTORSHIPS: Grey Logistics (Pty) Ltd; Norster Logistics (Pty) Ltd and Transnet National Ports Authority

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

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

MS RAMATSIMELE JACQUELINE MAISELA
Independent Non-Executive Director
(Appointed: 1 August 2025)

QUALIFICATIONS: MPhil (Land and Agrarian Studies) University of Western Cape; BTech (Agricultural Management) Pretoria Technikon

OTHER DIRECTORSHIPS: Managing Director – Rexma Agri Solutions; FruitSA

PROFESSIONAL MEMBERSHIPS: Institute of Directors South Africa (IoDSA)

AREAS OF EXPERTISE: Agriculture and rural development; strategy; leadership; corporate governance; public sector governance; policy development and impmentation; compliance and risk management

MR SATISH ROOPA CD (SA)
Independent Non-Executive Director
(Appointed: 1 August 2025)

QUALIFICATIONS: M.Phil University of Stellenbosch; LLB University of South Africa; B.Iuris University of South Africa

OTHER DIRECTORSHIPS: Chairperson - Petroleum Agency of South Africa; External member – Northern Cape Provincial Audit Committee; Council Member - Sol Plaatje University; Afriforte (Pty) Ltd; Roopa Ruysenaar and Associates (Pty) Ltd; Roopa Potgieter Inc. Attorneys

PROFESSIONAL MEMBERSHIPS: Legal Practice Council of North West Province; Ethics Institute of South Africa; Institute of Directors in South Africa (IoDSA)

AREAS OF EXPERTISE: Law, legislation and policy development, corporate governance and regulatory compliance, transformation leadership, conflict resolution, negotiations, industrial relations

MS AEYSHA SEEDAT
Independent Non-Executive Director
(Reappointed: 1 August 2025)

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

OTHER DIRECTORSHIPS: Executive Director, AZRA Developments, South Africa

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

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

MS HLENGIWE NOMZAMO BABHEKILE KHUMALO
Independent Non-Executive Director
(Appointed: 1 August 2025)

QUALIFICATIONS: MBL University of South Africa SBL, PGDBM University of KwaZulu-Natal GSB, Bcom University of South Africa, ND Internal Auditing Durban Institute of Technology

OTHER DIRECTORSHIPS: Managing Director - Mawande Consulting, Founder - Hlengiwe Khumalo Foundation

PROFESSIONAL MEMBERSHIPS: Institute of Directors South Africa (IoDSA)

AREAS OF EXPERTISE: Financial managemant and analysis; accounting and reporting; auditing; risk management; supply chain management; stakeholder management; contract management; corporate governance; strategic management; human capital; labour relations; performance management; organisational design

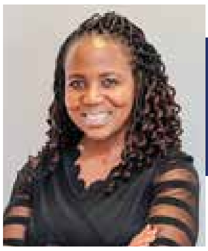
ADV. MTHOKOZISI DALUXOLO XULU
Independent Non-Executive Director
(Appointed: 1 August 2025)

QUALIFICATIONS: LLB University of South Africa; LLM (Commercial Law and Corporate Governance) University of South Africa; Certified Director (IoDSA)

OTHER DIRECTORSHIPS: Takeover Regulation Panel; South African Chamber of Commerce and Industry; Bombela Concession Company; BRICS Business Council Trade and Investment Working Group; South African Statistics Council. Mineworkers Investment Company

PROFESSIONAL MEMBERSHIPS: South African Chamber of Commerce and Industry; Institute of Directors South Africa (IoDSA); BRICS Business Council; Legal Practice Council

AREAS OF EXPERTISE: Commercial law; economic leadership, research and advisory; leadership, research and advisory; corporate governance, executive oversight



MS AZOLA MAYEKISO
Chief Executive Officer
Executive Director (Appointed: 1 March 2023)

QUALIFICATIONS: Bachelor of Business Science (University of Cape Town); MDP (Gordon Institute of Business Science); MBA (Hanze University of Applied Sciences, The Netherlands); MA (Anglia Ruskin University, UK), IWF Fellow (Harvard & Insead), ALI SA Fellow, AGLN Fellow

OTHER DIRECTORSHIPS: Betapoint; Creation Capital Investments; Lulalab Foundation; Prosperity Capital; Duchess (Pty) Ltd; African Palace, The August Club Growth Investments, Loud in Africa

PROFESSIONAL MEMBERSHIPS: Young Presidents Organisation, Johannesburg Chapter

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

MS NTHABISENG MONGALI
Company Secretary

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

PROFESSIONAL MEMBERSHIPS: CGISA (FCG), Institute of Directors South Africa (IoDSA)

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

5.2 THE EXECUTIVE

AZOLA MAYEKISO
Chief Executive Officer

(REFER TO 5.1 MEMBERS OF THE BOARD FOR ADDITIONAL INFORMATION)

VIOLA MORASWI
Acting Chief Financial Officer

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

PROFESSIONAL MEMBERSHIPS: CA(SA) South African Institute of Chartered Accountants

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

JABULANI FAKAZI
Executive: Grant Facilitation

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

PROFESSIONAL MEMBERSHIPS: Institute of Directors South Africa

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

TSHOLOFELO RAMOTSEHOA
Executive: Lending

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

PROFESSIONAL MEMBERSHIPS: SA Council for the Quantity Surveying Profession

AREAS OF EXPERTISE: Quantity surveying, property and infrastructure finance inclusive of coverage and origination, property development, project management

MOGOTSI OEPENG
Executive: Credit

QUALIFICATIONS: MBA (Gordon Institute of Business Science); MSc Global Finance (Bayes Business School, UK); Advanced Corporate Finance Programme (Wharton School, University of Pennsylvania); BCompt CTA (Hons) (Unisa); BCom Accounting (RAU)

PROFESSIONAL MEMBERSHIPS: CA(SA) SAICA; ACMA; CGMA (CIMA-UK)

AREAS OF EXPERTISE: Credit and investment risk management; corporate finance, deal structuring; financial and investment strategy; restructuring, turnaround management; capital raising, investor relations; business valuations, value optimisation.

MANDU MAMATELA
Executive: Corporate Strategy

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

PROFESSIONAL MEMBERSHIPS: Institute of Directors South Africa (IoDSA)

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

DR NOMSA NTSHINGILA
Executive: Human Resources

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

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

AREAS OF EXPERTISE: Human capital management

MANDLA MBASANE
Acting Chief Information Officer

QUALIFICATIONS: MBA (Wits Business School); Msc Computer Science (University of South Africa); Bsc Computer Science (University of Zululand); Bsc Computer Science (Hons) (University of Zululand)

PROFESSIONAL MEMBERSHIPS: The Institute of IT Professionals South Africa (IITPSA), Black Management Forum (BFM)

AREAS OF EXPERTISE: Information and communication technology (ICT)

PART B
PERFORMANCE INFORMATION

1. HOW THE MACRO **ENVIRONMENT AFFECTS US**

1.1 SERVICE DELIVERY ENVIRONMENT

South Africa's human settlements sector remained under pressure due to persistent socio-economic challenges. Despite progress made in expanding access to formal housing, the demand for adequate housing continues to outpace supply.

The Department of Human Settlements (DHS) continues to focus on upgrading informal settlements and delivering housing opportunities, with national and provincial programmes prioritising integrated, serviced developments. Statistics South Africa data shows a steady increase in households residing in formal dwellings, i.e. 83.5% as of 2023; demonstrating long-term progress although deep inequalities persist.

Between Q2 2024 and Q2 2025, service delivery efforts were increasingly challenged by the high interest rate environment and limited fiscal space. These macroeconomic pressures exacerbated the affordability crisis, particularly for low and middle-income households.

Spatial inequality also remains a significant issue. The growth of unregulated settlements, coupled with environmental and infrastructure risks such as flooding and service backlogs, continues to place strain on municipalities. These patterns have led to increased urban conflict, service delivery protests and a greater need for disaster-responsive housing strategies.

1.2 POLITICAL AND SOCIAL ENVIRONMENT

In 2024, South Africa experienced a defining political and social shift with the outcome of the national elections and the establishment of a Government of National Unity (GNU). This transition ushered in a renewed emphasis on cross-party collaboration to confront pressing socio-economic challenges such as unemployment, inequality, energy security, and service delivery. While the GNU created a sense of cautious optimism, it also required difficult compromises and policy alignment to restore investor confidence and strengthen governance.

On the social front, households continued to grapple with rising living costs, high interest rates, and housing backlogs. These pressures were compounded by high youth unemployment and widening inequality, which contributed to pockets of social instability. In many communities, particularly on the periphery of cities, the lack of basic services and limited access to amenities remained major obstacles to achieving sustainable human settlements development, directly shaping the environment in which the NHFC operates.

Overall, 2024 was a year of both uncertainty and opportunity. The political recalibration sought to lay the foundation for greater stability, inclusivity, and long-term development, providing a critical backdrop for the NHFC's mission to expand access to affordable housing and transform human settlements.

1.3 MACRO-ECONOMIC ENVIRONMENT

Headline inflation was volatile but trended downwards over the reporting period, easing from 5.3% in March 2024 to 2.8% by year-end. This moderation was largely driven by the South African Reserve Bank's (SARB) tight monetary stance, coupled with declining fuel and food prices.

While headline inflation eased, core inflation remained persistently high, exerting pressure on household budgets and constraining consumer spending. For the NHFC, moderating inflation has reduced funding cost pressures and created a more supportive lending environment. Developers also benefitted from stabilising input costs; however, elevated interest rates continued to restrict access to finance and dampen project pipelines.

Encouragingly, the decline in overall inflation has begun to improve affordability conditions, bolstered by progressive rate cuts implemented since 2024. Housing input costs showed signs of moderation, although contractors and developers still faced margin compression and subdued tender activity, pointing to softer or even negative building cost inflation by Q1 2025.

Looking ahead, if the downward trend in inflation is sustained and interest rates continue to ease as projected by major banks, the NHFC and the broader lending market should anticipate increased demand for housing finance in the 2026–2027 period.

INTEREST RATES

The SARB maintained its repo rate at 8.25% for half of the financial year due to inflation risks and a cautious economic outlook, with progressive rate cuts of 25 basis points from September to 7.5% in January and prime interest rate at 11%. Despite the three rate cuts over the year, the high borrowing costs continued to limit credit uptake and mortgage affordability, particularly among lower-income households targeted by NHFC interventions. This environment challenges the NHFC's ability to scale affordable housing finance, slows developer momentum and limits homeownership among target beneficiaries.

GROSS DOMESTIC PRODUCT (GDP)

South Africa's Gross Domestic Product (GDP) was approximately $400.261 million (R7.2 trillion) by the end of the fourth quarter of 2024, reflecting a 0.6% growth compared to the previous year. This growth rate is noted as the slowest since 2020, with the finance industry being a significant contributor to this increase. In Q1 2025 GDP growth was 0.1% signaling a sluggish economic environment marked by limited job creation, constrained household incomes and high public debt. For the NHFC, this reduces both the demand for affordable housing finance as end users continue to experience stagnating affordability, while the fiscal space available for the NHFC to expand public housing subsidies or capital support declines. Additionally, persistent structural challenges continue to hamper private investment and delivery capacity that infrastructure investment could unlock. End users are likely to experience stagnating affordability, while NHFC and its partners will need to rely more heavily on blended finance, private capital, and efficiency-driven delivery models to sustain affordable housing momentum.

OIL

Oil prices remained elevated, averaging $80 per barrel in 2024, marking a $2 decrease from 2023's average. In South Africa, petrol prices experienced significant fluctuations, driven by changes in global oil markets, currency exchange rates, and local economic conditions. Early 2024 saw steady price increases, with petrol rising by up to 82 cents per litre in February, followed by moderate declines in March and June before reaching a peak of R25.49 per litre for 95 octane in May. The latter half of 2024 saw a general downward trend, with petrol prices falling to R20.73 per litre in October, though slight increases occurred in November and December. In early 2025, price volatility persisted, with notable hikes in February but subsequent decreases in March and April, reflecting ongoing adjustments to global energy dynamics and domestic inflationary pressures. As an oil-importing country, South Africa experienced second-round inflationary effects, particularly in construction materials and energy-intensive housing projects straining both NHFC's financing capacity and the affordability for low-income beneficiaries. Load shedding subsided moderately in 2025, aiding construction timelines but not fully resolving infrastructure backlogs.

UNEMPLOYMENT

Unemployment remained persistently high, with the official rate averaging 32.6% year-on-year and edging up to 32.9% in Q1 2025. Structural challenges such as high youth unemployment and heavy reliance on the informal sector continued to undermine housing affordability and household financial resilience. A large portion of low-income households remain excluded from the formal housing finance market due to irregular income streams, weak credit profiles, and limited savings capacity.

The National Credit Regulator reported rising consumer indebtedness, with many households increasingly reliant on unsecured credit to meet day-to-day expenses. While bond originations showed signs of recovery, this was offset by persistent financial strain among consumers, evident in elevated delinquency rates on non-bank personal loans and increased credit card utilisation.

For the NHFC, these dynamics underscore the complexity of extending sustainable housing finance in a high-unemployment environment. They highlight the need for innovative product design, blended finance solutions, risk-sharing mechanisms, and strengthened partnerships to bridge the affordability gap. For low- to middle-income households, persistently high unemployment means continued barriers to accessing decent housing through conventional finance channels, reinforcing NHFC's role as a catalyst for inclusive and affordable housing delivery.

1.4 TECHNOLOGICAL ADVANCEMENTS

The approved White Paper on Human Settlements (December 2024) emphasises digital connectivity as a vital form of urban infrastructure, recognising its role in enhancing the efficiency of urban services and contributing to sustainable urbanisation. It promotes the use of technologies such as sensors, automation, data analytics, and mapping to manage infrastructure, monitor urban density, and improve access to mixed land-use areas. The policy also calls for integrating artificial intelligence (AI) and green technologies into spatial planning and risk mitigation for natural disasters, reflecting a forward-looking approach to smart city development.

Digital transformation between 2024 and mid-2025 reshaped operations internally and externally, enabling expansion into underserved areas through the use of digital platforms (e.g. First Home Finance Portal). This enhanced access to affordable housing finance for low-income households, while AI interventions through Microsoft Co-pilot improved internal efficiency. Nevertheless, growing cyber security risks have highlighted the need for increased investment in ICT infrastructure, data protection, and skilled personnel. Other activities included the review of the procurement approach for the Enterprise Resource Planning (ERP), the implementation of ECM system, system stabilisation of the network, refreshing of the First Home Finance website and development of WhatsApp for businesses platform.

1.5 ENVIRONMENTAL FACTORS

Environmental risks especially climate-related disasters such as floods and fires have grown in frequency and severity, underscoring the need for climate-resilient human settlements. Between April 2024 and June 2025, the country experienced extreme weather events in several provinces, prompting emergency housing responses.

Sustainable development goals and green housing design have become increasingly central to housing policy. NHFC is aligning with the Department of Human Settlements' sustainability agenda, including energy efficiency in social housing and support for eco-friendly construction materials.

1.6 LEGAL ENVIRONMENT

The legislative environment in 2024 was shaped by the evolving priorities of the GNU, which placed emphasis on reforms to strengthen governance, stimulate economic growth, and address persistent service delivery challenges. Parliament directed attention to legislation that promotes fiscal sustainability, accountability in state-owned entities, and inclusive economic participation.

Key policy debates and legislative processes focused on energy transition frameworks, infrastructure investment, housing delivery mechanisms, and land release strategies for human settlements. While notable progress was made in aligning legislation with national development priorities, implementation continued at an uneven pace, highlighting the need for greater policy coherence, institutional capacity, and intergovernmental collaboration to convert legislative intent into tangible outcomes for citizens.

The review of the Human Settlements White Paper approved by Cabinet in 2024, gained momentum, with reforms aimed at enhancing municipal financial sustainability, governance, and spatial equity. These changes are expected to strengthen the housing delivery environment by enabling more reliable funding flows, stronger implementing capacity among municipalities and partners, and reduced investment risk.

For the NHFC, these developments signal opportunities to leverage a more stable and enabling legal framework to accelerate affordable housing delivery, deepen partnerships, and expand the reach of inclusive housing finance solutions.

BUREAU FOR ECONOMIC RESEARCH CONSTRUCTION CONFIDENCE SURVEY

The FNB/BER Building Confidence Index showed a gradual recovery in the construction sector sentiment between Q2 2024 and Q1 2025. Confidence improved from 35 points in Q2 2024 to 40 points in Q3 2024, supported by stronger building activity and improved sales. Momentum then stabilised, with the index holding steady through Q4 2024 before edging up to 41 points in Q1 2025.

Sector sentiment remained uneven across the value chain: main contractors reported stronger confidence gains, while subcontractors, architects, and hardware retailers remained cautious due to margin pressures, subdued demand, and high input costs.

Overall, the data indicates a sector that is regaining stability but remains vulnerable to macroeconomic headwinds, including tighter credit conditions and structural constraints. For the NHFC, this stabilisation signals cautious opportunities to support new housing projects, though ongoing delays in project pipelines, design approvals, and supply logistics continue to pose risks.

1.7 ORGANISATIONAL ENVIRONMENT

HUMAN CAPITAL

The NHFC has continued to prioritise human capital development driven by the Human Capital division (HC Division) which ensures that NHFC employees are competent, engaged, and supported to deliver on the demands of their roles and to ensure the NHFC achieves its mandate objective.

The Human Capital Division plays a strategic role in aligning people practices with the organisation's broader development and transformation goals, including the transition towards the Human Settlements Development Bank (HSDB).

The process includes capacity building to equip our employees, creating opportunities for skills development and institutional renewal. Despite fiscal constraints, the organisation has sustained its investment in graduate programmes, learnerships, and ensuring business continuity through succession planning, and skills transfer to support long-term sustainability and talent retention. To enhance employee morale and engagement, the NHFC has implemented various interventions to boost staff morale and to improve the corporate culture and ethical leadership. With staff well-being at the core, the NHFC is on its way to improve employee productivity.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

During the financial year, the NHFC advanced its digital transformation by strengthening its ICT environment to improve efficiency, automate processes, and enhance cybersecurity and IT governance. Key initiatives included revising the ERP procurement strategy to adopt a cloud-based

solution which will be delivered in an agile fashion into the organisation, progressing the ECM project with NARSSA- approved file plans, and implementing advanced cybersecurity controls and awareness campaigns. Additional upgrades included network stabilisation, website enhancements, deployment of an AI virtual assistant and the development of a WhatsApp for Business platform. These efforts have positioned the NHFC for improved service delivery and future digital innovation.

INDUSTRIAL ACTION AND TECHNOLOGY FAILURES

The NHFC operated without any industrial action or technology disruptions. As a result, applications processing and disbursements proceeded smoothly, with no major complaints from beneficiaries concerning subsidy payments.

1.8 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The Human Settlements Development Bank (HSDB) remains a key long-term objective to expand development finance capacity in the housing sector. A phased approach will be followed: first, amending our MOI and securing SARB approval to use the name as well as obtaining a schedule status change to Schedule 3B, and second, completing legislative and Parliamentary processes towards full establishment and possible future Schedule status change. This ensures regulatory alignment while positioning the Bank for sustainable growth.

The approved *White Paper: Housing Act for Human Settlements* (the White Paper) aims to create an enabling environment for the development of integrated and sustainable human settlements. The NHFC aligns its outcomes and outputs to the White Paper's policy direction, ensuring that our mandate directly supports national housing and spatial transformation goals.

As part of the enabling frameworks, the NHFC launched the EDIP in March 2025. The EDIP provides financial and non- financial support to black-owned, women-led, youth-driven, and disability-inclusive developers, aiming to build capacity and ensure sustainable project delivery across the housing value chain.

1.9 PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

The table below presents the MTDP targets, as March 2025 marks the completion of the first year of the current MTDP cycle, it reflects the progress achieved to date. It also illustrates the remaining delivery required over the next four years to reach the overall developmental impact targets, particularly in relation to housing opportunities. Notably, 16% of the five-year plan has already been achieved in year one.

THE NHFC'S CONTRIBUTION TOWARDS THE 2024-2029 MTDP TARGETS

Table 3: Progress on the achievement of outcomes

		2024/25 FY
HOUSING OPPORTUNITIES	**NHFC 5-YEAR MTDP TARGETS**	**ACTUAL YEAR 1 MAR 2025**
Affordable Housing Rental Units		
Social Housing Units (No.)	**1 200**	-
Social Housing Finance Units (Leveraged)	**2 752**	New target
Private Rental Units (No.)	**20 448**	59
Private Rental Finance Units (Leveraged)	**8 605**	2 339
Student Housing Opportunities	**1 844**	-
Total - Affordable Housing Rental Units	**34 849**	2 398
Affordable Housing Units		
First Home Finance Units	**13 502**	6 135
Affordable Housing Bridging Finance Units (No.)	**2 255**	933
Affordable Housing Bridging Finance Serviced Sites	**676**	210
Incremental Housing Loans (No.)	**11 774**	1 963
Total - Affordable Housing Units	**28 207**	**9 241**
Fully-Subsidised Housing Units		
Contractor Finance Units (No.)	**6 339**	-
Total - Fully-Subsidised Housing Units	**6 339**	-
Total Housing Units and Opportunities	**69 395**	**11 639**

2. PROGRAMME **PERFORMANCE OVERVIEW**

2.1 NHFC PROGRAMMES AND CONTEXT TO THE SIX CAPITALS

The NHFC reports its performance by programme. In particular:

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

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

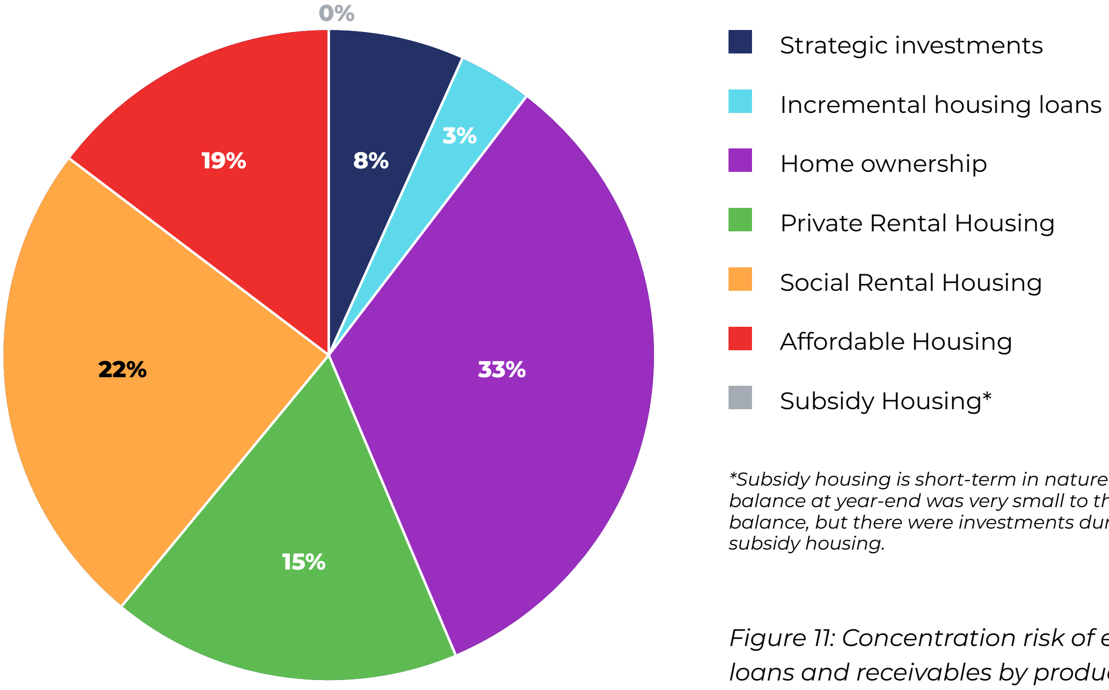
The first part of this section narrates the performance of each programme and subsection as it aligns with the six capitals outlined in the International <IR> Framework of the International Integrated Reporting Council. The six capitals are:

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

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

2.2 FINANCIAL CAPITAL

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



**Subsidy housing is short-term in nature and revolving, the balance at year-end was very small to the total loan book balance, but there were investments during the year on subsidy housing.*

Figure 11: Concentration risk of equity, loans and receivables by product area

BRIDGING SUBSIDY HOUSING FINANCE

The Bridging Subsidy Housing Programme provides finance to contractors appointed to build BNG housing by local authorities, for subsidised housing development projects to bridge contractor cash flows during construction.

A persistent challenge that impedes progress is the irrevocable undertaking which the provincial departments and municipalities are reluctant to sign. This undertaking, allows for payment of the contractor into a joint project account under the contractor's name with NHFC as authorised signatories. This undertaking is essential in providing contractors access to finance, as it takes the place of collateral for transactions less than R15 million. In the year under review the majority of facilities were above R15 million, therefore the contractors were able to provide collateral based on their balance sheet activities.

The NDoHS supports this initiative and is supporting the NHFC in its quest to garner participation by the provinces, metros and local municipalities.

In spite of these challenges, the approvals exceeded target, with a 184% performance informed by R82.8 million in approvals from contracts in Gauteng, KwaZulu-Natal and Eastern Cape. The programme has demonstrated a strong turnaround in performance during the year under review.

Over achievement was due to a R50 million transaction approved in the first quarter of this financial year.

R83 MILLION

Subsidy approvals achieved during the reporting period

R45 MILLION

Annual target for subsidy approvals

Despite appointments with new contractors across several provinces, sourcing new business remains challenging as contractors are looking for funding to finance the purchase of materials and pay labour costs. The NHFC is implementing several initiatives to attract new business, including engagements with provincial human settlements departments and hosting contractor financing workshops in different provinces.

SOCIAL HOUSING FINANCE

The existing social housing loan book is strained and has deteriorated because of non-payment of rentals by beneficiaries and illegal rental boycotts experienced by the four big SHIs on the NHFC's books. Caution is being exercised with lending decision-making to contain loan book deterioration. The increased risks affecting the Social Housing product have been elevated to the relevant stakeholders and engagements informed by research recommendations are being considered by all parties.

Despite a considerable decrease in project accreditation as a result of the SHRA's budget constraints, NHFC managed to approve R105 million worth of senior debt transactions. Disbursements can only happen following SHRA grant approval. There is an average 18-month lag between debt approvals and disbursement, therefore the impact of the improvement in approvals will be demonstrable in the latter year disbursements as a result of the grant-loan waterfall disbursement.

The NHFC is exploring warehousing options for Social Housing in partnership with wholesale funders, funds of funds, and capital guarantee providers.

The product achieved approvals of R105 million, against a target of R20 million which is 527%. Targets were set at a lower base due to SHRA non-approvals of CCG Grants in the previous financial year.

R105 MILLION

Social Housing actual loan approvals

R20 MILLION

Social Housing target loan approvals

PRIVATE RENTAL HOUSING FINANCE

National vacancy rates averaged 6% in the last quarter of 2024 (The State of SA's Property Market Q4, Property Wheel, 2024). The decline in vacancy rates (down from 6.3% in the third quarter and down from 7.2% in 2023) stimulated rental growth. Vacancy rates increased by 3.8% in 2024 (2.4% in 2023, StatsSA). This demonstrates a vacancy recovery, which has a positive impact on collections for the portfolio in the short-term. A high interest rate environment may convince potential buyers to rent instead.

The NHFC's focus on student accommodation paid off during the reporting year with the approval of four student accommodation transactions and one private rental transaction to the value of R227 million. The market was responsive to student accommodation because of better financial viability than traditional private rental stock.

The product achieved approvals of R227 million, against a target of R75 million which is 302%.

R227 MILLION
Private Rental loan approvals

R75 MILLION
Private Rental loan approval target

GRANT FACILITATION

FIRST HOME FINANCE

The programme performance showed continued improvement during 2024/25. The number of subsidy applications received and approved demonstrates an increased awareness of the First Home Finance programme – largely encouraged by the past two years' programme activations across the country, partnerships with subsidy origination channels established, and supporting marketing campaigns of both the NDoHS and the NHFC. A high volume and value of subsidy applications were received and approved in the reporting period. Another highlight was the high volume of pre-approved subsidy applications achieved, signalling a healthy pipeline for the next financial year.

Nevertheless, subsidy applications with mortgages remained subdued due to, among others, high interest rates, high living costs, and the high cost of building materials resulting in affordable housing of the right sizes priced beyond the reach of those earning up to R22 000 per month.

The mortgage market, however, remains important for this programme's growth as interest rates decrease. Non-mortgage product-backed subsidy applications have significantly benefited the performance of the First Home Finance programme in that small and affordable loans are used with the subsidy to build a core house, which could be extended at a later stage. The programme also enables beneficiaries to use only the subsidy or add the subsidy to their own savings to start building their first home. The important observation is that non-mortgage products have enabled many households in rural areas to access the subsidy and build their homes on the back of the Permission to Occupy certificates issued by traditional authorities.

The key challenge during the reporting period was the reduced subsidy capital allocation for disbursements, despite a request for a significantly higher amount in the first draft of the 2024/25 Annual Performance Plan (APP). Consequently, the NHFC had to set considerably lower targets, based on an allocation of R401 million, which was almost fully depleted by the end of the first half of the 2024/25 financial year. Relief came through the National Treasury's approval for the retention and use of previously unutilised funds, which enabled the NHFC to not only recover momentum but also deliver record achievements across all indicators, as reflected in this report.

8 193
Number of subsidy applications approved (target: 3 088) – 265% performance

R934 437 802
Value of approvals of First Home Finance grants (target: R401 415 000) – 233% performance

R600 038 338
Value of disbursements (target: R321 132 000) – 187% performance

6 135
Number of subsidies disbursed (target: 2 470) – 248% performance

R1 652 369 087
Amount leveraged from private sector (target: R802 830 000) – 205% performance

PROVINCIAL OUTCOMES OF FIRST HOME FINANCE

When the NHFC was appointed as a National Implementing Agent for First Home Finance, it was given a mandate to facilitate access to the subsidy in the open market in all provinces of South Africa. While the programme was only implemented with mortgages, its uptake was concentrated in Gauteng.

However, with the introduction of non-mortgage products in First Home Finance implementation, we have noted a dilution of its Gauteng concentration – from 82% in 2022/23, to 69% in 2023/24 and now 33% in 2024/25. We note that households in the rural provinces are now also benefitting from First Home Finance subsidies as indicated by the number of approved subsidies in the table that follows.

PROVINCIAL DISTRIBUTION OF FIRST HOME FINANCE										
	APPLICATIONS RECEIVED	APPROVALS BY PROVINCE AND HOUSING FINANCE							REJECTIONS	AMOUNT LEVERAGED
		TOTAL APPLICATIONS APPROVED			MORTGAGE-BACKED		NON-MORTGAGE BACKED			
PROVINCE	NUMBER	NUMBER	%	VALUE	NUMBER	VALUE	NUMBER	VALUE		
EASTERN CAPE	530	595	7%	R63 816 638.81	180	R16 213 971.40	415	R47 602 667.41	285	R69 791 058.90
FREE STATE	264	344	4%	R36 071 605.80	149	R12 402 113.43	195	R23 669 492.37	101	R64 801 166.55
GAUTENG	1 973	2 739	33%	R260 031 797.89	2 258	R191 638 177.53	481	R68 393 620.36	600	R1 110 549 873.82
KWAZULU-NATAL	868	983	12%	R129 174 436.13	168	R13 907 144.56	815	R115 267 291.57	302	R77 074 886.85
LIMPOPO	973	1 500	18%	R211 216 576.21	14	R1 154 247.85	1 486	R210 062 328.36	296	R5 513 261.00
MPUMALANGA	917	1 045	13%	R136 599 456.88	50	R4 837 043.53	995	R131 762 413.35	238	R14 669 927.00
NORTH WEST	205	282	3%	R31 099 710.71	100	R7 331 513.93	182	R23 768 196.78	90	R50 380 744.00
NORTHERN CAPE	6	24	0%	R2 483 228.04	7	R602 460.29	17	R1 880 767.75	14	R2 517 266.70
WESTERN CAPE	357	681	8%	R63 944 351.91	573	R50 328 705.56	108	R13 615 646.35	122	R257 070 902.36
TOTAL	6 093	8 193	100%	R934 437 802.38	3 499	R298 415 378.08	4 694	R636 022 424.30	2 048	R1 652 369 087.18

Key points to note about the number and value of subsidies approved in the year under review:

- Applications received are those that were received in 2024/25, whereas applications approved include those that were received in the previous financial year but not approved in that year. For example, in the case of Gauteng, Limpopo and Western Cape more applications were approved compared to those that were received.
- Whereas the Gauteng province still leads in applications with mortgages, Limpopo leads in approved applications with non-mortgage products, followed by Mpumalanga, and KwaZulu-Natal, in that order.
- More non-mortgage subsidy applications were approved amounting to 4 694 compared to 3 499 in the mortgage market.
- 68% of the total value of approved subsidies were in the non-mortgage market with an average subsidy of R135 554. The explanation for this phenomenon is that households in the non-mortgage market are in the lower income segments of the First Home Finance market and therefore qualify for a higher subsidy amount. This shows that at this high average subsidy, the non-mortgage market leads to quicker depletion of the annual subsidy allocation.
- On the other hand, 32% of the total value of the approved subsidies were in the mortgage market with an average subsidy of R85 208.
- As a result of the non-mortgage products being the main driver of the First Home Finance subsidies uptake, the amount leveraged from the private sector has reduced compared to when the programme was only implemented with mortgages. This is a result of households in the non-mortgage market taking small unsecured loans or using subsidy with own savings or using subsidy only to build their homes. In the mortgage market, the subsidy amount is a small fraction of home acquisition, with a mortgage loan constituting a higher amount of home acquisition.

GENDER DISTRIBUTION OF APPROVED SUBSIDY APPLICATIONS

Female-headed households are the main beneficiaries of First Home Finance

As in previous financial years, more women than men are accessing First Home Finance subsidies, a trend that has been further strengthened by the extension of the programme to non-mortgage housing solutions, which has broadened accessibility and expanded the number of women beneficiaries, as reflected in the table below.

Table 4: Gender split of applications approved by product for First Home Finance

NON-MORTGAGE AND MORTGAGE BACKED SUBSIDY APPROVALS FOR 2024/25								
	NON-MORTGAGE-BACKED SUBSIDIES		MORTGAGE-BACKED SUBSIDIES		TOTAL APPROVALS (NUMBER AND VALUE)			
GENDER	NUMBER	VALUE	NUMBER	VALUE	NUMBER	SPLIT (%)	VALUE	AMOUNT LEVERAGED FROM PRIVATE SECTOR
Female	2 826	R387 131 397,56	1 982	R170 970 745,24	4 808	59%	R558 102 142,80	R934 478 484,32
Male	1 668	R224 793 895,96	1245	R105 895 380,13	2 913	36%	R330 689 276,09	R585 812 741,30
Combined (M&F)	200	R24 097 130,78	272	R21 549 252,71	472	6%	R45 646 383,49	R132 077 861,56
TOTAL	**4 694**	**R636 022 424,30**	**3 499**	**R298 415 378,08**	**8 193**	**100%**	**R934 437 802,38**	**R1 652 369 087,18**

FIRST HOME FINANCE PERFORMANCE AGAIST MTDP TARGETS

Table 5: First Home Finance Contribution to the MTDP targets report.

OUTPUT INDICATORS	MTDP TARGETS* (2024/25-2028/29)		YTD AGAINST MTDP (%)
	YEAR 1		
	MTDP TARGETS	2024/25	
Number of subsidy applications approved	**16 878**	8 193	**49%**
Value of approvals - First Home Finance Grants (R'm)	**2 194.13**	934.40	**43%**
Value of Disbursements - First Home Finance Grants(R'm)	**1 755.30**	600.04	**34%**
Number of subsidies disbursed	**13 502**	6 135	**45%**
Amount leveraged from financial institutions (R'm)	**4 388.26**	1 652.00	**38%**

*Low MTDP targets are a reflection of the low First Home Finance subsidy allocation confirmed in 2024 and 2025.

AFFORDABLE HOUSING FINANCE

R555 MILLION
Consolidated target loan approvals (Subsidy, Incremental, Bridging Affordable)

R488 MILLION
Consolidated loan actual approvals (Subsidy, Incremental, Bridging Affordable)

R394 MILLION
Consolidated target loan disbursements (Subsidy, Incremental, Bridging Affordable)

R320 MILLION
Consolidated actual loan disbursements (Subsidy, Incremental, Bridging Affordable)

BRIDGING AFFORDABLE PORTFOLIO

The Bridging Affordable product is sensitive to market demand and supply due to its short- to medium-term nature. On the supply side, interest rates affect the financial viability of transactions. On the demand side, end users are directly affected by affordability pressures. The financial year illustrated the influence of the high interest rates on the market, including slowed sales resulting in a default on repayments to the NHFC on some active facilities. In response, most developers slowed down on delivery to manage the lower pace of sales at current interest rates, directly impacting the rate of disbursements.

Disbursements are processed on the back of work completed and certified by professionals at construction sites. Hence, a slower pace of construction has an impact on the bridging affordable product disbursements.

Prior year approvals of the bridging affordable product continue to disburse and demonstrate growth in units built and sites serviced on the ground. Data extracted from the Banking Association of South Africa and the National Credit Regulator demonstrates that mortgages given to individuals earning up to R22 000 make up 4% of the entire mortgage market, while those earning up to R34 000 make up about 16%. This demonstrates the potential breadth and impact the product could make.

The NHFC will continue to partner with more developers and blend the portfolio by adding established, emerging, and B-BBEE-compliant developers across all provinces.

INCREMENTAL HOUSING PROGRAMME

Debtbusters, in its Debt Index 2024, reported an increased demand from consumers for debt management, with debt counselling inquiries up by 22% and online debt management up by 30% compared to last year. This affects incremental housing intermediaries, as the consumers who go on debt review and seek measures to reduce their instalments are not able to meet all their financial obligations, which has a direct bearing on intermediaries' cash flows.

During the reporting year, a R50 million facility, approved for a client in Pretoria in previous years, which uses building material suppliers as a distribution channel, has started drawing down. Interest rates have a direct bearing on the lower end of the market. Instead of taking up facilities for incremental improvements to their homes, this market, focuses on consumption lending during tough economic times to pay immediate needs such as school fees.

As such, the incremental product that serves the majority of individuals in the rural areas was under pressure. However, with First Home Finance now participating in the non-mortgage market, it has unlocked opportunities for this product particularly in the rural areas, where we are seeing a joint uptake of both the non-mortgage subsidy to augment facilities from non-banking retail intermediaries.

R50 MILLION
Incremental Housing actual loan approvals

R40 MILLION
Incremental Housing target loan approvals

STRATEGIC INVESTMENTS

The division comprises equity and quasi-equity investments (unsecured) of the NHFC with an approximate carrying (fair) value of R692 million for the year ended March 2025, improving by 17% from R592 million in March 2024, attributed to disbursements towards a Social Housing Company and a Tier 2 capital investment. Key clients include Housing Investment Partners, International Housing Solutions (IHS), Evolution Credit, and Trust for Urban Housing Finance. These investments exclude the secured debt facilities provided to clients.

The portfolio represents the NHFC's risk capital and is provided to clients to attract other investors in investee companies through the NHFC taking the first risk of capital loss. The Strategic Investments unit exceeded the disbursements target for the year by 13%, achieving R112 million against a target of R99 million. However, the Strategic Investments portfolio experienced a difficult year due to few bankable deals and a low pipeline of approved facilities concerning equity and quasi-equity instruments (subordinated debt). As a result, the approvals target for the year underperformed by 12%, achieving R111 million against a target of R126 million.

The focus is on building a strong pipeline of approved clients who will then start drawing on facilities. Collaborations and deal mining are ongoing. To address subdued performance concerning the approvals target, the corporate finance advisory firm that was commissioned by the NHFC to conduct a review of our equity and quasi-equity instruments, has submitted the final report with recommendations to ensure operational suitability, accelerate capital deployment to facilitate participation of capital-constrained developers, and to adequately address market failures.

R111 MILLION
Strategic Investments actual loan approvals

R126 MILLION
Strategic Investments target loan approvals

R112 MILLION
Strategic Investments actual loan disbursements

R99 MILLION
Strategic Investments target loan disbursements

REVENUE EARNED ON CAPITAL INVESTED

Table 6: Sources of revenue and capital collection

	MARCH 2025		
PRODUCTS	CLOSING BOOK BALANCE (R'000)	INTEREST EARNED R'000	FEES EARNED R'000
Social Housing	1 039 584	116 021	670
Private Rental	696 516	75 193	1 561
Affordable Housing	857 918	96 827	886
Subsidy Housing	3 693	525	633
Incremental Housing	117 288	13 422	125
Home ownership	1 485 379	237 369	-
Quasi loans	50 000		
Total	**4 250 143**	**539 358**	**3 874**

2.3 MANUFACTURED CAPITAL

The NHFC continues to strengthen its manufactured capital by investing in the physical infrastructure and technological assets that support our operational excellence.

During the reporting period, the NHFC secured 1 573 m² of leased office space dedicated to the NHFC Head Office, providing a modern and collaborative work environment tailored to foster productivity and innovation. Additionally, the broader group operates from 1 924 m² of office space, ensuring sufficient capacity to support ongoing growth and the diverse needs of our teams in regional offices.

To empower our workforce with reliable and efficient tools, we invested in critical technological assets, acquiring 45 new laptops to enhance mobile and remote working capabilities, and 60 uninterrupted power supplies (UPSs) to safeguard critical IT infrastructure against power disruptions. These investments ensure continuity of operations and enable staff to deliver high-quality services to our stakeholders without interruption.

Through these strategic investments in manufactured capital, the NHFC reinforces its commitment to maintaining a resilient and future-ready operational footprint that underpins our mandate to catalyse affordable housing development across South Africa.

2.4 INTELLECTUAL CAPITAL

EFFECTIVE INFORMATION AND COMMUNICATIONS TECHNOLOGY

The ICT Strategy for 2021–2024 was concluded and the ICT division has already started gathering requirements from NHFC business divisions to inform the development of the next strategic phase. The updated ICT Strategy will also consider the Human Settlements Development Bank (HSDB) business plan, ensuring it aligns with the broader organisational goals and priorities.

FIRST HOME FINANCE DOWNTIME AND ENHANCEMENT

First Home Finance experienced a downtime of approximately two weeks due to capacity constraints. The issue was addressed and system resources were increased to handle high-volume requests and processing, minimising the likelihood of future disruptions.

The CRM Enhancement Project for this programme is progressing according to plan. The Project Charter, which defines the scope, objectives, and governance structure, was signed. The team completed the first system update, laying the foundation for further enhancements and improved service delivery capabilities. The Bulk Digital Signature capability's implementation will enable efficiencies in signing Grant Letters in light of exponential growth in the uptake of the First Home Finance subsidies. The system enhancement will enable automated reporting of programme performance with minimal human intervention as is currently the case.

However, a point must be made that even with the CRM enhancement, the processing of subsidy applications is not yet fully automated. This will only be achieved once the Enterprise Resource Planning Solution is implemented, which seeks to automate key business processes.

GOVERNANCE, RISK, AND COMPLIANCE

The NHFC has outsourced its internal audit function. All findings issued are monitored and tracked by EWRM to ensure that every recommendation is successfully implemented, thereby strengthening good governance, with progress regularly reported to the Audit Committee.

ENTERPRISE CONTENT MANAGEMENT

The ECM project is at a critical implementation phase and is progressing well despite delays. The timeline has been extended by six months, with the new end date set for September 2025. The extension was necessitated by:

- Limited availability of project resources during the December/January holiday period;
- Inadequate business engagement, primarily due to the unavailability of key stakeholders; and
- Disruptions from two consecutive project manager changes by the implementation partner, resulting in loss of project institutional knowledge and slowing momentum.

99.7%
Service availability rate (target: 99.5%)*

*The product achieved approvals totalling R355 million, significantly outperforming the target of R200 million and reaching 178% of the planned target.

Despite these issues, a significant achievement was the approval of the NHFC's Disposal Authority by the National Archives and Records Service of South Africa. This regulatory milestone supports the NHFC's records management maturity and ensures legal compliance with national standards on document retention and disposal.

BACKSCANNING AND DIGITALISATION OF RECORDS

The project, in the planning and design phase, has been put on hold due to financial and contractual issues. The implementation partner cited under-costing that resulted in an inability to proceed under the existing contract terms. The partner has formally requested contract termination, and this process is being managed by the NHFC's supply chain management (SCM) and Legal divisions. To maintain momentum, the team is reviewing and updating the project's Terms of Reference to issue a new request for proposals (RFP). The updated RFP will attract qualified service providers to execute the digitisation work in line with the NHFC's compliance, governance, and preservation needs.

CYBERSECURITY

No significant cybersecurity incidents were reported, demonstrating the effectiveness of the robust security controls in place. Employee awareness campaigns to embed a culture of digital vigilance, and endpoint security upgrades continued throughout the reporting period.

2 066
Inbound malware detected

11
Unsafe clicks (out of 3 270 total URL clicks)

37
Unsafe attachments (out of 86 510 attachments processed)

300
Impersonation detections

POLICIES AND OTHER GUIDANCE DOCUMENTS

In the ICT domain, two governance documents were reviewed and approved by the relevant structures and 11 documents were tabled and await approval:

Approved:

- ICT Password Policy (review)
- Physical and Environmental Security Procedure (review).

Tabled:

- Cloud Security Standard (new)
- Windows Server Standard (new)
- ICT Assets Management Procedure (new)
- Access Management Process Manual (review)
- Data Backup and Recovery Policy
- Risk Acceptance Memo (review)
- Disaster Recovery Plan
- Incident Management Policy
- Antivirus Policy (review)
- Data Backup Procedure (new)
- Data Backup and Recovery Policy.

2.5 HUMAN CAPITAL

INCREASING AND RETAINING THE TALENT POOL

Our people remain our greatest asset. Personnel management is critical to ensuring that the company delivers on its mandate – the NHFC's employees' diligence and commitment is the engine that drives the NHFC. As such, careful consideration is given to the entity's talent pool, both in recruiting the right people and in encouraging employees to continue learning and pursuing excellence.

Several key appointments have been made to boost business. Appointments have also included some important support function roles in ICT, SCM and to beef up governance in the Company Secretariat office.

150
The staff complement in the period of reporting is 150, including 131 permanents staff, 5 for CTCHC, and 14 fixed term.

131
Permanent employees

5
Cape Town Community Housing Company employees

14
Fixed-term employees, including the office of the Company Secretary, with others joining the Human Capital portfolio, the Strategic Partnerships and Programme Management portfolio, and Supply Chain Management.

EMPLOYEE TRAINING

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

28
Learners currently appointed to experiential learning programmes within the NHFC

CA TRAINING PROGRAMME

The South African Institute of Chartered Accountants (SAICA) accredited the NHFC to provide the CA Training Programme. This marked a new chapter in the NHFC's commitment to nurturing future CAs. The two Trainee Accountants were inducted into the CA training programme to equip them with comprehensive knowledge and understanding of various aspects crucial to their professional development.

Earlier this year, the NHFC received a post-accreditation site visit by SAICA. The primary objective was to ascertain whether the CA training programme was implemented in accordance with the standards and regulations set by SAICA. The NHFC is delighted to report that the site visit was successful. SAICA's positive evaluation affirmed the NHFC's commitment to excellence.

2
CAs trained

131 (87%)
Employees trained on technical skills using 86% of the training budget

R5 230 052
Training expenditure, including self-development, against a budget of R6 million. The remaining balance will be used to convert study loans.

GRADUATE PROGRAMME

The programme aims to give graduates a head start in the world of work by providing them with practical experience within a company. One of the key components of the programme is a structured development plan developed in divisions to provide graduates with experiential learning in real-world scenarios which builds their competence and confidence, providing them with invaluable insights into the workings of the NHFC. The graduates have gained hands-on experience which has enhanced their technical skills, making them more capable and efficient in their respective fields.

11
Graduates currently placed in various divisions within the NHFC

LEARNERSHIP PROGRAMME

The NHFC is an accredited Skills Development Provider for Occupational Certificate: Project Manager level 5 (101869), which trains participants theoretically through a learnership to acquire a level 5 NQF qualification. The learnership consists of theoretical course content as well as a practical training component, which is done in the workplace. The learners have completed the theoretical component of the course and are now doing practicals through one of the NHFC's funded developers.

6
Learners enrolled in the Learnership Programme

24-MONTH
Practical training period

5
Days block-release attendance monthly

INTERNSHIPS

The NHFC has 10 learners who have completed their theoretical knowledge from technical and vocational education and training colleges and require practical experience to achieve their qualification. The learners are offered practical experience in line with their qualification. The NHFC provides work experience and, where possible, the interns are absorbed by the NHFC.

STAFF ENGAGEMENT

SUCCESSION PLANNING/MENTORSHIP PROGRAMME

Succession planning ensures that the business continues unhindered should sudden or planned vacancies in key positions occur. Succession planning is the process of identifying, developing and replacing those in leadership/key roles, temporarily or when incumbents leave, retire or pass on.

34
Candidates in the NHFC's succession pool

Capability assessments were conducted for the new candidates in the succession pool to identify their strengths and areas of development. Mentoring and coaching training was provided to help the candidates understand the principles of mentorship. Since mentorship is a personal process, candidates were given the opportunity to select a mentor internally or externally to address their areas of development identified during assessments.

The candidate development process offers opportunities to act in higher-graded positions or same-grade positions but outside the candidate's current area of expertise.

6
Candidates acted in higher positions as a valuable development opportunity

The NHFC Promotion Framework allows employees in the succession pool, as well as others, to be promoted if they have proved to be technically competent in the roles in which they have acted in. Additionally, new candidates were identified for the upcoming financial year to ensure a pipeline of future leaders in the organisation.

2
Employees were promoted: One to a general manager role and the other to a management role

HYBRID APPROACH TO WORK

In the implementation of a hybrid model, the Board's recommendation of at least three days a week in the office was implemented from June 2024. The Facilities team continues to monitor and provides divisional reports in managing the implementation thereof.

ETHICS AND VALUES IN THE WORKPLACE

The NHFC continues to reaffirm its commitment to transparent and ethical governance. The Board approved the organisation's Ethics Strategy in June 2024, providing a structured roadmap to build and reinforce a values-driven culture.

Key milestones included the launch of the NHFC Ethics Pledge and the introduction of the EthixApp, an interactive tool promoting ethical decision-making, leadership integrity, and shared accountability. In order to strengthen ethical expectations and build internal capacity for ethical conduct across the organisation, staff members attended a two day ethical accountability training. These initiatives promoted internal awareness and employee participation in building an ethical workplace.

Responding to a ministerial request from the NDoHS, the NHFC concluded a Service Level Agreement (SLA) with the Special Investigating Unit to conduct lifestyle audits which form part of the broader effort to enhance transparency and prevent misconduct in line with the approved Lifestyle Audit Policy.

The NHFC also published its updated electronic Code of Conduct, which is accessible to all employees. The Code serves as a behavioural guide, and non-compliance is addressed in accordance with the Human Capital Policy on consequence management.

During the year, the NHFC made a strategic decision to align its ethics and social responsibility framework with global standards. This includes aligning with six of the Sustainable Development Goals (SDGs):

- SDG 1: End poverty through housing finance solutions;
- SDG 3: Promote healthy lifestyles and well-being;
- SDG 4: Ensure access to quality education and learning;
- SDG 5: Advance gender equality;
- SDG 8: Promote decent work and economic growth; and
- SDG 10: Reducing inequalities.

In addition, the NHFC adopted 11 of the 23 ILO Conventions ratified by South Africa applicable to its operational context. These include conventions on freedom of association (C87), collective bargaining (C98), equal pay (C100), non-discrimination (C111), occupational health and safety (C155), and the elimination of child labour (C138, C182, C002), as well as conventions on labour inspection (C081), violence and harassment in the workplace (C190), and workers' compensation (C042).

Together, these frameworks affirm the NHFC's commitment to ethical leadership, global leading practice, and building a culture of accountability that serves the South African public with integrity.

CONFLICT OF INTEREST

As part of our ongoing efforts to promote transparency and accountability, the Code of Conduct explicitly addresses conflict of interest, including matters related to hospitality, entertainment, and gifts.

In the 2024/25 reporting period, the NHFC created awareness and provided training to all employees on Conflict of Interest, highlighting the importance of declaring any personal or financial interests that could influence their professional responsibilities. This training ensured that employees are equipped with the knowledge to recognise, disclose, and manage potential conflicts in line with organisational policies. This has contributed to the organisation's ethical culture.

Additionally, the declaration of interest process is closely monitored to ensure that all relevant information is submitted annually. We are pleased to report a 100% submission rate for annual conflict of interest declarations for the 2024/25 period, demonstrating full compliance and commitment from all staff.

Non-compliance related to conflict of interest and failure to adhere to the guidelines on hospitality, entertainment, and gifts is managed according to the NHFC's Human Capital Policy on consequence management. This ensures that any breaches are addressed in a consistent and fair manner, with appropriate corrective actions taken.

This approach reflects our unwavering dedication to maintaining the integrity of our operations and upholding public trust.

EMPLOYEE WELLNESS

PERSONAL WELLBEING

Several initiatives were undertaken to bolster the health and wellness of employees. A refresher session on the Employee Wellness services was provided. The session was crucial for employee service offering awareness of the resources available to them for maintaining and improving their health. Recognising the growing concern among employees regarding child- and family-related issues, a workshop is planned to address these concerns and to empower employees to parent with confidence in the digital era and addressing bullying.

To address employee financial health, the NHFC has partnered with Bayport to provide financial solutions where required by NHFC employees. These services aim to provide financial assistance and guidance, thereby promoting overall well-being. A financial and tax awareness session was also held, helping staff prepare for the tax deadline with confidence.

A Wellness Day was organised in December, to offer a snapshot of NHFC employees' health status. This identified employee health risks which the organisation plans to address through various health interventions in the upcoming financial year.

REMUNERATION

The 2025/26 wage settlement agreement was signed with NEHAWU and implemented within the organisation in line with the Performance Management Policy.

LABOUR

A Recognition Agreement was concluded with the recognised labour union NEHAWU and approved by the Executive Committee.

EMPLOYMENT EQUITY

The NHFC continues to track the implementation of the Employment Equity Plan, specifically in the context of transformation. The male and female ratio at top management level is 28:72, in favour of females, indicative of the successes of our recruitment strategies. The Employment Equity Report was submitted on 14 January 2025 to the Department of Labour.

HUMAN CAPITAL PROCESSES

LEAVE

The annual leave provision fluctuates with peaks in the middle of the year and dips towards the end and the beginning of the next year. The dips are as a result of staff taking leave before and after the office shutdown over the Christmas holidays.

AUDIT

The Internal Audit review of Human Resources processes is scheduled to assess the adequacy and effectiveness of existing controls governing HR activities. During the previous audit, a key finding was raised regarding the HR Procedure Manual, which had not been updated to reflect current practices and requirements. This upcoming review will, among other areas, provide assurance on whether this matter has been addressed and whether the HR processes are now aligned with best practice and compliance expectations.

HUMAN RESOURCES OVERSIGHT STATISTICS

PERSONNEL-RELATED EXPENDITURE

Table 7: Personnel cost by programme

PROGRAMME	TOTAL EXPENDITURE FOR THE ENTITY (R'000)	PERSONNEL EXPENDITURE (R'000)	PERSONNEL EXPENDITURE AS A % OF TOTAL EXPENDITURE (R'000)	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Administration	205 107	101 905	50%	96	1 061,51
Affordable Housing	35 689	29 493	83%	37	797,11
Integrated Human Settlements Planning and Development	14 072	13 848	98%	19	728,82
Rental and Social Housing	8 103	7 556	93%	11	686,89

Table 8: Personnel cost by salary band

SALARY BAND	PERSONNEL EXPENDITURE (R'000)	% OF PERSONNEL EXPENDITURE TO TOTAL PERSONNEL COST	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Top Management	19 345	14%	8	2 418
Senior Management	24 731	18%	18	1 373
Professional qualified	61 674	44%	64	963
Skilled	25 936	18%	45	576
Semi-skilled	7 199	5%	23	313
Unskilled	745	1%	5	149
Total	**139 632**	**100%**	**163***	**5 794**

*This includes people who resigned as they were part of the costs.

PERFORMANCE REWARDS

No performance rewards were granted during the reporting period.

TRAINING COSTS

Table 9: Training costs

PROGRAMME	PERSONNEL EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXPENDITURE AS A % OF PERSONNEL COST	NO. OF EMPLOYEES TRAINED	AVERAGE TRAINING COST PER EMPLOYEE (R'000)
Administration	122 559	2 102	2.40%	68	30 912
Affordable Housing	35 471	1 334	3.57%	47	28 383
Integrated Human Settlements Planning and Development	16 654	103	1.58%	4	25 750
Rental and Social Housing	9 087	15	0.16%	4	3 750
Total	**136 583**	**3 554**	**2.6%**	**123**	**28 894**

EMPLOYMENT AND VACANCIES

Table 10: Employment and vacancies by programme

PROGRAMME	2023/24 NO. OF EMPLOYEES	2024/25 APPROVED POSTS	2024/25 NO. OF EMPLOYEES	2024/25 VACANCIES	% OF VACANCIES
Administration	88	105	86	19	54.3%
Affordable Housing	60	55	36	5	14.3%
Integrated Human Settlements Planning and Development	4	36	17	5	14.3%
Rental and Social Housing	7	30	11	6	17.1%
Total	**159**	**226**	**150**	**35**	**100%**

Table 11: Employment and vacancies by salary band

SALARY BAND	2023/24 NO. OF EMPLOYEES	2024/25 APPROVED POSTS	2024/25 NO. OF EMPLOYEES	2024/25 VACANCIES	% OF VACANCIES
Top Management	10	11	7	4	11
Senior Management	19	20	17	3	9
Professional qualified	51	83	62	21	60
Skilled	41	42	37	5	14
Semi-skilled	23	24	22	2	6
Unskilled	15	5	5	0	0
Total	**159**	**185**	**150**	**35**	**100**

EMPLOYMENT CHANGES

The following changes took place in the financial year by employment category:

- Two Executive Manager terminations: one resignation and one mutual termination;
- Appointment of three Senior Managers;
- Appointment of 10 employees in the professional category;
- Two retirements;
- Non-regrettable resignation of five employees; and
- In the skilled category, the employment contracts of fixed-term staff were terminated at the respective expiry dates.

Table 12: Employment changes by salary band

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top Management	9	0	2	7
Senior Management	15	3	1	17
Professional qualified	55	10	3	62
Skilled	39	3	5	37
Semi-skilled	22	1	1	22
Unskilled	5	0	0	5
Total	**145**	**17**	**12**	**150**

Table 13: Reasons for staff leaving

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	0	0%
Resignation	6	50%
Dismissal	2	17%
Retirement	2	17%
Ill health	0	0%
Expiry of contract	1	8%
Other	1	8%
Total	**12**	**100%**

Table 14: Labour relations – Misconduct and disciplinary action

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	0
Written Warning	4
Final Written Warning	4
Dismissal	1

EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

Table 15: Male staff by salary band

SALARY BAND	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	2	0	0	1	0	0	0	0
Senior Management	7	0	1	1	0	1	0	0
Professional qualified	30	0	1	0	0	1	1	0
Skilled	8	0	1	1	1	0	0	1
Semi-skilled	7	0	0	1	0	1	0	0
Unskilled	0	0	0	0	0	0	0	0
Total	**54**	**0**	**3**	**4**	**1**	**3**	**1**	**1**

Table 16: Female staff by salary band

SALARY BAND	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET
Top Management	5	0	0	1	0	0	0	1
Senior Management	7	0	1	0	1	0	0	0
Professional qualified	28	0	0	0	1	0	1	0
Skilled	25	0	0	0	1	0	1	0
Semi-skilled	15	0	0	0	0	0	0	0
Unskilled	5	0	0	0	0	0	0	0
Total	**85**	**0**	**1**	**1**	**3**	**0**	**2**	**1**

Table 17: Disabled staff by salary band

SALARY BAND	DISABLED STAFF			
	MALE		FEMALE	
	CURRENT	TARGET	CURRENT	TARGET
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional qualified	0	0	0	1
Skilled	0	1	1	0
Semi-skilled	0	0	0	0
Unskilled	0	0	0	0
Total	**0**	**1**	**1**	**1**

2.6 SOCIAL AND RELATIONSHIP CAPITAL

STAKEHOLDER ENGAGEMENT

Maintaining business relations with clients and stakeholders remains paramount to ensure repeat business but also to reach a broader and more transformed client base. The NHFC collaborated with an extensive list of industry role players through joint workshops and information seminars during the reporting period.

Table 18: How stakeholders are engaged

STAKEHOLDERS	SUMMARY	HOW WE ENGAGE	ACTION TAKEN
Shareholder	• These engagements ensure transparency and accountability in corporate governance and financial management	• Regular and proactive engagements with the Minister of Human Settlements, and National Treasury • Quarterly meetings and presentations • Quarterly reports in compliance with the PFMA • Attendance at all the MinMEC meetings which are usually accompanied by site visits and house and title deed handovers • Informative sessions on strategy progress • IAR presentation	• Held regular meetings with the Minister • Shared quarterly corporate governance reports with National Treasury • Presented IAR
Government	• These engagements facilitate alignment with governmental policies and national objectives	• Engagements with the South African Local Government Association (SALGA)	• Held regular one-on-one meetings to engage on priority sectors and issues of national importance

Table 18: How stakeholders are engaged (continued)

STAKEHOLDERS	SUMMARY	HOW WE ENGAGE	ACTION TAKEN
Clients and partners	• Collaborations and improvement on service delivery	• Daily engagements with prospective clients, conducting of detailed due diligence assessments from prospective clients, regular engagements and active interventions on non-performing clients to turn around and cure their projects, engagements on post approval changes and negotiate settlements with clients from time to time • Quarterly engagement sessions and interaction, including regular meetings scheduled according to our individual programmes/ project governance agreements with clients • Ongoing engagements with partners for co-investment opportunities and strategic collaboration for effective execution of the NHFC mandate. • Client and partner surveys	• Represented the NHFC at key conferences and expos through speaking engagements and exhibition participation, enhancing visibility and stakeholder engagement • Facilitated workshops and information-sharing sessions with contractors and developers to strengthen industry partnerships and promote affordable housing opportunities
Investors	• Engagements are held to maintain investor relations and provide updates on organisational performance	• Quarterly feedback sessions • Regular one-on-one interactions with the NHFC Treasury Division, Finance and the CEO's office	• Held annual investor roadshows

Table 18: How stakeholders are engaged (continued)

STAKEHOLDERS	SUMMARY	HOW WE ENGAGE	ACTION TAKEN
Funding providers	• Maintaining an updated website to provide transparent and accessible information to funding providers	• Meetings with analysts and rating agencies • Investor roadshows • Announcement of results • NHFC website	• Held meetings with rating agencies • Issued IAR
Community	• Facilitation of stakeholder engagements at the project community level	• Engagement through community projects and forums • Social facilitation, engagements and steering committees • Project implementation • Community surveys • Marketing campaigns • NHFC website	• Participated in various communities of practice engagements, both nationally and internationally • Facilitated stakeholder engagements at project community level • Participated in community engagements such as imbizos

Regulators	• Compliance with relevant regulatory frameworks and reporting requirements	• Regular communication and report back meetings with:
		  • Standing Committee on Finance
		  • Select Committee on Finance
		  • National Treasury
		  • Financial Intelligence Centre
		  • Department of Labour
			• Ensured compliance with relevant regulatory frameworks and reporting requirements
			• We engage with the Portfolio Committee on Human Settlements as and when required

Media relations	• Strategic initiatives to ensure accurate public information	• Media briefings and interviews • Press conferences, releases • NHFC website and social media platforms • Billboards and advertising on taxis	• Responded to media enquiries • Issued media statements on key strategic initiatives

Table 18: How stakeholders are engaged (continued)

STAKEHOLDERS	SUMMARY	HOW WE ENGAGE	ACTION TAKEN
Employees	• Foster a positive work environment and employee cohesion	• Staff engagements at numerous levels • Training and development needs analysis • Results presentations • Performance reviews • Internal newsletter and emails • Corporate LAN advertising • Whistleblowers' hotline • Staff survey • CEO presentations	• Employment Equity plans • Engaged with organised labour • Engaged quarterly with staff on company results • Sent the monthly newsletter to staff, communicating sector developments • Processed a number of queries and complaints that came through the whistleblower hotline concerning the First Home Finance programme
Suppliers/service providers	• This ensures transparency and mutual understanding in procurement and service delivery	• One-on-one meetings and presentations • Tenders and requests for quotations	• Contract and service agreements in place with clear terms of engagement

Engagements, in person and online, included the National Rental Housing Task Team; the South African Multi-Family Residential Rental Association; the NDoHS, the National Priority Catalytic Projects Task Team; the North West, Eastern Cape and KwaZulu-Natal Public Service Commissions; and MicroFinance South Africa.

11
Existing intermediaries participated in targeted engagements

21
Pipeline intermediaries participated in targeted engagements

NHFC products were presented to an audience of about 300 Property Practitioners at the South African Institute of Black Property Practitioners Annual Convention. Other workshops include the Eastern Cape Department of Human Settlements which is well attended by over 100 contractors, mainly in the BNG space who have been awarded contracts by the department. Several leads were generated during these sessions and the NHFC team is working to convert these into transactions.

The Inaugural Built Environment Indaba, organised by the Black Business Council, exposed the NHFC to numerous opportunities for investment, which the team is pursuing.

Engagement with commercial banks, namely Nedbank and Absa, aimed to discuss the possibility of co-financing arrangements and sharing leads. Various applications are being taken through the origination stage for senior and equity financing opportunities subsequent to these engagements.

Synergies and co-funding opportunities were explored with the National Empowerment Fund, Ithala Development Finance Corporation, the Small Enterprise Finance Agency, and the Industrial Development Corporation.

Additional engagements to build the pipeline and provide solutions for contractors include an internal meeting with the Project Management Unit to develop a Material Supplier Undertaking Product proposal; presentations at the Limpopo COGHSTA Contractors conferences in Thohoyandou and Phalaborwa; and Discussions with Tusk Construction Support Services (Pty) Ltd.

The 9th Annual Affordable Housing Conference offered the NHFC an opportunity to network with industry stakeholders and gain insights from sector experts into access to innovation finance, delivering at scale, enhancing collaboration, and accelerating housing delivery.

300+

Separate activities, including in-person engagements, to support NHFC core business

STRATEGIC PARTNERSHIPS AND PROGRAMME MANAGEMENT

The Strategic Partnerships division marked a major milestone with the successful launch of the EDIP on 28 March 2025. The programme aims to support emerging developers from majority black owned and designated groups to enhance their skills, build capacity and access funding for housing projects. This initiative is part of the NHFC's broader commitment to transformation and aims to improve participation of emerging developers in the housing value chain. The programme serves as a critical entry point for developers who have struggled to meet financing criteria due to weak capacity, balance sheets and constrained equity contributions by providing structured non-financial support to enhance their business operations and project bankability.

The event had participation from developers, building industry professionals and key stakeholders, highlighting the NHFC's efforts to support and capacitate emerging developers and strengthen the housing delivery ecosystem. The programme emphasises the need for collaboration and innovation in the sector.

In addition to this achievement, the Strategic Partnerships unit made notable progress in formalising collaborations, successfully implementing multiple MOUs with key strategic partners such as the Gauteng Partnership Fund and Cashbuild.

Implementation of the deliverables is underway, with early milestones achieved across several engagements.

In other agreements, the pace of execution has been affected by external dependencies, resource constraints, and alignment challenges with broader human settlement stakeholders.

300+

Separate activities, including in-person engagements, to support NHFC core business

11

Existing intermediaries participated in targeted engagements

21

Pipeline intermediaries participated in targeted engagements

Table 19: MOUs signed during 2024/25

PARTNERS WITH SIGNED MOUS/SLAS	CATEGORY	PURPOSE OF MOU/ OUTCOMES EXPECTED	AREA OF OPERATION
1. First National Bank	Mortgage Lender	Mortgage lender and the SLA covers the process of FNB originating applications for subsidies and receiving subsidy payments on behalf of approved beneficiaries in line with First Home Finance Policy.	National
2. iMas Finance Co-operative Limited	Mortgage and Pension-Backed Housing Loan Lender	Home loan provider (Pension-Backed Loans and Mortgages): The MOU covers the process of iMasFinance originating applications for subsidies and receiving subsidy payments on behalf of approved applicants.	National
3. Mafori Housing (Pty) Ltd	Employer with Employee Assistance Housing Scheme	Provides homeloans in the non-mortgage market. Enables partner to serve as a subsidy origination and distribution partner in the implementation of First Home Finance subsidy in the non-mortgage market. Partnership reaches SAMWU members nationally.	National
4. Pikitup Johannesburg SOC Ltd	Employer with Employee Assistance Housing Scheme	Partnership to support Pikitup employees to access First Home Finance subsidies in building or buying their first homes.	Gauteng
5. Thuthukani Housing Finance (Pty) Ltd and MP Construction	Unsecured Home Loan Lender and NHBRC registered Home Builder	Tripartite partnership including MP Construction on programme implementation with non-mortgage products of First Home Finance.	National
6. DBSA	Co-Financer	Formalise a non-exclusive framework for cooperation between the parties to develop and co-finance projects related to housing and infrastructure.	National

SECTOR TRANSFORMATION INITIATIVES

SOCIAL RESPONSIBILITY

The NHFC continued to light a path of hope and transformation for communities often overlooked and underserved through its 2024/25 corporate social investment (CSI) initiatives. From the rural schools of Ggeberha to the townships of Khayelitsha and Soweto, the NHFC's outreach has touched lives, restored dignity, and paved the way for a better tomorrow.

At the Khayalabantu Primary School in the Eastern Cape, a sponsorship of 30 desktop computers, equipped with licensed Microsoft Office and antivirus software, marked a significant stride in bridging the digital divide. This initiative, part of the NHFC's three-year school adoption plan, followed previous donations of school uniforms and sanitary towels – ensuring that learning isn't hindered by poverty but powered by purpose.

The commitment to education extended to the vibrant efforts of Masinyusane, an organisation dedicated to foundational literacy. The NHFC's construction of three Wendy-house libraries and prior donation of 300 books reflected an investment not just in structures but also in the dreams of young readers and the aspirations of the youths employed in early childhood development centres.

Perhaps most heartwarming were the stories of rebuilding homes and lives. The Mnguni family in Wartburg received a new home after the tragic loss of Lindokuhle Mnguni, restoring stability and dignity to a grieving and vulnerable family. Similarly, the despair of Ms Xakiwe Vumazonke of De Aar and the Kekana family of Soweto was turned into hope when they were gifted new homes after these were gutted by fires.

In Khayelitsha, the Mbizana Soup Kitchen received cooking equipment and refrigerators, expanding its ability to serve warm meals to poor communities five days a week. In Atteridgeville, 200 children walked into the school year with pride and purpose, thanks to a generous donation of school shoes.

Each initiative, whether a pair of shoes or a fully constructed house, underscored the NHFC's unwavering humanitarian quest to empower, uplift, and transform local communities, testifying to what is possible when strategic partnerships meet heartfelt commitment, a legacy of impact, and a future built with compassion.

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

Figure 12: The four pillars of the NHFC's CSI Strategy

To ensure that the company's CSI projects remain relevant, the CSI Strategy is structured on four pillars, namely Education and skills development for change; Partnering for the greater good; Building communities from the ground up; and Employee support and involvement.

WALMER GQEBERHA ePHP PROJECT

The Walmer project aims to enhance the housing infrastructure in Gqeberha. The project is funded by the Eastern Cape Department of Human Settlements. The NHFC's role as a Community Resource Organisation revitalised through an integrated approach to fund and manage the project and the development of local cooperatives.

The project emphasises social facilitation, with the NHFC providing support to address social challenges and beneficiary management concerns. Training sessions have been conducted to enhance the skills of local cooperatives involved in the project. To date, five cooperatives have participated and received training in various trades such as manufacturing, brickwork, electrical work, plumbing, and carpentry.

PROJECT STATISTICS

The project managed funds amounting to R47 million with just over R5million paid to the managing contractor in FY 2024/25. It has also created job opportunities for both skilled and unskilled workers. A total of 313 units have been completed.

2.7 NATURAL CAPITAL

The NHFC recognises the finite nature of South Africa's natural resources and remains mindful of its environmental impact. The organisation depends directly on resources such as water and electricity for its operations and indirectly through its value chain.

The adoption of a hybrid working model has enabled the NHFC to optimise the use of existing leased premises rather than invest in new buildings, thereby reducing potential environmental impacts. Water conservation and waste management practices, while informal, are promoted among employees through signage and awareness initiatives within the leased offices.

Resource consumption and associated costs were monitored during the reporting period. In Gauteng, electricity expenditure increased from R460,487.30 in 2023/24 to R666,965.97 in 2024/25, while water costs rose from R18,444.17 to R29,742.14 over the same period. At the Port Elizabeth operations (Africorp), electricity costs declined from R60,864.44 in 2023/24 to R50,114.31 in 2024/25, while water costs increased marginally from R3,278.73 to R5 317.29.

Looking ahead, the NHFC intends to strengthen its environmental management approach by formally tracking and reporting on the consumption and cost of natural resources to support improved efficiency and accountability.

2.8 QUANTITATIVE PERFORMANCE OF NHFC PROGRAMMES

PROGRAMME 1: ADMINISTRATION

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

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

Table 20: Administration achievements

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2022/23	AUDITED ACTUAL PERFORMANCE 2023/24	PLANNED ANNUAL TARGET 2024/25	ACTUAL ACHIEVEMENT 2024/25	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2024 / 25	REASON FOR DEVIATION
Functional, efficient and integrated government	Risk Management Report	Percentage implementation of the approved risk management plan	100% implementation of the approved risk management plan	100% implementation of the approved risk management plan	100% implementation of the risk management plan	100% implementation of the approved risk management plan	Target achieved.	Not applicable
	Anti-fraud Corruption Plan	Percentage implementation of approved anti-fraud and corruption plan	40% implementation of the approved anti- fraud and corruption plan	-	100% implementation of the approved anti- fraud and corruption plan	100% implementation of the approved anti- fraud and corruption plan	Target achieved.	Not applicable
	Internal Audit Plan	Percentage implementation of the approved internal audit plan	New indicator	New indicator	100% implementation of the approved internal audit plan	100% implementation of the approved internal audit plan	Target achieved.	Not applicable
	Designated groups expenditure reports	Percentage procurement spent on businesses owned by women	8% spent on businesses owned by women	38% spent on businesses owned by women	40% procurement spent on businesses owned by women	32.8% spent on businesses owned by women	Target not achieved by 7.2%	Most expenditure still on old contracts awarded before we implemented specific goals for allocating points to designated groups, these contracts are coming to an end and there will be an improvement as they end. The points for specific goals are not disqualifying points as the price weighs more, so there will still be awards that are not allocated to the designated groups until the legislation allows for targeted procurement.
		Percentage of annual procurement spend, targeted at businesses owned by youth and persons with disabilities	0.72% spent on businesses owned by youth and persons with disabilities	18% spent on businesses owned by the youth and persons with disabilities	26% of annual procurement spend, targeted at businesses owned by youth and persons with disabilities	4.8% spent on businesses owned by youth and persons with disabilities	Target not achieved by 21.2%	Most expenditure still on old contracts which were awarded before we implemented specific goals for allocating points to designated groups, these contracts are coming to an end and there will be an improvement as they end. The points for specific goals are not disqualifying points as the price weighs more, so there will still be awards that are not allocated to the designated groups until the legislation allows for targeted procurement.

Table 20: Administration achievements (continued)

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2022/23	AUDITED ACTUAL PERFORMANCE 2023/24	PLANNED ANNUAL TARGET 2024/25	ACTUAL ACHIEVEMENT 2024/25	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2024 / 25	REASON FOR DEVIATION
	Audit Outcome	Unqualified audit opinion with no material findings	Unqualified audit opinion with material findings (2021/22)	Unqualified audit opinion with a finding on compliance with applicable legislation (2022/23)	Unqualified audit opinion with no material findings (2023/24)	Unqualified opinion with material findings on compliance and predetermined objectives	Material findings on audit compliance and predetermined objectives	Target not achieved. Delayed audit due to – controlled entities. Manual reporting on FHF, SCM compliance.
	Jobs created	Number of learners hired into learnership programmes	New indicator	11 learners hired into learnership programmes	10 learners hired into learnership programmes	19 learners hired into learnership programmes	Target was overachieved by 9 learners	Target exceeded.
	Payment of invoices within 30 days	Percentage of invoices paid within 30 days	New indicator	New indicator	100% of invoices due paid within 30 days	82%	Target was underachieved by 18%	Integrated system either solution (ERP). Temporary - implementation of a centralised email for receiving of all invoices directly from service provider has improved the KPI significantly

PROGRAMME 2: INTEGRATED HUMAN SETTLEMENTS PLANNING AND DEVELOPMENT

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

Sub-programmes: 2a: Strategic Partnerships

Contribution to institutional outcomes: Programme 2 contributes to Outcome 2: Improved delivery of affordable housing. Sub-programme 2a contributes to Outcome 4: Increased penetration and participation of low-to middle-income households and black-owned businesses in the housing market.

Table 21: Sub-programme 2a – Strategic Partnerships achievements

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2022/23	AUDITED ACTUAL PERFORMANCE 2023/24	PLANNED ANNUAL TARGET 2024/25	ACTUAL ACHIEVEMENT 2024/25	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2024 / 25	REASON FOR DEVIATION
Increased penetration and participation of low-to-middle-income households and businesses owned by previously disadvantaged intermediaries in the housing market	Increased focus on extension of funding to previously disadvantaged intermediaries	Number of MOUs signed	New indicator	Twelve (12) MOUs were signed during the year with various partners	4 Progress reports on the implementation of the MOUs	4 Quarterly progress reports on the implementation of 3 signed MOUs	Target achieved.	Not applicable

PROGRAMME 3: RENTAL AND SOCIAL HOUSING PROGRAMME

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

Contribution to institutional outcomes: Programme 3 contributes to Outcome 2: Improved delivery of affordable housing through the approval and disbursement of finance for Social Housing and Private Rental Housing.

Table 22: Rental and Social Housing achievements

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2022/23	AUDITED ACTUAL PERFORMANCE 2023/24	PLANNED ANNUAL TARGET 2024/25	ACTUAL ACHIEVEMENT 2024/25	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2024 / 25	REASON FOR DEVIATION
Improved delivery of affordable housing	Disbursements of approved loans	**Value of approvals:** Social Housing Finance (R'm)	74	91	20	105	Target was overachieved by R85mil.	Two social housing transactions to the value of R99mil were approved by BCIC and Board in the quarter. One transaction is in Potchefstroom, North West province, while the other transaction is in Paarl, Western Cape province.
		Value of approvals: Private Rental Housing Finance (R'm)	206	65	75	227	Target was overachieved by R152mil	Four student accommodation transactions and one private rental transaction to the value of R227mil have been approved to date since the beginning of the financial year. The market was responsive to student accommodation as a result of better financial viability than traditional private rental stock.

PROGRAMME 4: AFFORDABLE HOUSING PROGRAMME

Programme purpose: Provision of affordable housing finance.

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

Table 23: Sub-programme 4a – Grant facilitation (First Home Finance) achievements

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2022/23	AUDITED ACTUAL PERFORMANCE 2023/24	PLANNED ANNUAL TARGET 2024/25	ACTUAL ACHIEVEMENT 2024/25	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2024 / 25	REASON FOR DEVIATION
Improved delivery of affordable housing	Disbursements of *First Home Finance subsidies	Number of subsidy applications approved (No.)	4 283	4 391	3 088	8 193	Target was overachieved by 5 105	Not applicable
		Value of approvals – First Home Finance* Grant	R286 000 000	R415 000 000	R401 415 000	R 934 437 802	Target was overachieved by R533 022 802	Not applicable
Increased access to affordable finance to enable end users to have appropriate, spatially just and adequate housing		Value of Disbursements – First Home Finance * Grant	R221 000 000	R315 000 000	R321 132 000	R600 038 338	Target was overachieved by R278 906 338	Not applicable
		Number of subsidies disbursed (No.)	4 107	4 623	2 470	6 135	Target was overachieved by 3 663	Not applicable
		Amount leveraged from private sector	R2 260 000 000	R1 901 000 000	R802 830 000	R1 652 369 087	Target was overachieved by R849 539 087	Not applicable

*The FLISP Programme is now called the First Home Finance programme following a name change announced by the Minister of Human Settlements in February 2023. Targets were significantly exceeded because National Treasury approved that the NHFC could use funds from previous allocations.

Table 24: Sub-programme 4b – Affordable Housing Finance achievements

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2022/23	AUDITED ACTUAL PERFORMANCE 2023/24	PLANNED ANNUAL TARGET 2024/25	ACTUAL ACHIEVEMENT 2024/25	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2024 / 25	REASON FOR DEVIATION
Improved delivery of affordable housing	Disbursements of approved loans	**Value of Consolidated disbursements** – affordable housing products (R'm)	821	389	394	320	Target was underachieved by R74mil	Part of the target forecasted in Q4 included an amount of R103mil which was to be the outcome of initiatives such as the Incubator and the Equity Investment Review, which were envisaged to translate into disbursements by Q3 and Q4. However, these outcomes were yet to materialise in the quarter. The procurement, appointment and launch of the Incubator took place at the end of Q4. The equity instrument review service provider was appointed in Q3 with findings to improve performance expected in the new financial year. As such, there was over-performance in the various traditional NHFC products, which assisted to substitute the R103 mil gap created and reduce that to R73.8million. Furthermore, although Subsidy Housing had approved sizeable transactions, these have not translated into disbursements as envisaged due to client delays in accepting terms and signing contracts for a Free State project, as well as a Gauteng majority female owned transaction.
		Value of disbursements – Strategic Investments (R'm)	9	8	99	112	Target was overachieved by R13mil	The disbursements target for the year was exceeded by R13mil due to progress in IHS social housing projects, along with Tier 2 capital for one of the investee companies.

Table 24: Sub-programme 4b – Affordable Housing Finance achievements (continued)

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2022/23	AUDITED ACTUAL PERFORMANCE 2023/24	PLANNED ANNUAL TARGET 2024/25	ACTUAL ACHIEVEMENT 2024/25	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2024 / 25	REASON FOR DEVIATION
Improved delivery of affordable housing	Disbursements of approved loans	**Value of consolidated approvals** – affordable housing products (R'm)	663	427	555	488	Target was underachieved by R67mil.	Part of the target forecasted for 2024/25, included an amount of R270mil, which was to be the outcome of initiatives such as the Incubator and the Equity Investment Review, and potential front-loading transactions, which were envisaged to translate into approvals from Q1 to Q4. However, these outcomes were yet to materialise. The procurement and approval process for the Incubator was still ongoing during the course of the year, with the launch only taking place at the end of Q4. The equity review service provider was appointed in Q3 with outcomes that will have an impact on the approvals performance in the new financial year and beyond. The over- performance in other products, substituted the R270mil gap created, reducing this substantially to a R13mil variance.
		Value of approvals Affordable Housing – Strategic Investment (R'm)	46	21	126	111	Target was underachieved by R15mil	Approval target for the year was underperformed by R15mil (12%) due to a few bankable deals that are being reviewed. The equity and quasi-equity instruments need to be restructured to ensure project financial viability and acceptable returns.

Table 25: Sub-programme 4c –Transformation achievements

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2022/23	AUDITED ACTUAL PERFORMANCE 2023/24	PLANNED ANNUAL TARGET 2024/25	ACTUAL ACHIEVEMENT 2024/25	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2024 / 25	REASON FOR DEVIATION
Increased penetration and participation of low-to middle-income households and black-owned businesses in the housing market	Increased focus on extension of funding to previously disadvantaged intermediaries	Value of disbursements targeted towards designated groups (R'm)	274	82	158	59	Target was underachieved by R99mil.	The NDoHS' 40% of disbursements target was not met as designated groups make up a small percentage of the approved pipeline. The target is informed by the expected disbursements that are inclusive of the expected Incubator disbursements expected to focus on women and black-owned transactions.
		Value of disbursements targeted towards B-BBEE compliant companies – Level 4, 3, 2, 1 Contributors (R'm)	668	377	118	245	Target was overachieved by R127mil.	Target exceeded due to a drive by NHFC over the past few years to encourage compliance by clients. These initiatives therefore demonstrate positive results.
		Value of disbursements targeted towards black-owned entities (R'm)	248	66	79	71	Target was underachieved by R8mil.	A Gauteng-based subsidy client with a project in Randfontein, Mogale City, with black ownership of 52%, has drawn down R44.7mil in Q4. The target was not met as black-owned committed transactions did not disburse as anticipated due to 3rd party delays, including GPF's approval and disbursements in GP and municipal land transfers in KZN.
		Value of payments to designated group-owned contractors (R'm)	54	50	62	0	Target was underachieved by R62mil	No disbursements were made due to slow progress on the active programme; violence onsite as well as lack of serviced sites are contributing factors. Business development efforts continue.
		Number of black and designated group-owned SMMEs appointed on managed programmes	New Indicator	128	25	0	Target was underachieved by 25	Target not met. No new programmes were signed during the financial year.

Table 25: Sub-programme 4c –Transformation achievements (continued)

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2022/23	AUDITED ACTUAL PERFORMANCE 2023/24	PLANNED ANNUAL TARGET 2024/25	ACTUAL ACHIEVEMENT 2024/25	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2024 / 25	REASON FOR DEVIATION
Increased penetration and participation of low-to middle-income households and black-owned businesses in the housing market	Increased focus on extension of funding to previously disadvantaged intermediaries	Number of developers supported to achieve approval of project development finance for their projects	New Indicator	New Indicator	10	0	Target was underachieved by 10	The programme was launched on the 28th of March 2025. The applications for the first cohort of developers into the programme will begin from the 1st of May 2025. Due to delays in the appointment processes, the implementation will commence in the new financial year.

PROGRAMME 4: STRATEGY TO OVERCOME AREAS OF UNDERPERFORMANCE

The programme set a new benchmark for strategic collaboration and innovation in the sector and is expected to address capacity deficiencies of emerging developers and convert the NHFC project pipeline into project financing.

To accelerate progress towards performance targets in securing projects and meeting payments to contractors and SMMEs appointed in programmes, the Programme Management division has strengthened business development initiatives to accelerate the conversion of pipeline opportunities into contracted projects. Focused stakeholder engagements with key players across all spheres of government have been prioritised, aligning offerings with pressing priorities in the human settlements sector.

The division adopted a more agile and responsive approach to projects and aligning offerings such as the material supplier undertaking to proposals which are tailored to sector needs and policy directives. By demonstrating sector-specific expertise and a solutions-driven value proposition, the division aims to strengthen client confidence and secure its position as a trusted delivery partner within the human settlements transformation agenda.

PART C
GOVERNANCE

1. INTRODUCTION

Corporate governance includes the processes and systems by which the NHFC is directed and held to account. In addition to legislative requirements based on the organisation's applicable legislation, corporate governance is applied through the precepts of the PFMA, in tandem with the principles contained in the King Codes.

The King IV™ reporting principles advocate an outcomes-based approach, and define corporate governance as the exercise of ethical and effective leadership to achieve the following governance outcomes:

- Ethical culture
- Good performance
- Effective control
- Legitimacy

The application of King IV™ is based on an apply or explain basis. The practices underpinning the principles are entrenched in the NHFC's internal controls, policies, and procedures that govern its corporate conduct. From a materiality perspective, the Board is satisfied that, in the main, the NHFC has applied the principles set out in King IV™.

2. PORTFOLIO COMMITTEES

During the period under review, the NHFC presented various strategic and operational matters to the Parliamentary Portfolio Committee on Human Settlements. The CEO and CFO attended the Portfolio Committee meetings where the 2024/25 Strategic Plan and APP were presented as well as to account on the NHFC's APP performance for FY2023/24 and MTSF performance for 2019–2024.

3. EXECUTIVE AUTHORITY

The NHFC submitted quarterly performance reports to the Executive Authority. These reports were submitted one month following the end of each quarter and provided the Minister with an overview of progress made by the entity against its financial and developmental targets, contributions to government priorities, governance, compliance, and risk management activities.

4. THE NHFC BOARD

4.1 BOARD GOVERNANCE

As the Accounting Authority, the Board provides leadership, vision, and strategic direction to enhance shareholder value and ensure the NHFC's long-term sustainability and growth.

The Board is committed to the principles of openness, transparency, integrity, and accountability as advocated in the King IV Code on Corporate Governance™. It is the responsibility of the Board to develop and oversee the execution of the strategy and monitor performance against the APP.

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

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

4.2 THE ROLE OF THE BOARD

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

During the year under review, the NHFC Board fulfilled, among others, the following roles and responsibilities:

- Steered and set the NHFC strategic direction;
- Approved the strategy and annual performance plans, and balanced scorecards developed by management to give effect to the approved strategy;
- Approved the organisational policies to serve as a roadmap for the NHFC operations and ensured compliance with legislation and regulations;
- Approved the financial budget and audited financial statements;

- Approved the APP for FY2024/25 and the MTDP and Strategic Plan targets;
- Exercised ongoing oversight and monitored the effectiveness of the implementation of the approved strategy;
- Ensured that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of duties;
- Ensured that the evaluation of its performance and that of its committees, the Chair and individual members, supported continued improvement in its performance and effectiveness;
- Set the direction for how risk and information technology should be approached and addressed in the organisation by approving related policies;
- Ensured proper governance of compliance with applicable laws, and adopted non-binding rules, codes and standards; and
- Ensured and encouraged proactive engagement with all stakeholders.

The Board is satisfied that the delegation of authority to management and its committees contributed to role clarity and the effective exercise of authority and responsibilities.

4.3 SHAREHOLDER COMPACT

The Board concludes the Shareholder Compact Agreement with the Executive Authority and submits the final Compact to the Shareholder no later than 31 January each year. The Shareholder Compact regulates the relationship between the Executive Authority and the Accounting Authority of the NHFC. It strengthens accountability of the Accounting Authority to the Executive Authority in respect of the NHFC's service delivery mandate and determines the expectations between the Executive Authority and the entity in terms of the implementation of this mandate.

The Compact further:

- Promotes transparency and principles of good governance in the entity's execution of its mandate;
- Determines processes for governance, compliance, risk management, monitoring, and evaluation, budget expenditure and performance reporting;
- Ensures compliance with applicable policies, legislation, and applicable governance protocols; and
- Determines a process of corrective measures where non-performance and non-compliance have occurred.

4.4 BOARD CHARTER

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

The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period. Item 4.2 sets out the roles and responsibilities of the Board as contained in its charter.

4.5 COMPOSITION OF THE BOARD

The Minister of Human Settlements appoints the non-executive directors of the Board for a period of three years. The Memorandum of Incorporation provides for a maximum of 12 and a minimum of eight members. During the period under review, the Board comprised 12 members, one of whom is the Chief Executive Officer. The term of the Board that was appointed in March 2022, ended during the period under review.

The appointment of the new board will be finalised by the shareholder on the 31 July 2025.

Table 26: Board composition and meeting attendance

NAME	DESIGNATION	DATE APPOINTED	END OF TERM	BOARD COMMITTEES	NO. OF BOARD MEETINGS ATTENDED
L Vutula	Chairperson & Non-Executive Director	29 March 2022	28 March 2025	DAC Chair	14/15
T Bonakele	Non-Executive Director	29 March 2022	28 March 2025	HCRC Chair DAC ISEC ITRC	15/15
S Bolipombo	Non-Executive Director	29 March 2022	28 March 2025	BCIC Chair Audit DAC	12/15
V Dube	Non-Executive Director	29 March 2022	28 March 2025	ITRC Chair DAC ISEC HCRC	14/15
P Heeger	Non-Executive Director	29 March 2022	28 March 2025	ISEC Chair Audit BCIC DAC ITRC	14/15
P Mthethwa	Non-Executive Director	29 March 2022	28 March 2025	Audit Chair BCIC DAC	14/15
T Chiliza	Non-Executive Director	29 March 2022	28 March 2025	Audit HCRC	13/15
T Mabaso	Non-Executive Director	29 March 2022	28 March 2025	BCIC ISEC	14/15
A Seedat	Non-Executive Director	29 March 2022	28 March 2025	BCIC ISEC	15/15
T Kobile	Non-Executive Director	29 March 2022	28 March 2025	BCIC ISEC	14/15
P Kadi	Non-Executive Director	29 March 2022	28 March 2025	Audit HCRC ISEC ITRC	6/15
A Mayekiso	Chief Executive Officer & Executive Director	1 March 2023	Not applicable	None	15/15

(Refer to Part A, Section 5 for a list of Board members, their qualifications and expertise.)

4.6 REMUNERATION OF THE BOARD

The remuneration of directors listed below was approved by the previous Minister at the AGM. This compromises a retainer and per-meeting fee.

Directors who are employees of public entities do not receive remuneration for services rendered to the NHFC.

Table 27: Board remuneration

FIGURES IN (R'000)	BONUSES	POST-EMPLOYMENT PENSION & MEDICAL BENEFITS	TOTAL FEES 2024/25
L Vutula	-	-	1 063 474
T Bonakele	-	-	838 639
S Bolipombo	-	-	919 766
V Dube	-	-	618 505
P Heeger	-	-	1 158 752
P Mthethwa	-	-	1 168 002
T Chiliza	-	-	790 202
T Mabaso	-	-	656 238
A Seedat	-	-	645 124
T Kobile	-	-	653 548
P Kadi*	-	-	0
T Thankge**	-	-	182 504
TOTAL	-	-	**8 694 753**

** Employee of a state-owned entity.*

*** Not a director but an independent advisor to the HCRC.*

4.7 BOARD COMMITTEES

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

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

Table 28: Board committees' meetings and members

COMMITTEE	NO. OF MEETINGS HELD	NO. OF MEMBERS	NAMES OF MEMBERS
Board Committee	15 • Board – 11 • Strategy Workshops – 4	9	L Vutula - Chairperson T Bonakele S Bolipombo V Dube P Heeger T Chiliza P Mthethwa P Kadi T Mabaso A Seedat T Kobile A Mayekiso
Directors' Affairs Committee	5	6	L Vutula - Chairperson T Bonakele S Bolipombo V Dube P Heeger P Mthethwa
Audit Committee	12 • Extended Audit Committee meeting – 1	5	P Mthethwa - Chairperson S Bolipombo P Heeger T Chiliza P Kadi
Board Credit and Investment Committee	12 • BCIC – 9 • Joint BCIC-Audit – 3	6	S Bolipombo - Chairperson P Mthethwa P Heeger T Mabaso A Seedat T Kobile
Human Capital and Remuneration Committee (formerly the Human Capital Committee)	7	4	T Bonakele - Chairperson V Dube T Chiliza P Kadi T Thankge*
IT and Risk Committee	5	4	V Dube - Chairperson P Heeger T Bonakele P Kadi
Impact, Social and Ethics Committee	4	7	P Heeger - Chairperson V Dube T Bonakele P Kadi T Mabaso A Seedat T Kobile

* Independent external advisor co-opted to the Human Capital and Remuneration Committee

Table 29: Board compliance with Terms of Reference

PUBLIC ENTITIES REGULATORY COMPLIANCE CALENDAR				
REGULATORY REQUIREMENT	**COMPLIANCE REPORTS/ PLANS**	**DUE DATE FOR SUBMISSION**	**DATE SUBMITTED**	**COMMENTS**
Framework for Strategic Plans and APP	Final APP 2024/25	January 2024	January 2024	The APP and Strategic Plan have been duly submitted.
PFMA Sec 51(1) (a) (ii)	Internal Audit Report Section 51(1)(a)(1) talks about the system of internal controls and this form part of the IA responsibilities (i) effective, efficient and transparent systems of financial and risk management and internal control	July 2024	September 2024	
PFMA Sec 51(1) (a) (I)	4th Quarter Risk Management Report	January 2025	January 2025	
TR 29.3.1	4th Quarter Performance Report	January 2025	January 2025	

BOARD OF DIRECTORS					
REGULATORY REQUIREMENT	**BOARD**	**SUBMITTED**		**DATE SUBMITTED**	**COMMENTS**
King IV™ Principle 2 Companies Act – S 66 Principle 2.18 PFMA – S 49	Shareholder mandates/ compacts	Yes		January 2024	Company Secretary
	Annual Board Charters with duties and responsibilities of directors	Yes		a. TRC Terms of Reference – Board approved 28 February 2024 b. ISEC Terms of Reference – Board approved 28 February 2024 c. DAC Terms of Reference – Board approved 30 May 2024 d. HCC Terms of Reference – Board approved 28 June 2024 e. Audit Committee Terms of Reference – Board approved 28 February 2024 f. Board Charter – 30 May 2024 g. BCIC Terms of Reference approved on 27 February 2024	

Table 29: Board compliance with Terms of Reference (continued)

BOARD COMPOSITION					
REGULATORY REQUIREMENT	**REQUIREMENT**	**NUMBER**	**GENDER**	**RACE**	**COMMENT**
King IV™ Principles 7 and 8 Companies Act – S 66 Principle 2.18 PFMA – S 49	What is the minimum number of directors on the Board?	8	See Table 30	See Table 30	The entity currently has one executive director, following the end of term of the former Board on 28 March 2025. The NHFC was non-compliant with the PFMA and MOI from 29 March 2025 until 1 August 2025, when the new Board was appointed.
	Does the Board consist of both executive and non-executive directors?	One executive director and 11 non-executive directors up to 28 March 2025 when the board term ended.			
	What is the number of non-executive directors?	11			The entity currently has one executive director who is the CEO, following the end of term of the former Board on 28 March 2025. The NHFC was non-compliant with the PFMA and MOI from 29 March 2025 until when the new Board was appointed on 1 August 2025.
	What is the number of independent directors on the board?	11	See Table 30	See Table 30	The entity currently has one executive director who is the CEO, following the end of term of the former Board on 28 March 2025. The NHFC was non-compliant with the PFMA and MOI from 29 March 2025 until 31 July 2025 when the new Board was appointed effective 1 August 2025.

Table 29: Board compliance with Terms of Reference (continued)

BOARD APPOINTMENT DATES

DIRECTORS	DATE OF APPOINTMENT	END OF CONTRACT	GENDER	RACE	COMMENT
List of executive directors	1 March 2023		Female	Black	The CEO is the only Executive Director.
List of non-executive directors	For the list of non-executive directors appointed on 29 March 2022, see Table 30.	28 March 2025			The three year term of the non-executive directors ended on 28 March 2025.

VACANCIES	YES	NO	NUMBER	COMMENTS
Are there vacancies in the entity's Board?	Yes, as at 29 March 2025.		11	The new Board was appointed effective 1 August 2025.
Have the vacancies been reported to the NDoHS?	Yes			

OTHER BOARD MATTERS

OTHER BOARD MATTERS	YES	NO	COMMENTS
Does the Board elect annually an independent non-executive Director as Chairperson?		No	The Chairperson is nominated by the Minister and confirmed by the Board.
Is there a rotation policy on the appointment of the Chairperson?		No	The Chairperson is nominated by the Minister and will rotate according to the Minister's instructions.
Does the Board act in the best interest of the entity (including the management of conflict of interest)?	Yes		
Does the Board appoint the CEO, establish delegation of authority, evaluate the CEO's performance, and ensure a succession plan for CEO and Senior Executives?	Yes		The current CEO was appointed by the former Board in concurrence with the Minister. The following are in place: a) An approved delegation of authority; and b) the succession plan for the CEO.
Are the CEO and Chairperson positions separate?	Yes		
Are the long-serving Board members (+9 yrs.) assessed annually for independence and is this reported?			None

Table 30: Gender and race of non-executive directors

NON-EXECUTIVE DIRECTOR	DATE OF APPOINTMENT	END OF CONTRACT	GENDER	RACE
Mr L Vutula (Board Chairperson)	29 March 2022	28 March 2025	Male	African
Ms S Bolipombo	29 March 2022	28 March 2025	Female	African
Mr T Bonakele	29 March 2022	28 March 2025	Male	African
Ms T Chiliza	29 March 2022	28 March 2025	Female	African
Mr V Dube	29 March 2022	28 March 2025	Male	African
Mr P Heeger	29 March 2022	28 March 2025	Male	White
Ms P Kadi	29 March 2022	28 March 2025	Female	African
Ms T Kobile	29 March 2022	28 March 2025	Female	African
Mr T Mabaso	29 March 2022	28 March 2025	Male	African
Ms P Mthethwa	29 March 2022	28 March 2025	Female	African
Ms A Seedat	29 March 2022	28 March 2025	Female	Indian

Table 31: Board committees' adherence to Terms of Reference

BOARD COMMITTEES					
REGULATORY REQUIREMENT	ORIENTATION AND CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS	YES	NO	DATE CONDUCTED/ COMMENTS	NUMBER OF PARTICIPANTS
King IV™ Principles 7 and 8	Is there an established Orientation Programme?	Yes			
	Is there a mentorship programme for new or inexperienced Directors?	Yes			
	Does the Board ensure compliance with all applicable laws and binding rules, codes, and standards?	Yes			
	Is there any Charter on the duties and responsibilities of directors?	Yes			
	Are there update briefings on new laws, regulations and changing risks?	Yes			

Table 31: Board committees' adherence to Terms of Reference (continued)

BOARD MEETINGS					
REGULATORY REQUIREMENT	**BOARD MEETINGS**	**YES**	**NO**	**NUMBER OF ATTENDEES**	**COMMENT**
Companies Act – S 73	How many Board meetings are held per quarter?	1		2 attendees – Board workshop and training. 23/01/2025; 2 attendees – Board 30/01/2025; 1 attendees – Board 27/02/2025; 12 attendees – Ordinary Board 27/03/2025.	Additional meetings are held as special meetings based on business requirements from time to time.
	Was a quorum formed?	Yes			
	How many meetings adjourned as a quorum was not formed?	Not applicable			
	Are Board packs submitted to the Department?	Yes			Electronic copies are submitted to the Department quarterly.

REMUNERATION AND ASSESSMENT					
REGULATORY REQUIREMENT	**REMUNERATION AND ASSESSMENT**	**YES**	**NO**	**DATE OF ASSESSMENT**	**COMMENT**
King IV™ Principle 14	Is there an approved remuneration policy?	Yes			
	Is there a policy on attraction and retention of scarce skills?	Yes			
	Does the Board evaluate its performance and effectiveness collectively and individually?	Yes			

Table 31: Board committees' adherence to Terms of Reference (continued)

REMUNERATION AND ASSESSMENT					
REGULATORY REQUIREMENT	**REMUNERATION AND ASSESSMENT**	**YES**	**NO**	**DATE OF ASSESSMENT**	**COMMENT**
	Does the Board evaluate the performance and effectiveness of its committees?	Yes			
	Has the Board disclosed its appraisal processes in the integrated report?	Yes			
	Does the performance evaluation result inform the Nomination Committee or the Department for the re-appointment of Directors?	Yes			
	Does the remuneration policy play an integral part in the succession planning for the CEO?		No		
	Is the remuneration package and structure in line with the entity's strategic objectives?	Yes			
Companies Act – S 66 and 72 King IV™ Principles 1, 7 and 8	Has the Board established all the mandatory Board committees?	Yes, up to 28/03/2025. No Board after this date			
	If no, has the entity set out reasons for failure to establish committees and developed a plan to establish the committees?	Yes, up to 28/03/2025. No Board after this date			

Table 31: Board committees' adherence to Terms of Reference (continued)

HUMAN CAPITAL AND REMUNERATION COMMITTEE				
REGULATORY REQUIREMENT	**HUMAN CAPITAL AND REMUNERATION COMMITTEE**	**YES**	**NO**	**COMMENT**
King IV™ Principle 14	Is the committee established?	Yes, up to 28/03/2025. No Board after this date		
	Is it chaired by an independent non-executive director	Yes, up to 28/03/2025. No Board after this date		
	Are Terms of Reference available?	Yes		
	Are Terms of References reviewed annually?	Yes		
	Are the Terms of Reference disclosed in the integrated report?	Yes		
	Does the Committee assist the Board with setting and administering remuneration policies?	Yes		
	Does it play an integral part in the succession planning, particularly of the CEO?		No	The Directors Affairs Committee deals with succession planning of the CEO and makes a recommendation to the Board for approval and to seek concurrence from the Shareholder.
	Is the remuneration of non-executive directors in line with National Treasury Guidelines?		No	The remuneration of non-executive directors is recommended by the Board and approved by the Minister.
	Is the report back done to the full Board?	Yes, up to 28/03/2025. No Board after this date		

Table 31: Board committees' adherence to Terms of Reference (continued)

IT AND RISK MANAGEMENT COMMITTEE				
REGULATORY REQUIREMENT	**RISK MANAGEMENT COMMITTEE AND MAJOR FUNCTIONS**	**YES**	**NO**	**COMMENT**
King IV™ Principles 2, 8 and 11 Companies Act – S 94 PFMA – S 51 and 76 TR – 27.1	Has the Risk Management Committee been established?	Yes, up to 28/03/2025. No Board after this date		The former Board established the ITRC and delegated risk management matters to this committee.
	Is it chaired by independent non-executive director?	Yes, up to 28/03/2025. No Board after this date		The ITRC is commonly chaired by an independent non-executive director.
	Are Terms of References reviewed annually?	Yes		
	Are the Terms of Reference disclosed in the integrated report?	Yes		
	Does it consist of at least three skilled and experienced members, executive and non-executive directors?	Yes, up to 28/03/2025. No Board after this date		
	What is the number of meetings held?	2		3 non-executive directors and CEO – ordinary meeting, 27/01/2025. 4 non-executive directors – ordinary meeting, 12/03/2025.
	Is there a developed Risk Management Plan?	Yes		
	Is the Risk Management Plan reviewed for effectiveness?	Yes		
	Is IT-related risk part of the risk management plan?	Yes		
	Is report-back done to the full Board?	Yes, up to 28/03/2025. No Board after this date		

Table 31: Board committees' adherence to Terms of Reference (continued)

IT AND RISK MANAGEMENT COMMITTEE				
REGULATORY REQUIREMENT	**RISK MANAGEMENT COMMITTEE AND MAJOR FUNCTIONS**	**YES**	**NO**	**COMMENT**
	Does it oversee the function of internal audit?	Yes, up to 28/03/2025. No Board after this date		
	Does it assist in the identification and management of financial risk?	Yes, up to 28/03/2025. No Board after this date		
	Has the Audit Committee effectively reported on the quality of management, the adequacy of quarterly reports and how it effectively fulfilled its duties?	Yes, up to 28/03/2025. No Board after this date		

AUDIT COMMITTEE				
REGULATORY REQUIREMENT	**AUDIT COMMITTEE AND MAJOR FUNCTIONS**	**YES**	**NO**	**COMMENT**
King IV™ Principles 2, 8 and 11 Companies Act – S 94 PFMA – S 51 and 76 TR – 27.1	Has the Audit Committee been established?	Yes, up to 28/03/2025. No Board after this date		
	Are the Terms of Reference available?	Yes		
	Are the Terms of Reference reviewed annually? If yes, when were they reviewed? If no, when will they be reviewed?	Yes		Reviewed and approved by the Board in February 2025.
	Does the committee consist of at least three members, the majority of whom are independent non-executive directors?	Yes, up to 28/03/2025. No Board after this date		There has been no Audit Committee since 29 March 2025.

Table 31: Board committees' adherence to Terms of Reference (continued)

AUDIT COMMITTEE				
REGULATORY REQUIREMENT	**AUDIT COMMITTEE AND MAJOR FUNCTIONS**	**YES**	**NO**	**COMMENT**
	Is the committee chaired by an independent non-executive director?	Yes, up to 28/03/2025. No Board after this date		
	Is the Chairperson of the Board a member of the Audit Committee?		No	The former Audit Committee was chaired by another non-executive director than the Board Chair.
	Does the Chairperson of the Board attend Audit Committee meetings by invitation only?			
	Does the Audit Committee assist in the identification and management of financial risk?	Yes, up to 28/03/2025. No Board after this date		
	Has the Audit Committee effectively reported on the quality of financial management, the adequacy of quarterly reports and how it effectively fulfilled its duties?	Yes, up to 28/03/2025. No Board after this date		The former Audit Committee fulfilled this duty.
	Is report-back done to the full Board?	Yes, up to 28/03/2025. No Board after this date		The former Audit Committee fulfilled this duty.

Table 31: Board committees' adherence to Terms of Reference (continued)

IMPACT, SOCIAL AND ETHICS COMMITTEE				
REGULATORY REQUIREMENT	**RISK MANAGEMENT COMMITTEE AND MAJOR FUNCTIONS**	**YES**	**NO**	**COMMENT**
Companies Act S 66 and 72 King IV™ Principles 2 and 3	Has the Board considered establishing a social and ethics committee?	Yes, up to 28/03/2025. No Board after this date		
	If not has the Board indicated in its report why such committee was never established?	Yes, up to 28/03/2025. No Board after this date		There was no Board from 29 March 2025.
	Are the Terms of Reference available?	Yes		
	Are the Terms of Reference reviewed annually?	Yes		
	Is the report-back done to the full Board?	Yes, up to 28/03/2025. No Board after this date		Also reports to the Shareholder at the AGM.

Table 32: Adherence to sustainability prescripts

SUSTAINABILITY REPORTING				
REGULATORY REQUIREMENT	**SUSTAINABILITY REPORTING**	**YES**	**NO**	**COMMENT**
Companies Act S 26–33	Has the Board submitted an integrated annual report?	Yes		FY 2023/24 was submitted to the Shareholder.
	Has the integrated report been reviewed by the Board and Audit Committee?	Yes		
	Was the integrated annual report reviewed by the Board with the assistance of the Audit Committee?	Yes		

Table 32: Adherence to sustainability prescripts (continued)

CODE OF CONDUCT				
REGULATORY REQUIREMENT	**ORGANISATIONAL INTEGRITY/ CODE OF CONDUCT**	**YES**	**NO**	**COMMENT**
Companies Act – S 75–77	Is there an established code of conduct for the directors?	Yes		
	Is there an established code of conduct for all employees?	Yes		
	Do directors and employees have knowledge of the code?	Yes		
	Were organisational standards of ethical behaviour developed in consultation with the stakeholders?	Yes		
	Is the organisation demonstrating commitment to its code?	Yes		
	Actions to be taken if the Board does not believe that ethical standards are met or are disclosed?	Yes		Full investigation undertaken. Then training or disciplinary steps according to the Corporation's Disciplinary Code as applicable.
	Is there a charter outlining the fiduciary duties of directors?	Yes		
	Is there a culture of promoting voluntary disclosure of conflicts of interest?	Yes		Standard disclosure formally noted at all meetings. Annual declarations of management and directors.

Table 32: Adherence to sustainability prescripts (continued)

RISK MANAGEMENT				
REGULATORY REQUIREMENT	**RISK MANAGEMENT**	**YES**	**NO**	**COMMENT**
PFMA – S 38 and 51	Does the Board take responsibility for the governance of risk and such responsibility expressed in the Board Charter?	Yes		Up to 28/03/2025. No Board after this date.
	Has the Board identified key risk areas?	Yes		
	Is there an established risk management policy and plan?	Yes		
	Were the risk management policy and plan reviewed in the financial year under review?	Yes		
	Is the risk management policy and plan clearly communicated to all officials of the company?	Yes		
	Is there an awareness programme to widely disseminate emerging risk to all employees of the entity?	Yes		
	Is the effectiveness of the risk management carefully implemented and evaluated?	Yes		
	Is there a process of continuously identifying risk and effectively managing risk?	Yes		
	Does the Audit Committee form an integral part of the risk management processes particularly relating to financial reporting and controls?	Yes		Up to 28/03/2025. No Board after this date.

Table 32: Adherence to sustainability prescripts (continued)

RISK MANAGEMENT				
REGULATORY REQUIREMENT	**RISK MANAGEMENT**	**YES**	**NO**	**COMMENT**
	Has the Risk Register/Plan been developed?	Yes		Up to 28/03/2025. No Board after this date.
	Key risk areas and key performance indicators identified?	Yes		Up to 28/03/2025. No Board after this date.
	Appropriate risk and control policies established?	Yes		Up to 28/03/2025. No Board after this date.
	Quarterly Risk Management Report?	Yes		Up to 28/03/2025. No Board after this date.
	Is the Risk Management Plan disclosed in the integrated report?	Yes		

Table 33: Financial management

REGULATORY REQUIREMENT	AUDITING AND NON-AUDIT SERVICES	YES	NO	COMMENT
Companies Act – S 94 PFMA S 51 and 76 TR 27.2 King IV™ Principles 12 and 15	Has the internal auditing services been outsourced?	Yes		Nexia SAB&T has been appointed as the Internal Auditors.
	If yes, has the amount paid for this service been disclosed in the integrated report?	Yes		Disclosed together with professional fees.
	Have the reasons for outsourcing such services been provided?	Yes		
	Is there an established Audit Charter?	Yes		Yes, Internal Audit Charter that is approved by the Audit Committee annually.
	Are the internal audit services properly equipped in terms of skilled and experienced personnel as well as resources?	Yes		

Table 33: Financial management (continued)

REGULATORY REQUIREMENT	AUDITING AND NON-AUDIT SERVICES	YES	NO	COMMENT
	Are there consultations between internal and external auditors?	Yes		
	Is the internal audit service able to carry out its functions independently of the Board?	Yes		
	Is the internal audit report of assistance in identifying and controlling financial risk and eliminating risk of financial misconduct, fraud, and irregular expenditure?	Yes		
	Has an Internal Audit Plan been developed?	Yes		
	Are Fraud/Corruption Prevention Plans in place?	Yes		
	Quarterly Internal Audit/ Control Reports?	Yes		
	External Audit Implementation Plan Developed	Yes		
	Quarterly External Audit Recovery Plan	Yes		

Table 33: Financial management (continued)

FINANCIAL SUSTAINABILITY				
REGULATORY REQUIREMENT	**FINANCIAL SUSTAINABILITY**	**YES**	**NO**	**COMMENT**
King IV™ Principle – 2, 3, 4 and 5 PFMA S 51–55 TR – 28 Companies Act S 26–33	Has the entity developed criteria and guidelines for materiality for reporting consistently?	Yes		
	Has the entity disclosed policies defining social investment prioritisation and spending?	Yes		
	Does the integrated report provide adequate information on the entity's financial indicators and sustainability?	Yes		
	Does the Board consider the negative and positive impacts of its business activities to plan and eliminate the negative impacts in the next financial year?	Yes		Up to 28/03/2025. No Board after this date.
	Do the integrated report and financial statements fairly represent the state of affairs of the entity, its business, its financial results, its performance against its objectives and its financial position as at the end of financial year?	Yes		
	Was there any material loss through criminal conduct and any irregular, fruitless and wasteful expenditure?		No	No material loss during the year. Irregular expenditure identified and reported in the Integrated Annual Report.

Table 33: Financial management (continued)

FINANCIAL SUSTAINABILITY				
REGULATORY REQUIREMENT	**FINANCIAL SUSTAINABILITY**	**YES**	**NO**	**COMMENT**
	Were there any criminal and disciplinary steps taken against any employee?	Yes		No instances of criminal fraud reported. No disciplinary steps deemed necessary against any employee and in terms of the Guidelines from National Treasury and the PFMA. Disciplinary action has been taken where applicable in instances of irregular expenditure.
	Were there any steps taken to recover any loss?		No	No loss incurred.
	Did the entity experience major losses through criminal conduct and irregular, fruitless and wasteful expenditure?		No	No instances of criminal fraud reported. No disciplinary steps deemed necessary against any employee and in terms of the Guidelines from National Treasury and the PFMA. Disciplinary action has been taken where applicable in instances of irregular expenditure.
	Was there a disciplinary step taken against any employee of the entity for any unlawful conduct in contravention of any relevant legislation and regulations?		No	No instances of unlawful conduct reported. No disciplinary steps deemed necessary against any employee and in terms of the Guidelines from National Treasury and the PFMA. Disciplinary action has been taken where applicable in instances of irregular expenditure.
	What is the number of finance-related misconduct cases?	Not applicable		
	What is the number of disciplinary hearings undertaken by the entity relating to financial misconduct?	Not applicable		

Table 33: Financial management (continued)

FINANCIAL SUSTAINABILITY				
REGULATORY REQUIREMENT	**FINANCIAL SUSTAINABILITY**	**YES**	**NO**	**COMMENT**
	Have there been transactions resulting in: • disposal of the assets of the entity, establishing of a company • establishment or change in its interest in a joint venture • commencement or cession of a business activity • acquisition of its shareholding? Was the Minister's approval obtained?		No	

AUDIT COMMITTEE

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

Table 34: Corporate citizenship compliance

REGULATORY REQUIREMENT	CORPORATE CITIZEN AND STAKEHOLDER RELATIONS	YES	NO	COMMENT
Companies Act – S 75–77	Does the Board consider, in the best interest of the entity, the interests of various stakeholders?	Yes		Done at all Board committees, with oversight at Impact, Social and Ethics Committee and Board.
	Does the company have communication techniques to facilitate access to information?	Yes		PAIA Manual and internal policies.
	What is the number of disputes or litigious matters the entity has against stakeholders?	Not applicable		None

Table 34: Corporate citizenship compliance (continued)

REGULATORY REQUIREMENT	CORPORATE CITIZEN AND STAKEHOLDER RELATIONS	YES	NO	COMMENT
	Does the entity consider formal dispute resolution processes other than court processes?	Yes		Use of Inter-Government Act processes or other formal arbitration.
	What is the number of litigious disputes resolved through alternative dispute resolution than courts?	Not applicable		
	Does the entity have policies considering social, economic, and environmental responsibility when conducting business?		No	
	Are there any adopted policies and programmes promoting good corporate citizenship in respect of the communities and the environment?	Yes		
	Has the entity conducted an Environmental Impact Assessment on its activities?	See comment		Environmental assessments are conducted where required on business funding applications.
	Does the entity, in its relationship with stakeholders, promote sustainable developments and projects on social and environmental issues?	Yes		
	Does the entity promote a culture of eliminating all environmental risks?	Yes		
	Is the entity still economically, socially, and environmentally viable?	Yes		

Audit Committee functions and composition

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

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

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

The Audit Committee's report appears under Part F, Section 6, on page 154 of this report.

INTERNAL AUDIT

Objectives of internal audit:

- Enhance organisational governance, risk management, and control
- Ensure compliance with key regulatory frameworks
- Support Audit Committee oversight
- Promote independence and objectivity

Key activities of internal audit at NHFC

- Establish and maintain governance instruments
- Conduct risk-based audit planning
- Perform assurance and consulting engagements
- Report findings and recommend improvements
- Facilitate combined assurance and internal controls monitoring
- Support fraud awareness and ethical governance.

BOARD CREDIT AND INVESTMENT COMMITTEE

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

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

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

HUMAN CAPITAL AND REMUNERATION COMMITTEE

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

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

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

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

IMPACT, SOCIAL AND ETHICS COMMITTEE

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

As the Impact, Social and Ethics Committee is collaborative in nature, it is mindful not to duplicate work performed within the company or by any of the other committees of the Board. The committee performs its oversight role to ensure that the company remains committed to being a socially responsible corporate citizen and remains a sustainable business regarding its ethical, economic, social, transformational, and environmental impact on the communities within which it operates.

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

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

INFORMATION TECHNOLOGY AND RISK COMMITTEE

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

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

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

DIRECTORS' AFFAIRS COMMITTEE

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

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

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

4.8 ACCESS TO INFORMATION AND ADVICE

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

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

5. COMPLIANCE WITH LAWS AND REGULATIONS

Overall, during the year under review the NHFC has complied with all the applicable laws of the country including the PFMA and Treasury Regulations. Where assurance cannot be given fully, improvement plans are in place.

NHFC has adopted a zero-tolerance approach towards non-compliance with laws and regulations. The company is committed to upholding its core values and ensuring that there is compliance with all relevant legal, regulatory, ethical and internal policy obligations.

Table 35 gives an in-depth view of the NHFC's compliance status relating to several reporting items. Generally , the NHFC endeavours to comply with all the applicable laws of the country including the Public Finance Management Act (PFMA) and Treasury Regulations.

The Information, Technology and Risk Committee approved the regulatory universe and reviews the NHFC's compliance with legal and regulatory provisions quarterly. During the year under review, the following legislative prescripts were prioritised by the NHFC:

- Basic Conditions of Employment Act No. 75 of 1997
- Compensation for Occupational Injuries and Diseases Act No. 130 of 1993
- Financial Intelligence Centre Act No. 38 of 2001
- Protection of Personal Information Act No. 4 of 2013
- Income Tax Act No. 58 of 1962
- Labour Relations Act No 66 of 1995
- National Environmental Management Act No. 107 of 1998
- National Credit Act No. 34 of 2005
- Companies Act No. 71 of 2008 and the Companies Regulations, 2011
- Occupational Health and Safety Act No. 85 of 1993

- Promotion of Access to Information Amendment Act No. 54 of 2002
- Public Finance Management Act No. 1 of 1999
- Preferential Procurement Policy Framework Act No. 5 of 2000
- Prevention and Combating of Corrupt Activities Act No. 12 of 2004
- Prevention of Organised Crime Act No. 121 of 1998
- Employment Equity Act No. 55 of 1998
- Financial Regulation Act No. 9 of 2017
- Broad-Based Black Economic Empowerment Act No. 53 of 2003.

Table 35: PFMA and Treasury Regulations compliance update

AREA	REFERENCE TO STATUTORY AND REGULATORY REQUIREMENTS	COMPLIANCE STATUS YES/NO	REMARKS
General responsibilities of Accounting Authorities	51(1)(d)	Yes	NHFC complies with Sec 51(1)(d) in that the responsibility of the accounting authorities are contained in the terms of reference and NHFC internal policies and these are properly managed and executed.
Delegation of powers by Accounting Authority	Sec 56	Yes	NHFC complies with Sec 56 of the PFMA. The Delegation of Authority was reviewed and approved by the Accounting Authority in March 2025.
Internal Controls	51(a)(i)	Yes	NHFC has policies and procedures to manage internal controls. Internal Auditor conducts audits.
Internal Audit system under the control of the Audit Committee	51(a)(ii)	Yes	Nexia SAB&T appointed as internal Auditors.

Table 35: PFMA and Treasury Regulations compliance update (continued)

AREA	REFERENCE TO STATUTORY & REGULATORY REQUIREMENTS	COMPLIANCE STATUS YES/NO	REMARKS
Audit Committee	TR 27.1.1; 77(a); 77(b); TR 27.1.6; TR 27.1.8; TR 27.1.10(a); TR 27.1.13;	Yes	NHFC has a duly constituted Audit Committee which meets quarterly.
Risk Assessments	TR 27.2.1	Yes	NHFC Risk Assessments are conducted quarterly and reported to relevant governance committees. The Fraud Risk Register is submitted to the Audit Committee and the Impact Social and Ethics Committee for noting.
Financial Misconduct	51(e); TR 33.1.1; TR 33.1.2; TR 33.2.1;	No	In the process of seeking approval for condonation.
PLANNING AND BUDGETING			
Annual budget, corporate plan and Shareholder's Compact	Sec 52; TR 29.1.1; TR 29.2;	Yes	The Consolidated APP has been submitted to the NDoHS.
Retention of Surplus Funds	53(3)	Yes	NHFC is compliant in terms of the surplus funds' retention requirements.
Strategic Plan	TR 30.1.1; TR 30.1.2; TR 30.1.3	Yes	The 2024/25 SP, APP and Shareholder's Compact were submitted to the NDoHS.
REPORTING			
Quarterly Reporting	TR 26 1.1; TR 26.1.2; TR 29.3.1; TR 30.2.1	Yes	The Quarterly Report was duly submitted.

6. FRAUD AND CORRUPTION

The NHFC has an approved Fraud Prevention and Response Plan in place. Its purpose is to promote ethics, as well as fight fraud, theft, corruption, maladministration, and other acts of misconduct.

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

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

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

7. MINIMISING CONFLICT OF INTEREST

In line with the Companies Act and The King Codes, the Board and management are bound to conduct the business of the company in accordance with sound ethical principles. These are embodied in the Code of Conduct and Board Charter, which also set out the legal requirements and procedures to be followed in declaring a conflict of interest in any business matter before a management committee, Board committee or the Board. The purpose of this declaration is to minimise conflict of interest in matters related to the business of the organisation.

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

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

8. GOVERNANCE OF SUBSIDIARY COMPANIES

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

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

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

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

9. CODE OF CONDUCT

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

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

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

Table 36: Examples of breach of Code of Conduct

STAKEHOLDER	EXPECTED CONDUCT	SCHEDULE OF OFFENCE CATEGORY
Where an employee interacts with a fellow employee, he/she must:	• Act professionally and co-operate fully to advance the public interest. • Refrain from conflict of interest.	**Schedule 1:** • Failure or refusal to abide by work schedules. • False claims for overtime.
Where an employee interacts with a member of the public the employee should:	• Promote the unity and well-being of the South African nation in performing his/her duties. • Be polite, helpful, and reasonably accessible in dealings with customers.	**Schedule 2 & 3:** • Failure to provide a high level of service or courtesy to a client. • Causing customers, fellow employees, or other persons to complain regarding work, client service or attitude.

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

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

10. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

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

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

All NHFC employees are responsible for their own health and safety as well as that of their colleagues. Training and information are provided to employees on how to carry out work processes safely and to report incidents timeously.

In order to ensure a safe working environment, the NHFC in partnership with health and safety service providers, undertakes risk assessments and audits through which programmes of action are developed.

11. COMPANY SECRETARY

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

The NHFC Company Secretary fulfils the following duties and responsibilities, among others:

- Provides the directors of the Company collectively and individually with guidance as to their duties, responsibilities and powers.
- Ensures that the directors are aware of any law relevant to or affecting the Company and reporting any failure on the part of the Company or a director to comply with the Memorandum of Incorporation or rules of the company or the relevant Act.
- Ensures that minutes of all meetings, including those of the shareholder, Board, Board committees and management committees, are properly recorded.
- Certifies in the Company's Annual Financial Statements whether the company has filed the required returns and notices in terms of this Act, and whether all such returns and notices appear to be true, correct and up to date. (See Company Secretary's Certification under Part F: Financial Information, Section 6).
- Ensures that a copy of the Company's Annual Financial Statements are sent to all relevant stakeholders.

12. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

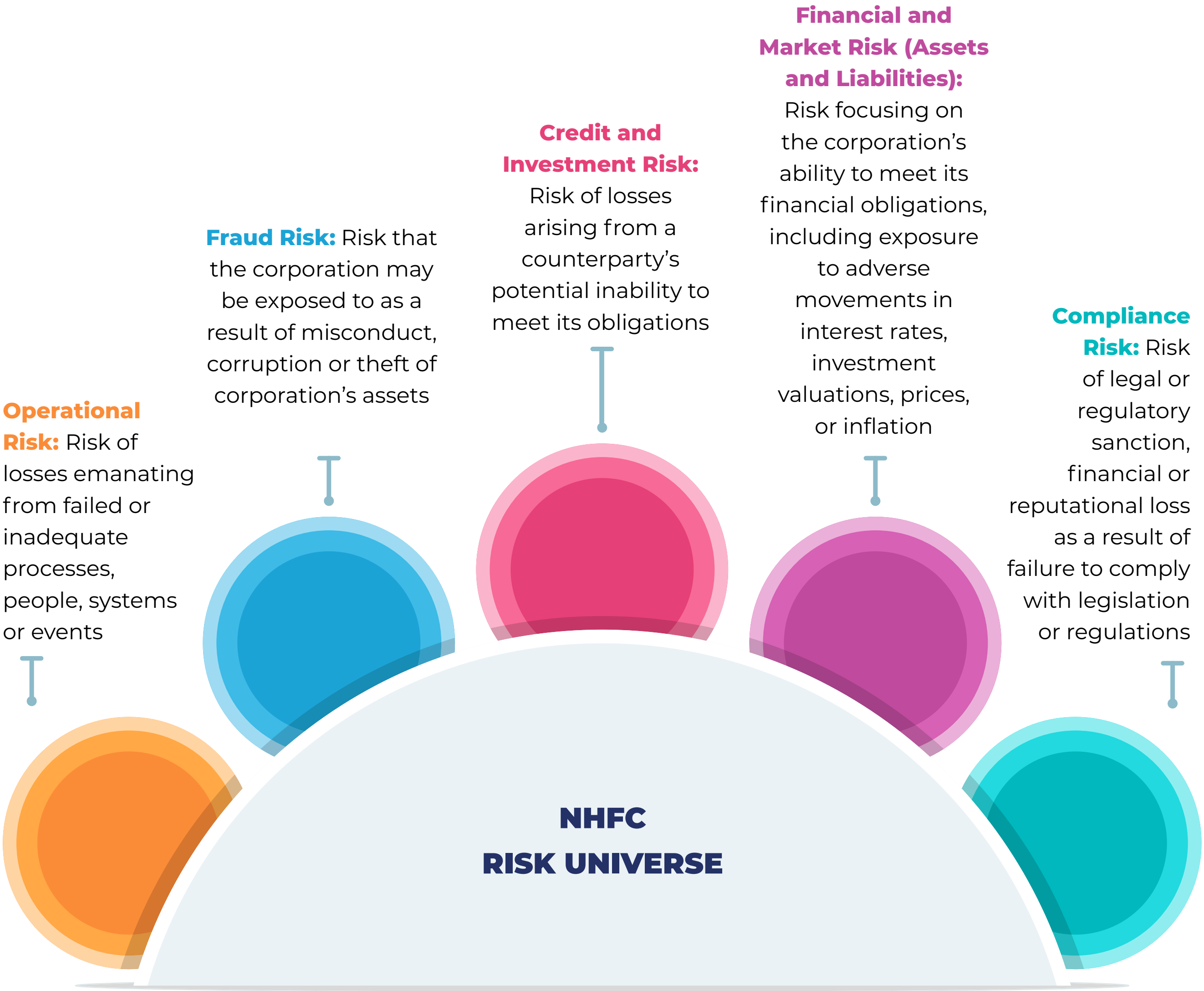
CRITERIA	RESPONSE YES/NO	DISCUSSION
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	Not applicable	
Developing and implementing a preferential procurement policy?	Yes	To be determined
Determining qualification criteria for the sale of state-owned enterprises?	Not applicable	
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad-Based Black Economic Empowerment?	Not applicable	

PART D
RISK MANAGEMENT

1. MANAGING RISK

The Enterprise Risk Management Department oversees the identification and analysis of strategic risk exposures and their potential impact on the achievement of the NHFC's strategic objectives.

At the NHFC, risk is expressed in line with the company's Risk Universe, which includes:



An assessment of the NHFC's strategic and operational risks is performed annually. At the start of 2024/25, the Enterprise Wide Risk department facilitated a review of key strategic risks, which were subsequently approved by the Board. Management and the Board monitor and evaluate all the identified risks quarterly, ensuring that risk responses are current and dynamic.

During the process of continuous monitoring and evaluation, emerging risks are also identified to ensure that all risk areas are effectively managed and proper mitigation plans are put in place.

The literature on risk identifies five lines of defence:

- First line: Business units, line managers, and staff
- Second line: Risk and compliance function
- Third line: Internal audit
- Fourth line: External assurance and regulators
- Fifth line: Board and board committee oversight

2. RISK APPETITE

2.1 STATEMENT

The Risk Appetite Statement defines the NHFC's tolerance for risk-taking, ensuring that operational risks remain aligned with its overall risk-bearing capacity. It is a cornerstone of the risk management framework, complementing risk limits and risk profile assessments, while providing strategic guidance and setting the long-term direction of the NHFC as it transitions towards the HSDB.

For the year ending 31 March 2025, risks were largely managed within the defined appetite. In cases where thresholds were temporarily exceeded, corrective actions were promptly implemented to limit potential impact. A comprehensive review of the Risk Appetite Statement was undertaken to ensure its continued relevance in the context of the HSDB transition. The revised statement balances prudence with strategic risk-taking, supporting growth and innovation while safeguarding financial resilience and operational stability. It has been finalised and is pending approval by the relevant governance committees.

2.2 PILLARS

Figure 13: Risk appetite pillars

2.3 LONG-TERM TARGET

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

3. RISK UNIVERSE

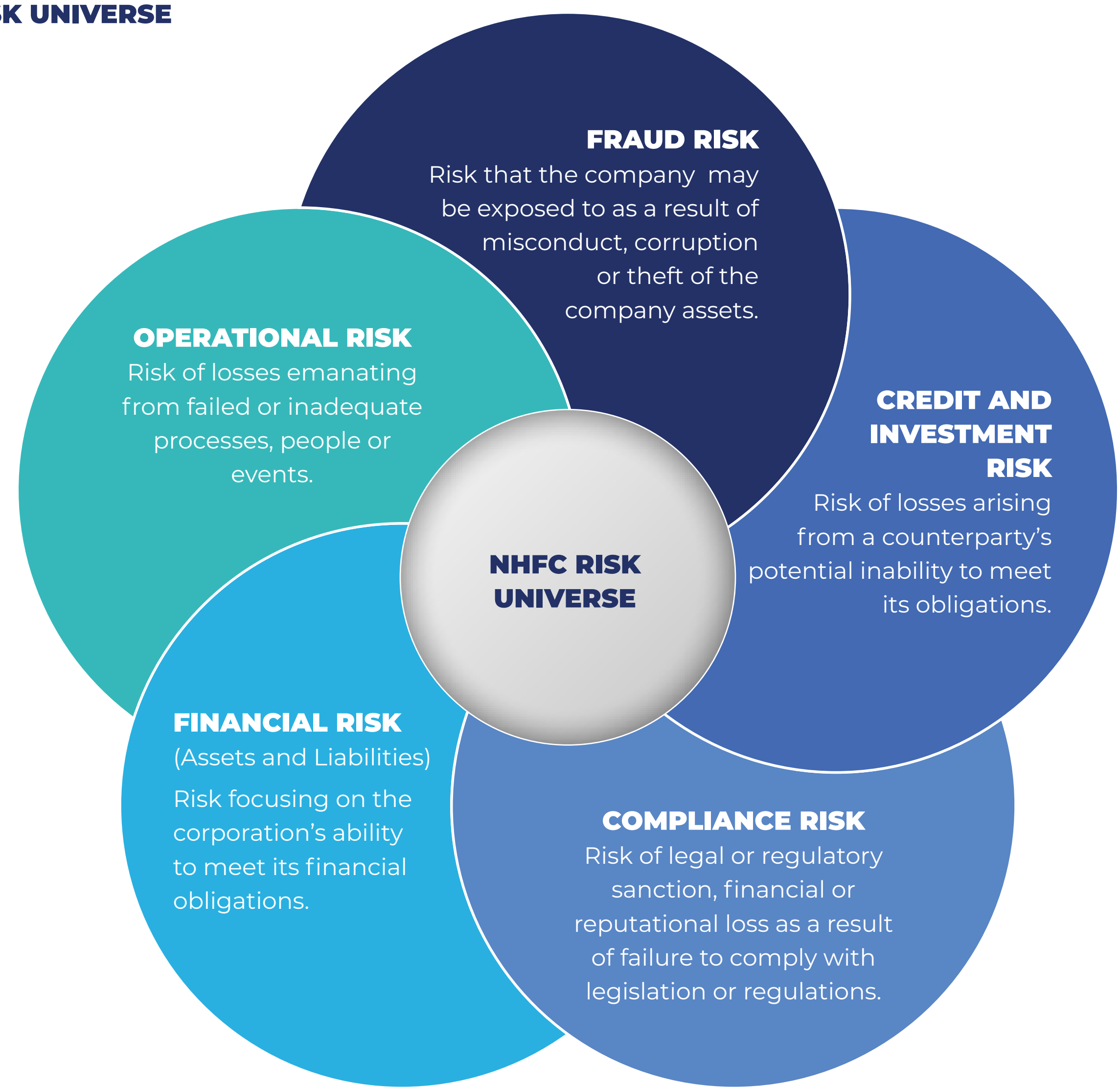


Figure 14: NHFC risk universe

4. BUSINESS CONTINUITY MANAGEMENT

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

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

5. CREDIT AND INVESTMENT RISK MANAGEMENT

5.1 OVERVIEW

The NHFC faced another tough year in 2024/25 as South Africa's economy struggled, with GDP growth at just 0.6% for 2024 and a meager 0.1% quarter-on-quarter expansion in early 2025. Persistent inefficiencies in ports, rail, and energy infrastructure stifled private investment, while weak consumer spending further dampened growth. Although the South African Reserve Bank cut interest rates, lowering the repo rate from 7.75% to 7.25% by May 2025 (prime at 10.75%), the impact was limited. High living costs and stagnant wages kept household budgets under strain, depressing mortgage demand and constraining financing for new affordable housing projects. These challenges left the sector under sustained pressure. Despite these challenges, we remained focused on preserving financial resilience and fulfilling our developmental mandate.

In 2024/25, the NHFC's credit risk management demonstrated resilience, adaptability, and alignment with its dual mandate of impact and sustainability. Despite macroeconomic pressures and rising credit risk, the Corporation upheld strong governance, achieved measurable recoveries, and continued to support affordable housing delivery nationwide. These foundations position the NHFC well as it advances towards integration into the Human Settlements Development Bank and broadens its developmental footprint. The organisation intensified post-investment monitoring, implemented targeted recoveries and restructuring efforts, and modernised its risk frameworks. These interventions were pivotal in maintaining asset quality while continuing to support affordable and social housing delivery in underserved markets.

The rental property market also came under strain. Although demand increased due to declining homeownership affordability, landlords in the affordable rental segment faced elevated tenant defaults, rising arrears, and approval bottlenecks. In response, we enhanced our role as a countercyclical financier by supporting developers with structured facilities and developmental finance to expand access to quality rental housing.

We accelerated our strategic alignment with the future Human Settlements Development Bank (HSDB) by modernising policies, improving IFRS 9 readiness, and streamlining operational processes. These efforts position the organisation for a phased ERP implementation, ensuring smoother integration, enhanced agility, and greater responsiveness to market demands.

STRATEGIC FOCUS

The NHFC's credit strategy during the period was guided by three overarching priorities: stabilising the credit portfolio, reinforcing developmental impact, and enhancing governance alignment.

Stabilisation efforts focused on recovering value from distressed projects through legal recoveries, restructuring, and hands-on post-investment monitoring. Notable examples included liquidation proceedings for the legacy non-performing book.

Simultaneously, the corporation continued to approve new transactions that expanded affordable housing stock, with a focus on transformation, financial inclusion, and geographic spread.

In partnership with KPMG, the NHFC concluded the review and modernisation of its Credit, Pricing, and Equity and Quasi-equity policies, including the Risk Appetite Statement. These reforms are central to positioning the organisation within a more integrated and responsive governance framework aligned to future HSDB operations.

As part of the Key Value Enablement Initiatives, several enhancements are proposed and intended to strengthen the effectiveness and responsiveness of the Credit function. These enhancements are aimed at embedding credit risk considerations earlier in the transaction lifecycle, improving collaboration with stakeholders, and ensuring that products and processes are aligned to both market needs and developmental objectives.

A critical enhancement involves the early engagement and integration of the Credit function in the deal development lifecycle. This includes active participation in the pre-due diligence stage, structuring discussions, and on-site due diligence. By embedding credit expertise upfront, the NHFC can ensure that risks are identified and mitigated early, while also shaping deals to be more bankable and sustainable. This proactive approach reduces the likelihood of bottlenecks at later stages and improves the overall turnaround time of approvals.

Equally important is the strengthening of post-approval support mechanisms to facilitate timely disbursements. This includes closer monitoring of pre-disbursement conditions and active engagement with clients to address outstanding requirements. By taking a more hands-on role in this phase, the NHFC can mitigate pre-disbursement risks, safeguard capital, and ensure that funds flow into projects without unnecessary delays, thereby accelerating impact delivery.

In addition, the Credit function will actively participate in the co-design and refinement of funding and financing products to ensure that solutions remain fit-for-purpose and responsive to client needs. This collaborative design process will not only align products with market realities but will also enhance affordability, accessibility, and developmental impact in line with NHFC's mandate.

To promote knowledge sharing and build collective expertise, the establishment of Communities of Practice within the Credit Risk Division is proposed. These forums will provide a structured platform for staff to exchange insights, share lessons from transactions, and jointly develop best practices. Such an approach will drive continuous improvement, enhance institutional learning, and strengthen the division's overall capacity.

Finally, the Credit function will expand its toolkit through the incorporation of enhanced qualitative and quantitative rating tools. These tools will provide a more holistic assessment of counterparties by combining financial metrics with developmental, operational, and governance indicators. This integrated assessment framework will enable more balanced credit decisions, enhance portfolio quality, and align risk evaluation with NHFC's dual mandate of financial sustainability and developmental impact.

PORTFOLIO DIVERSIFICATION AND RISK MITIGATION

Portfolio diversification remained a cornerstone of the NHFC's risk mitigation strategy. As at 31 March 2025, the portfolio comprised 34% social housing, 25% private rental, 29% affordable housing (including bridging finance), and 12% in other asset classes. Temporary waivers were applied to sectoral concentration limits, pending the implementation of revised thresholds proposed during the credit policy overhaul.

Short- to medium-term bridging finance for affordable housing, which has seen a sharp increase in recent years, continued to perform well in terms of disbursement volume and liquidity management, reflecting strong market need and structured exit mechanisms.

To manage portfolio risk, the NHFC employed several mitigation measures. Social housing assets were generally well-secured, whereas private rental developments have higher Loss Given Default (LGD) risks, with recoverability averaging around 33%. Enhanced early warning tools and strengthened post-investment monitoring flagged high-risk projects, particularly those experiencing cost overruns and delayed revenue flows. Coordinated engagements with SHRA, municipalities, and legal professionals enabled more effective turnaround planning and execution.

KEY SUCCESSES IN CREDIT RISK MANAGEMENT

During 2024/25, the NHFC strengthened its credit risk management by modernising its Credit, Pricing, Equity, Impairment, and Write-Off policies, introducing risk-based pricing models, stress-testing frameworks, and revised concentration thresholds that enhanced portfolio resilience. Proactive interventions safeguarded value through the restructuring of R197 million in distressed loans, the release of R101.7 million in impairments, and targeted legal recoveries and liquidations of non-viable exposures. A newly established Portfolio Risk and Reporting unit improved governance, early warning capabilities, and scenario-based stress testing, while robust post-investment monitoring and hands-on engagement sustained a 93% collection ratio despite economic headwinds. The portfolio remained strategically diversified (34% social housing, 25% private rental, 29% affordable housing, and 12% other), with bridging finance facilities performing strongly as a liquidity instrument. To deepen institutional capability, the corporation launched targeted training programmes in property finance, legal recoveries, and IFRS 9 compliance, ensuring alignment with HSDB readiness.

As a countercyclical financier, NHFC supported affordable rental housing developers affected by tenant defaults and approval delays, accelerating disbursements to maintain housing delivery. Finally, strengthened collaboration with SHRA, municipalities, and sector partners helped address systemic challenges such as bulk infrastructure delays, rising costs, and hijacked buildings, reinforcing NHFC's role as a trusted developmental financier.

PORTFOLIO PERFORMANCE AND COLLECTIONS

As of the end of the reporting year, the NHFC's gross loan book stood at R3.03 billion, down from R3.25 billion in the prior year, reflecting a 7% contraction. The performing portion of the loan book decreased by 17% to R1.78 billion, largely due to economic strain, and delayed approvals due to project readiness.

Non-performing loans (NPLs) rose from R1.11 billion to R1.26 billion, marking a 13.5% (R150 million) increase. The high NPLs are attributable to legacy loans which make up R671 million or 53% of the total.

Despite the weaker performing book, NHFC maintained a strong collections posture, with a 12-month collections ratio for the performing book falling from 120% to 93%, this figure remained above minimum thresholds.

TURNAROUND AND RECOVERY STRATEGY

A core feature of NHFC's risk management in 2024/25 was the execution of targeted turnaround and recovery interventions. The Corporation successfully restructured loans worth R197 million, improving repayment prospects while helping ensure project continuation.

Where financial rehabilitation was not feasible, legal recovery processes. including liquidations, were initiated to safeguard the corporation's interests. NHFC also exercised contractual step-in rights on strategic projects, assuming oversight to de-risk delivery and secure social impact outcomes.

Impairment charges amounting to R101.1 million were raised during the financial year, with a subsequent impairment release of R101.7 million, demonstrating the positive impact of proactive and strategic credit management.

STAKEHOLDER ENGAGEMENT AND GOVERNANCE

Effective stakeholder engagement and internal governance underpinned NHFC's credit risk performance. The Board Credit and Investment Committee and the Management Credit and Investment Committee (EXCOM) remained closely involved in key investment and recovery decisions.

NHFC also maintained active engagement with SHRA, municipalities, and legal partners to address sector challenges such as hijacked buildings, tenant boycotts, and delayed bulk infrastructure, ensuring sustained alignment with national housing objectives.

The ongoing rollout of the EDIPhelps early-stage developers become financially ready for funding, which will improve the long-term quality of the portfolio.

PORTFOLIO RISK AND REPORTING CAPABILITY

A key innovation in 2024/25 was the establishment of a dedicated Portfolio Risk and Reporting unit to bolster credit risk oversight and support more informed decision-making. This unit functions as a central hub for real-time analytics, risk surveillance, and performance monitoring across the loan book.

The unit's responsibilities include portfolio-level reporting to governance structures, monitoring sectoral and geographic exposures, identifying early warning indicators, and conducting scenario-based modelling to assess stress conditions. Its insights inform credit committee decisions, pricing policies, and portfolio strategy, aligning operational execution with the NHFC's risk appetite and developmental goals. The unit will also be collaborating with the Finance division in the implementation of the new GRAP 104 accounting standard that became effective on 1 April 2025 that specifically deals with the recognition, measurement and disclosure of financial instruments in the public sector.

5.2 DIVISIONAL STRUCTURE AND CAPACITY BUILDING

Recognising the complexity of credit risk in a dynamic housing finance environment, NHFC identified comprehensive skills development to upskill its credit personnel. This training intervention will be attended by staff across origination, monitoring, strategic investments and recovery functions and this structured learning programme includes:

- Property development and construction finance
- Project finance and financial modelling
- Valuations, due diligence, and credit assessment
- Workout strategies, legal recoveries, and business rescue
- GRAP/IFRS financial reporting and impairment modelling.

These interventions are aligned to long-term capacity needs as the organisation transitions into a catalytic DFI model under the HSDB. The goal is to build deep technical expertise, improve portfolio stewardship, and embed a strong culture of risk accountability.

5.3 POLICIES AND PROCEDURES

As part of its transition to an HSDB-aligned risk framework, the NHFC undertook a comprehensive review of its credit, pricing, and investment policies, with technical support from KPMG.

Reforms introduced in the new policies included risk-based pricing models aligned to client credit profiles, stress-testing models which will guide the organisation to the revised concentration thresholds, and clearer delineation between developmental and commercial risk appetite. These enhancements ensure responsiveness to market conditions and enable more agile portfolio management.

5.4 LOAN BOOK ANALYSIS

The loan book analysis reveals subtle trends in the NHFC's portfolio performance for the 2024/25 financial year. As illustrated in the table below, the gross loan book contracted by 7% year-on-year, declining from R3.25 billion to R3.03 billion. This contraction was driven by a combination of lower-than-expected approvals and disbursements, alongside robust collections and settlements from key stakeholders, which tempered portfolio expansion. Notably, the performing loan segment decreased by 17% to R1.78 billion, reflecting broader economic strains, including subdued GDP growth below 1% and high lending interest rates.

Non-performing loans (NPLs) rose by 13.5% to R1.26 billion, with the impaired book increasing from R624.5 million to R681.7 million. This escalation was concentrated in legacy social housing and private rental exposures, as well as emerging stress in the affordable housing segment, where slower unit sales, exacerbated by elevated interest rates, and administrative delays at the Deeds Office, compromised repayment capacity.

Looking ahead, the restructured Credit Risk Division is poised to address these risks through stricter underwriting, sectoral diversification (e.g. 34% social housing, 25% private rental), and capacity-building initiatives aligned with the HSDB transition. While macroeconomic headwinds persist, the NHFC's dual focus on developmental impact and financial resilience positions it to navigate ongoing volatility while supporting affordable housing delivery.

CONCLUSION

The NHFC's credit risk management approach in 2024/25 demonstrated resilience, adaptability, and alignment with its dual mandate of impact and sustainability. Despite macroeconomic challenges and rising credit risk,

the Corporation maintained strong governance, achieved measurable recoveries, and continued to support affordable housing delivery nationwide. These foundations will prove instrumental as NHFC moves toward full integration into the Human Settlements Development Bank and expands its developmental footprint.

Table 37: Loan book analysis

COMPANY SUSTAINABILITY	2025				2024			
	LOAN R'000	IMPAIRMENT R'000	NET R'000	% OF TOTAL (NET LOANS)	LOAN R'000	IMPAIRMENT R'000	NET R'000	% OF TOTAL (NET LOANS)
Impaired book	674 780	(254 685)	420 095	16%	624 511	(2 616 290)	369 213	13%
Past due	339 299		339 299	13%	397 042		397 042	14%
Restructured	197 939		197 939	8%	-	-	-	-
Total non-performing loans	**1 212 018**	**(254 685)**	**957 333**	**37%**	**1 021 553**	**(255 298)**	**766 255**	**27%**
Performing loans	1 658 957		1 658 957	63%	2 069 533	-	2 069 533	73%
Total book	**2 870 975**	**(254 685)**	**2 616 290**	**100%**	**3 091 086**	**(255 298)**	**2 835 788**	**100%**

GROUP	2025				2024			
	LOAN R'000	IMPAIRMENT R'000	NET R'000	% OF TOTAL (NET LOANS)	LOAN R'000	IMPAIRMENT R'000	NET R'000	% OF TOTAL (NET LOANS)
Impaired book	934 851	(372 816)	562 035	14%	824 741	(359 950)	464 791	11%
Past due	336 270	-	336 270	9%	394 013	-	394 013	9%
Restructured	197 939	-	197 939	5%	-	-	-	0%
Total non-performing loans	**1 469 060**	**(372 816)**	**1 096 244**	**28%**	**1 218 754**	**(359 950)**	**858 804**	**21%**
Performing loans	2 831 083	-	2 831 083	72%	3 312 654	-	3 312 654	79%
Total book	**4 300 143**	**(372 816)**	**3 927 327**	**100%**	**4 531 408**	**(359 950)**	**4 171 458**	**100%**

5.5 CREDIT LOSSES

The NHFC's credit loss ratios deteriorated in FY2025, exceeding both the budgeted threshold of 2% and the prior year's levels. At Group level, the ratio increased to 2.3%, while Company-level losses rose to 2.5%, compared to 0.9% and 1.3% in FY2024, respectively.

This deterioration was primarily driven by two factors:

1. **Increased Impairments:**
   The short-term bridging affordable housing product, which expanded significantly from R230 million (7% of the NHFC portfolio in FY2020) to R860 million (29% in FY2025), faced temporary setbacks. Project completion delays and slower client repayments resulted in rising arrears and higher impairments. Based on historical performance trends, these exposures are expected to be fully recoverable once project delays are resolved.

2. **Strategic Write-offs:**
   The Company processed R74 million in write-offs, largely attributable to social housing clients. These partial write-offs were necessitated by debt deemed irrecoverable following business rescue interventions. As a once-off event, these write-offs represented the single largest contributor to the FY2025 credit loss ratio, which spiked above the five-year average of 1.4% (FY2020–FY2024) to 2.5%, thereby exceeding the budget by 0.5 percentage points. The affected exposures are currently at various stages of business rescue, with defined recovery paths in place.

To mitigate credit losses going forward, the NHFC will intensify early-warning and monitoring mechanisms, supported by strengthened post-investment oversight. In addition, digital monitoring tools are being explored to enable more timely portfolio insights.

Furthermore, to support the continued growth of the bridging affordable housing product, the NHFC's Programme Management Unit (PMU) has been mandated to provide technical oversight aimed at de-risking higher-risk developments.

Table 38: Gross loan book and credit losses

COMPANY	2025 R'000	2024 R'000	2023 R'000	2022 R'000	2021 R'000	2020 R'000
Total gross book	2 870 974	3 091 085	3 083 403	3 092 665	2 873 205	2 642 651
Add back bad debts written off on loans and advances	74 433	2 228	75 109	4 005	393	138 539
Gross book before write-off	**2 945 407**	**3 093 313**	**3 158 512**	**3 096 670**	**2 873 598**	**2 781 190**
Net impairment and write off on loans and advances	73 820	41 355	28 564	49 700	23 207	46 773
Credit loss	2.5%	1.3%	0,9%	1.6%	0.8%	1.7%

GROUP	2025 R'000	2024 R'000	2023 R'000	2022 R'000	2021 R'000	2020 R'000
Total gross book	4 300 143	4 531 407	4 459 170	4 407 878	4 232 636	3 999 648
Add back bad debts written off on loans and advances	88 343	2 228	36 966	4 005	393	146 534
Gross book before write-off	**4 388 486**	**4 533 635**	**4 496 136**	**4 411 883**	**4 233 035**	**4 146 191**
Net impairment and write off on loans and advances	101 210	41 355	34 429	74 715	39 073	64 125
Credit loss	2.3%	0.9%	0.8%	1.7%	0.9%	1.5%

5.6 ENHANCING NHFC'S EQUITY AND QUASI-EQUITY OFFERING FOR GREATER DEVELOPMENTAL REACH

In line with its mandate to broaden access to affordable housing finance and remain responsive to market dynamics, the NHFC undertook a structured review of its equity and quasi-equity instruments. This initiative formed part of an ongoing programme to refine products so they remain effective for emerging property developers while sustaining the corporation's financial resilience.

The review examined the existing suite of instruments and assessed their role across different housing delivery models. It also considered the pricing framework, loan tenure (investment horizon), valuation methodologies, and the post-investment oversight processes, ensuring all elements are aligned to NHFC's strategic objectives and developmental mandate.

The review reaffirmed the strategic importance of the quasi-equity instruments in bridging the equity gap for affordable housing developments. The pricing philosophy for these instruments was refined to reflect a sustainability-based structure that considers the corporation's cost of capital, operating cost margin, and appropriate risk margins, while incorporating a development discount to support affordability. This refined approach, common among peer development finance institutions, enables NHFC to better balance developmental impact with long-term sustainability

Valuation methodologies were confirmed in alignment with the GRAP 104 framework. Instruments with defined repayment profiles, such as mezzanine debt, junior debt, preference shares, and shareholder loans, will be valued at amortised cost to reflect their contractual cash flows. Ordinary shares, representing residual interests, will be valued at fair value, using techniques such as discounted cash flow analysis and supported by relevant market benchmarks. This alignment ensures transparent and consistent valuation outcomes while accommodating the developmental nature of the NHFC's pricing approach.

The refinement of the NHFC's equity and quasi-equity offering is expected to strengthen the affordability and accessibility of its products for emerging developers, improve cash flows in applicable projects, and reinforce competitive positioning in the market. Importantly, these changes enhance the corporation's ability to safeguard capital and optimise impact through clearly defined monitoring and governance practices.

STRATEGIC INVESTMENTS PORTFOLIO PERFORMANCE

INDEPENDENT VALUATION INSIGHTS AND STRATEGIC IMPLICATIONS

The March 2025 independent valuation provided a comprehensive, market-aligned appraisal of NHFC's strategic investments portfolio, valued at approximately R692 million at the reporting date. The exercise offered a clear view of asset value movements, performance dispersion, and underlying risk exposures across equity and quasi-equity holdings, highlighting the unique dynamics of developmental investments in less liquid markets.

The overall portfolio reflected a net year-on-year growth of approximately R100 million, driven by social housing syndicated structures and enlarging capital adequacy requirements for TUHF Ltd. Some investments recorded sustained growth in fair value, underpinned by stable earnings and strong governance, while others experienced downward adjustments due to factors such as reduced profitability, slower-than-expected asset realisations, and weaker cash conversion.

Valuation adjustments incorporated both operational performance measures and structural market considerations. In certain cases, marketability discounts of up to 13% and minority discounts exceeding 11% were applied, reflecting the liquidity constraints and reduced pricing power typical in unlisted investment environments. These adjustments directly influence exit valuations and magnify the capital impact of performance volatility.

Within the portfolio, indicative internal rates of return (IRRs) of up to 14.2% given the mandate to accelerate delivery of affordable housing units and housing opportunities, illustrating the asymmetry of returns inherent in catalytic and blended finance. This dispersion underscores the need for a portfolio governance framework that balances growth-oriented investments with capital-preserving structures, supported by precise concentration limits and targeted post-investment monitoring.

From a capital treatment perspective, the analysis reaffirmed the importance of instrument classification under GRAP 104. Standardised quasi-equity structures such as mezzanine or subordinated debt with fixed repayment terms qualify for amortised cost treatment, supporting predictable income recognition and smoother impairment provisioning. By contrast, quasi-equity instruments with equity-linked features are measured at fair value, introducing greater valuation volatility and discount rate sensitivity. This differentiation is central to aligning portfolio composition with NHFC's dual mandate of financial sustainability and developmental impact.

Looking forward, the valuation results reinforce four key strategic priorities:

- Maintain a clearly defined ceiling for equity-at-risk, supported by adequate capital buffers for fair value exposures.
- Allocate pure equity capital selectively to intermediaries and platforms with proven governance maturity and systemic market relevance.
- Prioritise amortised-cost quasi-equity in high-impact but higher-risk segments to safeguard capital adequacy while supporting transformation objectives.
- Enhancing portfolio exit timelines.

These principles will be critical as the NHFC positions itself within the Human Settlements Development Bank (HSDB) model, ensuring that its R692 million strategic investments portfolio continues to balance developmental outcomes with long-term capital resilience.

PART E
PFMA COMPLIANCE REPORT

1. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

1.1 IRREGULAR EXPENDITURE

RECONCILIATION OF IRREGULAR EXPENDITURE

DESCRIPTION	2024/25 R'000	2023/24 R'000
Opening balance	16 312	30 447
Add: Irregular expenditure confirmed	81 342	5 057
Less: Irregular expenditure condoned	-	19 192
Less: Irregular expenditure not condoned and removed	-	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance	**97 654**	**16 312**

The irregular expenditure incurred in the previous period has been investigated and an application for condonation will be submitted to National Treasury.

RECONCILING NOTES

DESCRIPTION	2024/25 R'000	2023/24 R'000
Irregular expenditure that was under assessment	10 594	2 344
Irregular expenditure that relates to the prior year and identified in the current year	-	-
Irregular expenditure for the current year	81 342	-
Total	**91 936**	**2 344**

DETAILS OF IRREGULAR EXPENDITURE (UNDER ASSESSMENT, DETERMINATION, AND INVESTIGATION)

DESCRIPTION	2024/25 R'000	2023/24 R'000
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	-	-
Irregular expenditure under investigation	-	-
Total	**-**	-

DETAILS OF IRREGULAR EXPENDITURE CONDONED

DESCRIPTION	2024/25 R'000	2023/24 R'000
Irregular expenditure condoned	-	19 192
Total	**-**	**19 192**

DETAILS OF IRREGULAR EXPENDITURE REMOVED (NOT CONDONED)

DESCRIPTION	2024/25 R'000	2023/24 R'000
Irregular expenditure NOT condoned and removed	74 000	-
Total	**74 000**	**-**

DETAILS OF IRREGULAR EXPENDITURE RECOVERABLE

DESCRIPTION	2024/25 R'000	2023/24 R'000
Irregular expenditure recoverable	-	-
Total	**-**	**-**

No irregular expenditure was classified as recoverable for previous and current financial year

DETAILS OF CURRENT AND PREVIOUS YEAR IRREGULAR EXPENDITURE WRITTEN OFF (IRRECOVERABLE)

DESCRIPTION	2024/25 R'000	2023/24 R'000
Irregular expenditure written off	-	-
Total	**-**	**-**

No irregular expenditure waswritten-off for previous and current financial year.

ADDITIONAL DISCLOSURE RELATING TO INTER-INSTITUTIONAL ARRANGEMENTS

The NHFC participated in the term contract for procurement of employee wellness service with National Youth Development Agency, recruitment service with Development Bank of Southern Africa (DBSA)and Industrial Development Corporation (IDC). None of those contract were found to be irregular expenditure.

DETAILS OF NON-COMPLIANCE CASES WHERE AN INSTITUTION IS INVOLVED IN AN INTER-INSTITUTIONAL ARRANGEMENT (WHERE SUCH INSTITUTION IS NOT RESPONSIBLE FOR THE NON-COMPLIANCE)

DESCRIPTION
Total

The NHFC participated in the term contract for procurement of employee wellness service with National Youth Development Agency, recruitment service with Development Bank of Southern Africa (DBSA)and Industrial Development Corporation (IDC), None of those contract were found to be irregular expenditure.

DESCRIPTION	2024/25 R'000	2023/24 R'000
Total		

DETAILS OF DISCIPLINARY OR CRIMINAL STEPS TAKEN AS A RESULT OF IRREGULAR EXPENDITURE

DISCIPLINARY STEPS TAKEN
In the current year no disciplinary steps were deemed necessary since the determination test is yet to be concluded
In the previous year 2023/24 Loss Control Committee imposed redemial action in form of consequence management subjecting the affected parties to SCM Training.

1.2 FRUITLESS AND WASTEFUL EXPENDITURE

RECONCILIATION OF FRUITLESS AND WASTEFUL EXPENDITURE

DESCRIPTION	2024/25 R'000	2023/24 R'000
Opening balance	2 674	2 418
Add: Fruitless and wasteful expenditure confirmed	-	256
Less: Fruitless and wasteful expenditure recoverable	-	-
Less: Fruitless and wasteful expenditure not recoverable and written off	-	-
Total	**2 674**	**2 674**

The fruitless expenditure in the NHFC relates to the double payments made to First Home Finance Partners. These amounts are being recovered through requested refunds, and we do not foresee any reason why the refunds will not be processed.

RECONCILING NOTES

DESCRIPTION	2024/25 R'000	2023/24 R'000
Fruitless and wasteful expenditure that was under assessment	-	-
Fruitless and wasteful expenditure that relates to the prior year and identified in the current year	-	-
Fruitless and wasteful expenditure for the current year	-	2 674
Total	**-**	**2 674**

DETAILS OF FRUITLESS AND WASTEFUL EXPENDITURE (UNDER ASSESSMENT, DETERMINATION, AND INVESTIGATION)

DESCRIPTION	2024/25 R'000	2023/24 R'000
Fruitless and wasteful expenditure under assessment	-	-
Fruitless and wasteful expenditure under determination	-	256
Fruitless and wasteful expenditure under investigation	-	-
Total	**-**	**256**

No fruitless expenditure under assessment

DETAILS OF FRUITLESS AND WASTEFUL EXPENDITURE RECOVERABLE

DESCRIPTION	2024/25 R'000	2023/24 R'000
Fruitless and wasteful expenditure recovered	-	-
Total	**-**	**-**

Determination test on fruitless expenditure is yet to be conducted, once finalised a verdict will be made whether to recover or not.

DETAILS OF FRUITLESS AND WASTEFUL EXPENDITURE NOT RECOVERABLE AND WRITTEN OFF

DESCRIPTION	2024/25 R'000	2023/24 R'000
Fruitless and wasteful expenditure written off	-	-
Total	**-**	**-**

No fruitless expenditure was written off.

DETAILS OF DISCIPLINARY OR CRIMINAL STEPS TAKEN AS A RESULT OF FRUITLESS AND WASTEFUL EXPENDITURE

DESCRIPTION
Loss Control Committee imposed redemial action in form of consequence management subjecting the affected parties to SCM Training.

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

DETAILS OF MATERIAL LOSSES THROUGH CRIMINAL CONDUCT

MATERIAL LOSSES THROUGH CRIMINAL CONDUCT	2024/25 R'000	2023/24 R'000
Theft	-	-
Other material losses	-	-
Less: Recoverable	-	-
Less: Not recoverable and written off	-	-
Total	**-**	**-**

The NHFC did not incur any losses during the financial year.

DETAILS OF OTHER MATERIAL LOSSES

NATURE OF OTHER MATERIAL LOSSES	2024/25 R'000	2023/24 R'000
	-	-
Total	**-**	**-**

The NHFC did not incur any losses during the financial year.

OTHER MATERIAL LOSSES RECOVERABLE

NATURE OF LOSSES	2024/25 R'000	2023/24 R'000
	-	-
Total	**-**	**-**

The NHFC did not incur any losses during the financial year.

OTHER MATERIAL LOSSES NOT RECOVERABLE AND WRITTEN OFF

NATURE OF LOSSES	2024/25 R'000	2023/24 R'000
	-	-
Total	**-**	**-**

2. LATE AND/OR NON-PAYMENT OF SUPPLIERS

2.1 DEBTORS' DAYS REVIEW

DESCRIPTION	NUMBER OF INVOICES	CONSOLIDATED VALUE R'000
Valid invoices received	1 623	88 910
Invoices paid **within** 30 days or agreed period	1 334	76 910
Invoices paid **after** 30 days or agreed period	289	11 999
Invoices older than 30 days or agreed period (unpaid and without dispute)	0	0
Invoices older than 30 days or agreed period (unpaid and in dispute)	0	0

The centralised email system for receiving invoices directly from service providers was not effectively utilised for most of the year, as staff were unfamiliar with the process. However, usage has since improved significantly. In addition, weekly monitoring, previously not performed, has now been implemented to track turnaround times more effectively.

3. SUPPLY CHAIN MANAGEMENT

3.1 REPORTING OF PROCUREMENT BY OTHER MEANS

PROJECT DESCRIPTION	NAME OF SUPPLIER	REASON FOR THE PROCUREMENT BY OTHER MEANS	VALUE OF CONTRACT	AWARD DATE
Procurement of electronic media space to profile and raise awareness of the FHF product offering	eMedia Holdings	To profile and raise awareness of the First Home Finance product offering.	R911 030,00	28/03/2024
Procurement of advertising space to profile the NHFC	Kaqala Media	Special women's month edition to increase the reach of the NHFC	R402 500,00	25/04/2024
Profile and raise awareness of the FHF product offering	Arena Holdings	Procurement of media services in print media	R448 477,57	19/04/2024
Create awareness of and promote FHF product offerings	SABC	Increased reach of the NHFC and cost savings through prior service	R1 361 899,00	28/03/2024
Corporate LAN Advertisement Services	Nth Dimension	Sole Source Provider	R205 268,37	30/04/2024
Valuation Masterclass	Genesis	Single Source	R21 330,00	15/04/2024
Office move to the 5th floor: ICT Enablement	Multiple service providers	Ensure business continuity and enablement	R618 547,68	14/04/2024
Risk Appetite Extension	KPMG	Allow KPMG to complete the project	R857 454,00	19/04/2024
Purchase furniture and other goods	Ntandokazi Benya	Purchase furniture and other goods as part of CSI	R98 331,91	23/05/2024
Office furniture rental	Lemon Tree Office Furntiture	Ensure smooth continuity of business in the newly developed Hybrid Model	R104 366,50	25/06/2024

PROJECT DESCRIPTION	NAME OF SUPPLIER	REASON FOR THE PROCUREMENT BY OTHER MEANS	VALUE OF CONTRACT	AWARD DATE
Environmental, Social and Governance Training	Johannesburg Stock Exchange Academy	Restricted BId	R143 444,00	22/07/2024
Continous training and support in the computing space	Institute of Information Technology Professionals (IITPSA)	Annual subscription	R8 970,00	26/07/2024
Videographer for CEO's message for Cashbuild's Zakhelikhaya Project Launch	Videographer	Videographer for CEO's message for Cashbuild's Zakhelikhaya Project Launch	R14 700,00	19/07/2024
Carpet cleaning services for 5th floor, 90 Grayston Drive, Sandton	Carpet Cleaners	Ensure the 5th floor offices are 'habitable'	R28 750,00	31/05/2024
BoardPac	Vodacom	Simplify, digitize and secure meetings of the Board of directors and members	R209 029,16	07/08/2024
Remaining matters with previous panel	Multiple Service Providers	To allow service providers to finalise matters assigned to them	R97 751,10	11/09/2024
Recruitment services: Financial Analyst and Client Relationship Manager: Lending	Edgeexec	Recruitment services: Financial Analyst and Client Relationship Manager: Lending	R145 600,01	09/10/2024
Catering Services	Good Life Eatery	ROAR Launch Catering Services	R40, 140,00	4/10/2024
Construction of Septic Tank	Xisebenene Projects	Ensures continuity of service without adverse impact on the NHFC business	R227 944,95	11/11/2024

PROJECT DESCRIPTION	NAME OF SUPPLIER	REASON FOR THE PROCUREMENT BY OTHER MEANS	VALUE OF CONTRACT	AWARD DATE
Procure 45 Microsoft 365 E5 License Seats	Microsoft	Ensure availability and security of services currently rendered by ICT division	R394 966,26	18/11/2024
Annual Membership subsription to the South African Institute of Chartered Accountants (SAICA)	SAICA	NHFC benefits from SAICA registered members' skills and knowledge	R8 944,67	21/01/2024
Procurement of Microsoft Copilot License Seats	Microsoft	Enhances productivity, creativity and efficiency across various business processes by leveraging AI capabilitites	R728 324,70	10/02/2025
Office Refurbishments	Redefine Properties	NHFC head office refurbishment	R500 000,00	11/02/2025
Place advert in Sunday Times for NHFC EDIP Launch	Arena Holdings	Short notice of the launch date necessitated the immediate advertising of the launch to ensure extensive reach of the message	R216 418,50	29/11/2024
CEO Video Production: Affordable Housing Africa Conference	OneTime Media Productionz	Timeous delivery of corporate video	R7 980,00	06/03/2024
Provision of Gym service for NHFC Staff	Redefine Properties	Augment Employee Wellness Programme	R312 000,00	24/01/2025

3.2 REPORTING OF EXPANSIONS AND VARIATIONS OF CONTRACTS

PROJECT DESCRIPTION	NAME OF SUPPLIER	REASON FOR EXPANSION OR VARIATION OF CONTRACT	ORIGINAL CONTRACT VALUE	VALUE OF CONTRACT EXPANSION OR VARIATION OF CONTRACT	VALUE OF PREVIOUS CONTRACT EXPANSION OR VARIATION OF CONTRACT
Migration of CTCHC ACCPAC finance system to NHFC SAGE Evolution	Brilliant Link	Extension: Support services, pending procurement of ERP system	R322 920,00	R124 200,00	R4 84 380,00
Provide a technical opinion on the approved existing impairment policy for financial instruments to ensure compliance with GRAP 1	KPMG	Variation: technical opinion on the approved existing impairment policy for financial instruments to ensure compliance with GRAP	R662 386,00	R69 000,00	Not applicable
Increase the number of devices from 4 to 6 to cater for the move to the 5th floor	Konica Minolta	Variation: to add two additional printers as a result of back to office for all employees	R464 414,40	R240 666,48	Not applicable
Credit Bureau & Property Reports Extension	Consumer Profile Bureau	Extension of time to avoid disruption of services	Per Service	R8 000,00	Not applicable
Accommodate second trainee accountant	Leeme Consulting	Variation: to add second candidate on the TOPP programme	R133 500,00	R133 500,00	Not applicable
Contract extension	MTN	Extension of time to conclude procurement process	R4 926 841,92	R196 942,98	Not applicable
Contract extension	Orgasmic Software	Extension of time for completion of project	R10 456 881,00	Not applicable	Not applicable

PROJECT DESCRIPTION	NAME OF SUPPLIER	REASON FOR EXPANSION OR VARIATION OF CONTRACT	ORIGINAL CONTRACT VALUE	VALUE OF CONTRACT EXPANSION OR VARIATION OF CONTRACT	VALUE OF PREVIOUS CONTRACT EXPANSION OR VARIATION OF CONTRACT
Aligning Werksmans' fee rate from the previous SLA on certain invoices pertaining to existing matters	Werksmans Attorneys	Align fee rate with the new SLA			R567 134,10
WhatsApp Business Integration	Vox Telecoms	Variation: to integrate WhatsApp Business onto existing Enterprise Contact Centre	R22 275 577,50	R345 438,15	R955 287,05
First home finance CRM system enhancements	Liptech T/A Astech	Variation: FHF system enhancement to improve efficiency	R1 304 100,00	R1 835 400,00	R961 515,00
Allow Phungela Holdings to conduct hybrid approach survey at increased cost	Phungela Holdings	Variation: to cater for price oincrease due to implementation delays	R73 600,00	R92 000,00	Not applicable
Boardpac Contract Extension	Vodacom	Extension of time to avoid disruption of services	R1 052 641,44	R209 029,16	
Additional Roof and Flooring required	Kgolagano Investments	Variation: to cater for additional building material omitted in the BOQ by NHBRC	R460 000,00	R41 975,00	Not applicable

PART F
FINANCIAL INFORMATION

GENERAL **INFORMATION**

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The NHFC provides housing finance to retail intermediaries, property developers and social housing Institutions; as well as supports and capacitate emerging housing intermediaries through strategic partnerships
Members (Old Board's term ended on 28 March 2025) (New Board appointed on 1 August 2025)*	Mr L Vutula (Board Chairperson) Mr T Bonakele Ms T Chiliza Ms P Mthethwa Mr P Heeger Ms S Bolipombo Ms P Kadi
	Mr DK Golding (Board Chairperson)* Ms NK Mashologu (Deputy Chairperson)* Mr V Dube (reappointed)* Mr T Mabaso (reappointed)* Ms T Kobile (reappointed)* Ms A Seedat (reappointed)* Ms SB Dlungwane* Ms RJ Maisela* Ms HNB Khumalo* Adv MD Xulu* Ms HA Tshangana* Mr S Roopa* Ms A Mayekiso (Executive Director)
Registered office	90 Grayston Drive Sandton 2196
Postal address	PO Box 31376 Braamfontein Johannesburg 2017
Bankers	First National Bank Limited Standard Bank of South Africa Limited
Auditors	Auditor-General of South Africa Chartered Accountants (SA) Registered Auditors
Company registration number	1996/005577/30
Level of assurance	These consolidated annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

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Prepared by Silvan Moon CA(SA) under the supervision of Viola Moraswi CA(SA)

STATEMENT OF **RESPONSIBILITY BY THE BOARD**

The Board of Directors, which constitutes the Accounting Authority, is required in terms of the Companies Act, 2008 (Act No.71 of 2008) (Companies Act) and Public Finance Management Act of 1999 (Act 1 of 1999) (PFMA) to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the National Housing Finance Corporation SOC Ltd (NHFC) at 31 March 2025, and the results of its operations and cash flows for this period. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and have been given unrestricted access to all financial records and related data.

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

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

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

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

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

The Directors have reviewed the NHFC's cash flow forecast for 31 March 2026, and in light of this review and the current financial position, the Board is satisfied that the NHFC has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the NHFC's Annual Financial Statements and their report is presented on pages 153 to 158.

The Annual Financial Statements, set out on pages 164 to 245, which have been prepared on the going concern basis, were approved by the Board of Directors on 19 September 2025 and were signed on their behalf by:

Mr DK Golding
Non-Executive Chairperson

Ms HNB Khumalo
Chairperson Audit Committee

AUDIT COMMITTEE **REPORT**

The Audit Committee is pleased to submit its report in compliance with the Public Finance Management Act of 1999 and the Companies Act of 2008 of South Africa. Details on the composition and role of the Audit Committee, frequency of meetings and attendance at meetings are set out in the Corporate Governance Section on pages 88 to 121 of the Integrated Report.

EXECUTION OF THE FUNCTIONS OF THE AUDIT COMMITTEE

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

EXTERNAL AUDITORS

The Audit Committee approved the external auditors' terms of engagement, scope of work, the annual fee and noted the applicable levels of materiality. Based on written reports submitted, the Audit Committee reviewed, with the external auditors, the findings of their work and confirmed that all significant matters had been satisfactorily resolved. The Audit Committee is satisfied that the external auditors are independent of the group, as defined by the Companies Act No.71 of 2008 and the Public Finance Management Act No.1 of 1999 and as per the standard stipulated by the auditing profession.

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

INTERNAL AUDIT

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

SYSTEMS OF INTERNAL CONTROLS

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

Based on the reports and explanations given by management, the Internal Auditors and External Auditors during the year under review, the Audit Committee is of the opinion that the system of internal controls implemented by NHFC is effective. Nothing has come to the attention of the Audit Committee to indicate that a material breakdown in the functioning of internal controls, procedures and systems has occurred during the year under review.

FINANCIAL AND REGULATORY REPORTING

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

GOING CONCERN

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

EVALUATION OF ANNUAL FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The Audit Committee has reviewed principles, policies and practices adopted in the preparation of Annual Financial Statements for the 2025 financial year and, where necessary, has obtained appropriate explanations relating to such financial information included in the 2025 Annual Financial Statements. The Audit Committee is satisfied that they are adequate and appropriate and that the 2025 Annual Financial Statements comply in all material respects with the Public Finance Management Act, the Companies Act of South Africa and Generally Recognised Accounting Practice.

The Audit Committee recommended the 2025 Annual Financial Statements to the Board for approval.

Ms HNB Khumalo
Chairperson of the Audit Committee
Date: 17 September 2025

REPORT OF THE AUDITOR-GENERAL **TO PARLIAMENT ON NATIONAL HOUSING FINANCE CORPORATION SOC LTD**

OPINION

1. I have audited the consolidated and separate financial statements of the National Housing Finance Corporation SOC Ltd (NHFC) and its subsidiaries (the group) set out on pages 163 to 245, which comprise the consolidated and separate statement of financial position as at 31 March 2025, consolidated and separate statement of financial performance, consolidated and separate statement of changes in net assets, consolidated and separate cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 31 March 2025 and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (Companies Act of South Africa).

BASIS FOR OPINION

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

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

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

EMPHASIS OF MATTER

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

RESTATEMENT OF CORRESPONDING FIGURES

7. As disclosed in note 37 to the financial statements, the corresponding figures for 31 March 2024 were restated, as a result of errors in the consolidated and separate financial statements at, and for the year ended, 31 March 2025.

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

8. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the Standards of GRAP and the requirements of the PFMA and the Companies Act of South Africa and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the group's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

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

10. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

11. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report. This description, which is located at page 159 forms part of my auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

12. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected programmes presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

13. I selected the following programmes presented in the annual performance report for the year ended 31 March 2025 for auditing. I selected programmes that measures the public entity's performance on its primary mandated functions and that are of significant national, community or public interest

PROGRAMME	PAGE NUMBERS	PURPOSE[1]
Programme 3: Rental and Social Housing Programme	82	Promote the provision of affordable rental housing and develop capabilities in the rental housing sector through intergovernmental collaboration.
Programme 4: Affordable Housing Programme	83	Provision of affordable housing finance.

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

15. I performed procedures to test whether:

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

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

17. The material findings on the reported performance information for the selected programmes are as follows:

PROGRAMME 4: AFFORDABLE HOUSING PROGRAMME

VALUE OF DISBURSEMENTS – FIRST HOME FINANCE GRANT

18. An achievement of R600 million was reported against a target of R321 million. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that the achievement against the target was lower than reported.

NUMBER OF SUBSIDIES DISBURSED

19. An achievement of 6135 was reported against a target of 2470. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that the achievement against the target was lower than reported.

OTHER MATTERS

20. I draw attention to the matters below.

ACHIEVEMENT OF PLANNED TARGETS

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

22. The table that follows provides information on the achievement of planned targets and lists the key indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages 79 to 87.

PROGRAMME 4: AFFORDABLE HOUSING PROGRAMME

Targets achieved: 47,06%

KEY INDICATOR NOT ACHIEVED	PLANNED TARGET	REPORTED ACHIEVEMENT
Sub-programme 4(b): Affordable Housing Finance		
Value of consolidated disbursements – affordable housing products (R'm)	394	320
Value of consolidated approvals – affordable housing products (R'm)	555	488
Value of approvals Affordable Housing – Strategic investments (R'm)	126	111
Sub-programme 4(c): Sector Transformation		
Value of disbursements targeted towards designated groups (R'm)	158	59
Value of disbursements targeted towards black-owned entities (R'm)	79	71
Value of payments to designated group owned contractors (R'm)	62	0
Number of black and designated group owned SMME's appointed on managed programmes	25	0
Number of developers supported to achieve approval of project development finance for their projects	10	0

MATERIAL MISSTATEMENTS

23. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Programme 4: Affordable housing. Management did not correct the misstatements, and I reported material findings in this regard.

REPORT ON COMPLIANCE WITH LEGISLATION

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

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

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

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

ANNUAL FINANCIAL STATEMENTS AND ANNUAL REPORT

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

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

EXPENDITURE MANAGEMENT

30. Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 38 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

PROCUREMENT AND CONTRACT MANAGEMENT

31. Some of the goods and services were procured without obtaining at least three written price quotations in accordance with Treasury Regulation 16A6.1 and paragraph 3.2.1 of SCM instruction note 2 of 2021/22.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

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

INTERNAL CONTROL DEFICIENCIES

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

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

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

39. The effectiveness of compliance monitoring by senior management over procurement and contract management and annual financial statements were compromised due to insufficient oversight.

MATERIAL IRREGULARITIES

40. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

MATERIAL IRREGULARITIES IN PROGRESS

41. I identified a material irregularity during the audit and notified the accounting authority, as required by material irregularity regulation 3(2). By the date of this auditor's report, the response of the accounting authority was not yet due. This material irregularity will be included in next year's auditor's report.

OTHER REPORTS

42. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.

AUDIT-RELATED SERVICES

43. At the request of the public entity, a factual findings engagement was performed by the Auditor General of South Africa on the National Credit Regulator (NCR) annual financial statement return (Form 40). The report covered the period 1 April 2023 to 31 March 2024 and was issued to the accounting authority on 30 September 2024.

44. At the request of the public entity, a factual findings engagement was performed by the Auditor General of South Africa on the European Investment Bank loan covenants of the NHFC. The report covered the period 1 April 2023 to 31 March 2024 and was issued to the accounting authority on 7 October 2024.

INVESTIGATIONS

45. The National Treasury is performing an investigation into various allegations of irregularities at the public entity. The investigation was still in progress at the date of this auditor's report.

46. The Public Protector South Africa has instituted an investigation into allegations of maladministration, irregular appointments; and abuse of power at the public entity. The investigation was still in progress at the date of this auditor's report

Auditor-General

Pretoria
24 September 2025

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE TO THE **AUDITOR'S REPORT**

The annexure includes the following:

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

AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

PROFESSIONAL JUDGEMENT AND PROFESSIONAL SCEPTICISM

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

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated and separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity and its subsidiaries to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a the public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. I am responsible for the direction, supervision and review of audit work performed for purposes of the group audit. I remain solely responsible for my audit opinion.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

COMPLIANCE WITH LEGISLATION – SELECTED LEGISLATIVE REQUIREMENTS

The selected legislative requirements are as follows:

LEGISLATION	SECTION, REGULATION OR PARAGRAPH
Public Finance Management Act 1 of 1999	Section 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 53(4); 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); 56; 57(b); 66(3)(c); 66(5)
Treasury Regulations, 2005	Regulation 16A3.2; 16A3.2(a); 16A6.1; 16A6.2(a); 16A6.2(b); 16A6.3(a); 16A6.3(a); 16A6.3(b); 16A6.3(c); 16A6.3(e); 16A6.4; 16A6.5; 16A6.6; 16A.7.1; 16A.7.3; 16A.7.6; 16A8.3; 16A8.4; 16A9.1(b)(ii); 16A 9.1(d); 16A9.1(e); 16A9.1(f); 16A9.2; 16A9.2(a)(ii); 30.1.1; 31.1.2(c); 30.1.3(a); 30.1.3(b); 30.1.3(d); 30.2.1; 31.2.1; 31.2.5; 31.2.7(a); 31.3.3; 32.1.1(a); 32.1.1(b); 32.1.1(c); 33.1.1; 33.1.3
Companies Act 71 of 2008	Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); 45(4); 46(1)(a); 46(1)(b); 46(1)(c); 112(2)(a); 129(7)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
National Treasury Instruction No. 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
Second Amendment National Treasury Instruction No. 5 of 202/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 2
National Treasury Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury SCM Instruction No. 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.1; 4.2(b); 4.3; 4.4; 4.4(a); 4.17; 7.2; 7.6
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.4(a); 3.4(b); 3.9
National Treasury SCM Instruction No. 2 of 2021/22	Paragraph 3.2.1; 3.2.4; 3.2.4(a); 3.3.1
National Treasury Practice Note 5 of 2009/10	Paragraph 3.3
National Treasury Practice Note 7 of 2009/10	Paragraph 4.1.2
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; 6.6; 6.8; 7.1; 7.2; 7.3; 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

DIRECTORS' **REPORT**

MANDATE AND PRINCIPAL ACTIVITIES

The National Housing Finance Corporation SOC Limited (NHFC) was established by the National Department of Human Settlements as a development finance institution (DFI) with the principal mandate of broadening and deepening access to affordable housing finance, for low to middle income South African households. The NHFC is listed as a Schedule 3A public entity in terms of the Public Finance Management Act. Details of the NHFC's principal activities are described on pages 14 to 33.

CORPORATE GOVERNANCE

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

FINANCIAL HIGHLIGHTS

The financial highlights are set out on page 164 to 167.

FINANCIAL RESULTS

The financial results of the NHFC for the year under review are set out on pages 168 to 241.

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

CREDIT RATING

On the 20 March 2025, Global Credit rating Co. (GCR) affirmed the ratings of the National Housing Finance Corporation as follows:

International long-term and short-term ratings at B+ and B respectively. National long-term and short-term rating at A and A1 respectively with a Stable outlook.

The rating agency cited as positives, the robust liquidity profile with low debt funding that supports further funding in future, a conservatively managed balance sheet which supports robust capitalisation and strong sustainability driven mandate. The bedding down of the HSDB is a positive trigger which is expected to transform the lending capacity, and a downgrade is unlikely.nternational long term and short-term ratings at B+ and B respectively. National Long term and short-term rating at A and A1 respectively with a Stable outlook.

BUSINESS PERFORMANCE RESULTS

The business performance against predetermined objectives for the year under review is set out on pages 44 to 87.

SHARE CAPITAL AND SHAREHOLDER

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

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

DIVIDENDS

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

GOING CONCERN

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

DIRECTORATE AND SECRETARIAT

Details pertaining to the directors and company secretary appear on pages 38 to 41.

EXTERNAL AUDITOR

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

HUMAN SETTLEMENTS DEVELOPMENT BANK (HSDB)

The review of the business case for the establishment of the HSDB is at the final stages where the outstanding pieces of work include the finalisation of the funding model as well as engagements with ecosystem partners. Regarding the funding model, a principle has been agreed with respect to the approach to be adopted to fund the funding gap over the a 5 year time horizon. It has been agreed that funding is required at both the NHFC balance sheet level and for some of the products, a co-investment model at product level will be pursued, such that the NHFC shares the risk with third party financiers. Regarding ecosystem engagements, these have commenced and will be concluded in the second quarter of FY2025/26. The Provinces & Metros will be engaged at a Technical MinMEC level subsequent to the Minister approving the approach to establishment of the HSDB. Subsequent to inputs having been received from these engagements, the business case can be finalised.

The new Minister of Human Settlements was inducted on 19 December 2024 on the NHFC and requested to be workshopped on the strategy, the business case as well as the suggested approach to the establishment of the HSDB. The workshop is yet to be scheduled and the Board-approved organisational structure that supports the optimal functioning of the HSDB, will be approved subsequent to such workshop(s) and endorsement by the Minister. Once the endorsement has been received, the transition process to the HSDB will ensue.

REMUNERATION OF DIRECTORS AND MEMBERS OF BOARD COMMITTEES

The Directors' emoluments are set out on pages 238 to 239 of these financial statements.

AUDIT COMMITTEE MEMBERS OF BOARD COMMITTEES

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

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

INTERNAL CONTROLS

An effective internal control framework is the responsibility of the Board and is in place. The control framework provides assurance that the assets of the NHFC are safeguarded, liabilities and working capital are efficiently managed and that the NHFC complies with relevant legislation and regulations.

INFORMATION TECHNOLOGY

The Board is responsible for the governance of Information Technology (IT), including the implementation of an appropriate IT Strategy. The IT Control Framework provides assurance that the IT control process is effective and that the IT assets of the NHFC are safeguarded.

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

EVENTS AFTER THE REPORTING DATE:

- The current Board ended their term on 28 March 2025 and the new Board started their term on 1 August 2025.
- The following entities have been deregistered after the reporting date:
  - NURCHA Equity Services (Proprietary) Limited
  - NURCHA Finance Company (Proprietary) Limited
  - NURCHA Loan Fund (Proprietary) Limited
  - NURCHA Bridging Fund (Proprietary) Limited
  - NURCHA Development Finance (Proprietary) Limited
  - Gateway Home Loans 001 (Proprietary) Limited
- Abahlali has been placed under voluntary liquidation, effective 15 May 2025, as recorded with the Companies and Intellectual Property Commission (CIPC).

SUBSIDIARIES AND ASSOCIATES

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

INFORMATION REQUIRED BY THE PUBLIC FINANCE MANAGEMENT ACT

PERFORMANCE

The performance of the NHFC against the Shareholder's Compact with the Minister of Human Settlements is set out on page 90.

IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE

During the year, the NHFC incurred irregular expenditure amounting to R81 342 000 and no fruitless and wasteful expenditure, as a result of non-compliance with National Treasury Regulations and Supply Chain Management Policies.

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

The expenditure is disclosed in note 38 of Annual Financial Statements.

ACCOUNTING AUTHORITY CHANGES

The period of appointment of the previous board ended on 28 March 2025. The process of appointing a new board was completed on 1 August 2025.

LOSSES FROM CRIMINAL CONDUCT

In terms of the Materiality Framework agreed with the shareholder, any material losses due to criminal conduct that individually (or collectively where items are closely related) exceed R1.2 million, must be reported. The NHFC did not incur any losses during the financial year.

The Directors' Report for the year ended 31 March 2025 was approved by the Board of Directors on 23 Septemeber 2025 and is signed on their behalf by:

Mr DK Golding
Non-Executive Chairperson

Ms HNB Khumalo
Chairperson Audit Committee

CHIEF FINANCIAL OFFICER **REPORT**

The 2025 financial year has been one of resilience, adaptation, and measured progress for the National Housing Finance Corporation SOC Ltd (NHFC). Despite persistent macroeconomic headwinds, most notably historically high interest rates sustained over the past two years, FY2025 marked a turning point, as monetary policy easing began to filter through. This environment had a dual effect: while revenue was negatively impacted due to lower yields on interest-bearing assets, affordability improved for clients, laying a foundation for stronger loan book growth in future periods.

OVERVIEW

The South African Reserve Bank's monetary policy shift to reduce interest rates resulted in cumulative rate cuts of 75bps to the prime lending rate. These cuts lowered interest income, negatively impacting revenue (as interest on loans and investments are linked to the prime lending rate). However, the cuts had a positive impact on affordability for clients, creating more bankable projects in the student accommodation and affordable rental markets that has strengthened the long-term growth prospects of the loan book.

GDP growth remained below 1.5%, with limited fiscal space constraining housing development budgets which were further constrained by wage pressures and inflation in professional service costs that drove up operating expenses.

FINANCIAL PERFORMANCE

The NHFC's financial performance reflected both these external dynamics and internal strategic repositioning:

Revenue: Decreased by 4.4%, from R524 million in FY2024 to R501 million in FY2025 and also by 4.5% from a group's point of view, from R751 million to R718 million, as lending margins narrowed due to interest rate cuts.

Operating Costs: Increased by 8.3% from a groups point of view, largely due to annual salary adjustments, other consulting services, and ICT system upgrades.

Surplus: Declined by 12.9% from a groups point of view, in line with revenue pressures and higher cost-to-income ratios.

Loan Book: Closing Group balance declined to R3.9 billion, reflecting challenges in the long-term facilities, partially offset by uptake in short-term revolving products.

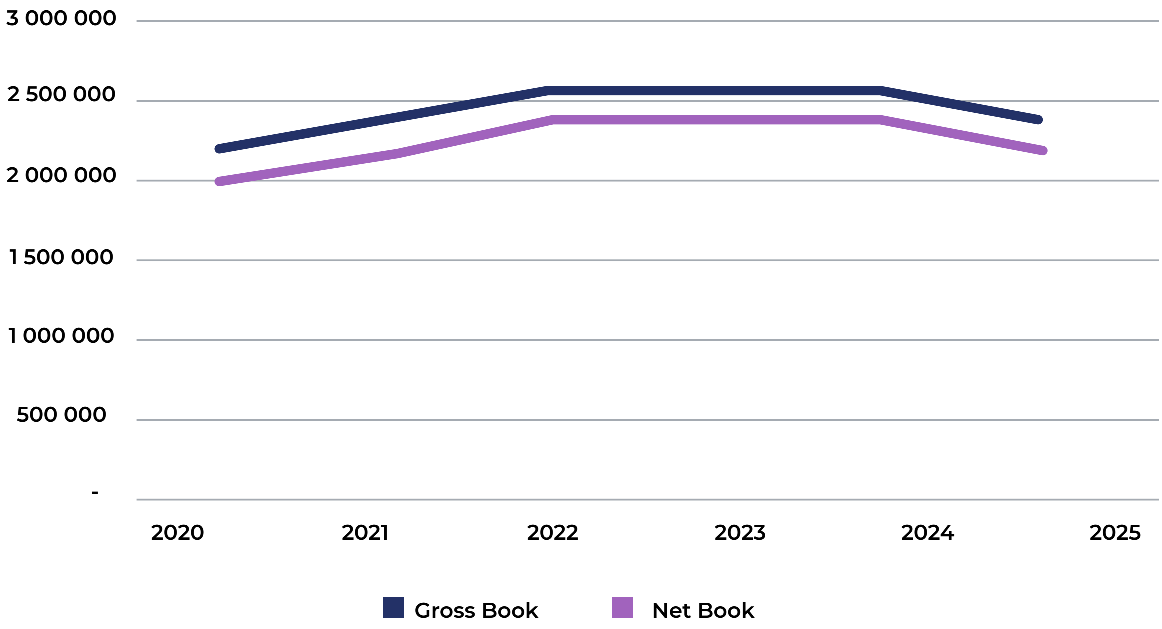
	GROUP			COMPANY		
KEY FINANCIAL INDICATOR	2025	2024	% CHANGE	2025	2024	% CHANGE
Revenue (R'000)	718 090	751 953	-4,5%	501 332	524 613	-4,4%
Operating Cost (R'000)	308 567	284 843	-8,3%	262 972	229 864	-14,4%
Net impairment and write offs (R'000)	81 240	59 663	-36,2%	54 265	37 331	-45,4%
Surplus for the year (R'000)	229 544	263 588	-12,9%	190 632	266 667	-28,5%
Loan book growth (Closing net balance) (R'000)	3 927 327	4 172 342	-5,9%	2 616 290	2 835 788	-7,7%
Investments in controlled, non-controlled and associates (R'000)	520 907	464 880	12,1%	641 575	591 560	8,5%
Cost to Income %	50%	48%	4,2%	51%	43%	18,8%
Return on Equity %	4,1%	5,0%	-0,8%	3,8%	5,5%	-1,7%
Return on Assets %	3,5%	4,0%	-0,6%	3,6%	5,3%	-1,6%
Credit Loss %	2,3%	1,2%	1,1%	2,5%	1,1%	1,4%
Debt to Equity %	17,4%	22,5%	-5,2%	2,2%	3,1%	-0,9%
Interest cover ratio (times)	2,75	2,86	-3,7%	21,34	23,48	-9,1%

LOAN BOOK GROWTH

Loan book growth has been constrained over the past two years by elevated interest rates that reduced affordability for our core market. In response, NHFC placed greater emphasis on short-term revolving products, which, while effective for liquidity, contributed little to sustainable loan book expansion.

With rate cuts now materialising, we expect stronger demand for long-term projects. Encouragingly, student accommodation finance is gaining traction and is expected to become a key driver of loan book growth.

In addition, internal reviews of policies and processes are nearing completion, designed to enhance risk appetite and improve loan take-up.



PARTNERSHIPS AND INCUBATOR PROGRAMME

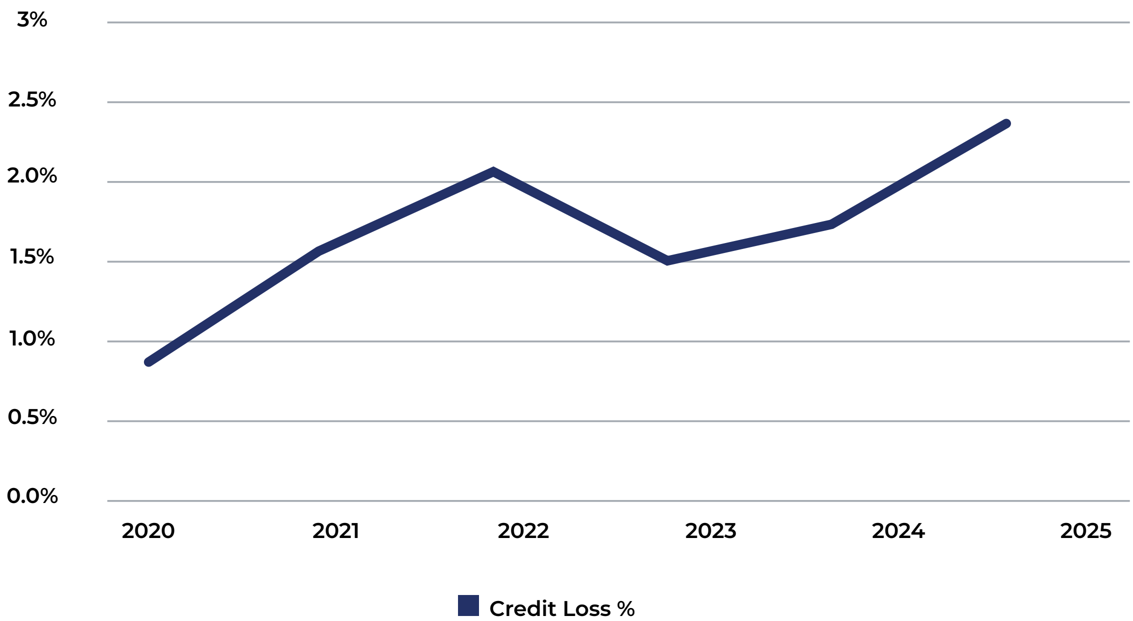
The NHFC Incubator Programme was launched to support project preparation and enhance bankability, enabling greater uptake of NHFC funding.

We are also strengthening strategic partnerships with commercial banks, other DFIs, and microfinance institutions to unlock co-funding opportunities. These partnerships will extend our reach, diversify risk, and accelerate delivery of affordable housing projects.

CREDIT LOSSES

Credit losses increased to 2.5% in FY2025, above our 2% target. This was mainly due to legacy social housing projects that underperformed and required write-offs.

While these losses are regrettable, they reflect lessons learned. NHFC has since implemented strengthened post-monitoring and credit risk processes to mitigate recurrence and ensure a more resilient portfolio going forward.



EQUITY AND QUASI-EQUITY INVESTMENTS

We have seen a positive growth of 16% in the investment in controlled, and non-controlled investment, as a result of positive fair value adjustment and continued disbursement in the IHS social housing fund. We however have seen a 15% negative growth in the investment in associates mainly the investment in TUHF whereby they are experiencing net loss position.

STRATEGIC FOCUS

Ensuring NHFC's financial sustainability remains paramount. Our strategy is centred on improving cost efficiency, expanding revenue streams, and enhancing customer value.

Key Strategic Actions Going Forward:

- Diversify revenue beyond interest income, with greater focus on fee-based revenue.
- Maximise dividend income from strategic investments.
- Leverage partnerships with banks, DFIs, and microfinance institutions for co-financing.
- Strengthen post-monitoring of funded projects to reduce non-performing exposures.
- Rebalance product mix, growing long-term loan products while retaining flexibility of short-term facilities.
- Implement ERP system to automate processes, reduce manual interventions, and improve turnaround times.
- Source additional funding from local and international DFIs, philanthropies to ensure that there is available funding for the projected growth in the coming years.
- Develop ESG strategy and explore the green funding opportunities.

FINANCIAL GOVERNANCE

The NHFC continues to uphold the highest standards of financial governance in line with the Public Finance Management Act (PFMA), National Treasury Regulations, and King IV principles and strives to achieve a clean audit, steps and roadmap will be put in place to ensure that we achieve that status.

CONCLUSION

The NHFC continues to play a vital role in enabling access to affordable housing finance. While FY2025 reflected the impact of macroeconomic headwinds, the foundations are in place for sustainable growth. With a healthier interest rate environment, stronger internal processes, and strategic partnerships, we are confident that NHFC will strengthen its impact and financial performance and sustainable loan book growth in the years ahead. FY2025 reflected lower surplus and revenue pressures due to interest rate cuts, the organisation still remains financially resilient.

Ms Viola Moraswi CA(SA)

Acting Chief Financial Officer

COMPANY SECRETARY'S **CERTIFICATION**

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

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

Nthabiseng Mongali
Company Secretary

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2025

		GROUP		COMPANY	
		2025	2024	2025	2024
			Restated*		Restated*
	Note(s)	R '000	R '000	R '000	R '000
Assets					
Non-Current Assets					
Loans and advances	3	2 829 784	3 415 833	1 687 748	2 091 554
Loans to subsidiaries	4	-	-	60 774	49 583
Investment in non-controlled entities	5	306 324	246 128	306 324	246 128
Investments in controlled entities	6	-	-	214 769	203 686
Investments in associates	7	214 583	218 752	120 482	141 746
Property, plant and equipment	9	5 284	2 456	5 196	2 455
Intangible assets	10	-	-	-	-
Finance lease receivables	11	70 950	61 290	-	-
Investment property	12	126 499	113 381	108 000	102 000
Deferred tax	31	16 463	17 865	-	-
Held to maturity investments	13	16 840	18 714	16 840	18 714
		3 586 727	**4 094 419**	**2 520 133**	**2 855 866**
Current Assets					
Loans and advances	3	1 097 543	755 625	928 542	744 234
Finance lease receivables	11	29 486	36 965	-	-
Other receivables and prepayments	14	29 030	26 479	15 425	11 623
Held to maturity investments	13	967 187	692 752	967 187	692 752
Cash and cash equivalents	15	2 005 946	2 090 299	1 898 735	1 907 788
Income tax receivable	31	-	53 889	-	53 889
Funds under management - unallocated amounts	16	142 866	-	142 866	-
		4 272 058	**3 656 009**	**3 952 755**	**3 410 286**
Total Assets		**7 858 785**	**7 750 428**	**6 472 888**	**6 266 152**
Liabilities					
Non-Current Liabilities					
Other financial liabilities	17	921 597	1 077 904	85 070	107 818
Long term payables	23	5 608	6 300	-	-
		927 205	**1 084 204**	**85 070**	**107 818**
Current Liabilities					
Funds under management	22	1 251 249	1 208 466	1 249 995	1 203 469
Other financial liabilities	17	42 375	56 707	24 777	34 781
Provisions	18	7 534	9 198	-	2 361
Trade and other payables	19	74 211	65 639	41 639	36 948
Current tax payable	31	922	469	-	-
		1 376 291	**1 340 479**	**1 316 411**	**1 277 559**
Total Liabilities		**2 303 496**	**2 424 683**	**1 401 481**	**1 385 377**
Net Assets		**5 555 289**	**5 325 745**	**5 071 407**	**4 880 775**
Issued capital	20	842	842	842	842
Share premium	20	879 158	879 158	879 158	879 158
Grant capital	21	1 656 698	1 656 698	1 656 698	1 656 698
Accumulated surplus		2 829 231	2 599 687	2 397 085	2 206 453
Non distributable and other reserves		189 360	189 360	137 624	137 624
Total Net Assets		**5 555 289**	**5 325 745**	**5 071 407**	**4 880 775**
Total Net Assets and Liabilities		**7 858 785**	**7 750 428**	**6 472 888**	**6 266 152**

STATEMENT OF FINANCIAL PERFORMANCE

		GROUP		COMPANY	
		2025	2024	2025	2024
			Restated*		Restated*
	Note(s)	R '000	R '000	R '000	R '000
Interest on advances	24	539 358	595 815	309 781	353 745
Interest received on investments	24	137 866	113 891	135 774	110 883
Rental income	24	12 261	11 976	11 936	11 618
Dividends received	24	3 608	158	4 484	158
Sale of houses	24	-	304	-	-
Management fees	24	21 123	23 916	32 252	35 360
Share of residual interest in controlled entities	24	-	-	3 231	6 956
Fees on advances	24	3 874	5 893	3 874	5 893
Revenue		**718 090**	**751 953**	**501 332**	**524 613**
Cost of sales	25	-	(251)	-	-
Net impairments and write offs	27	(81 240)	(59 663)	(54 265)	(37 331)
Programme implementation costs		978	(44 515)	-	-
Gross surplus		**637 828**	**647 524**	**447 067**	**487 282**
Other operating income	26	24 560	26 648	21 766	20 921
Operating expenses	27	(308 567)	(284 843)	(262 972)	(229 864)
Operating surplus		**353 821**	**389 329**	**205 861**	**278 339**
Investments Fair value and Impairments	12 & 29	14 493	33 207	(5 885)	101
Surplus/(deficit) on disposal		26	91	26	91
Surplus/(deficit) from associates	28	(4 962)	(7 067)	-	-
Finance costs paid	30	(132 063)	(145 698)	(9 370)	(11 864)
Surplus before taxation		**231 315**	**269 862**	**190 632**	**266 667**
Income tax expense	31	(1 771)	(6 274)	-	-
Surplus for the year		**229 544**	**263 588**	**190 632**	**266 667**

STATEMENT OF CHANGES IN NET ASSETS

	ISSUED CAPITAL	SHARE PREMIUM	TOTAL SHARE CAPITAL	NON DISTRIBUTABLE RESERVE	GRANT CAPITAL	TOTAL RESERVES	ACCUMULATED SURPLUS	TOTAL NET ASSETS
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Group								
Opening balance as previously reported	842	879 158	880 000	189 360	1 656 698	1 846 058	2 335 494	5 061 552
Prior year adjustments	-	-	-	-	-	-	605	605
Balance at 01 April 2023 as restated*	**842**	**879 158**	**880 000**	**189 360**	**1 656 698**	**1 846 058**	**2 336 099**	**5 062 157**
Surplus for the year	-	-	-	-	-	-	263 588	263 588
Restated* Balance at 01 April 2024	**842**	**879 158**	**880 000**	**189 360**	**1 656 698**	**1 846 058**	**2 599 687**	**5 325 745**
Surplus for the year	-	-	-	-	-	-	229 544	229 544
Balance at 31 March 2025	**842**	**879 158**	**880 000**	**189 360**	**1 656 698**	**1 846 058**	**2 829 231**	**5 555 289**
Note(s)	20	20	20		21			
Company								
Balance at 01 April 2023	**842**	**879 158**	**880 000**	**137 624**	**1 656 698**	**1 794 322**	**1 939 786**	**4 614 108**
Surplus for the year	-	-	-	-	-	-	266 667	266 667
Restated* Balance at 01 April 2024	**842**	**879 158**	**880 000**	**137 624**	**1 656 698**	**1 794 322**	**2 206 453**	**4 880 775**
Surplus for the year	-	-	-	-	-	-	190 632	190 632
Balance at 31 March 2025	**842**	**879 158**	**880 000**	**137 624**	**1 656 698**	**1 794 322**	**2 397 085**	**5 071 407**
Note(s)	20	20	20		21			

CASH FLOW STATEMENT

		GROUP		COMPANY	
		2025	2024	2025	2024
			Restated*		Restated*
		R '000	R '000	R '000	R '000
Cash flows from operating activities	Note(s)				
Receipts					
Repayments from customers		1 052 036	1 015 003	831 736	756 412
Sale of houses		-	304	-	-
Rental income, management and share of residuals received		37 258	-	39 643	-
Interest income received		129 458	145 794	127 366	145 101
Dividends received		3 450	-	4 326	-
Other income received		24 560	26 648	21 766	21 359
Taxes refunded		53 889	-	53 889	-
		1 300 651	1 187 749	1 078 726	922 872
Payments					
Employee costs		(158 928)	(168 407)	(155 303)	(152 766)
Payment to suppliers		(125 667)	(184 392)	(104 312)	(66 948)
Finance costs paid		(132 886)	(145 698)	(10 194)	(12 460)
Disbursements to customers		(381 059)	(415 851)	(376 205)	(406 328)
Taxation paid		-	(12 337)	-	(12 337)
		(798 540)	(926 685)	(646 014)	(650 839)
Net cash flows from operating activities	**33**	**502 111**	**261 064**	**432 712**	**272 033**
Cash flows from investing activities					
Purchase of property, plant and equipment	9	(4 516)	(1 391)	(4 407)	(1 391)
Proceeds from sale of property, plant and equipment		26	122	26	131
Proceeds from sale of investment property		125	117	-	-
Increase in investment in non controlled entities		(58 945)	(5 479)	(58 945)	(5 479)
Decrease in Held to Maturity investment		(252 432)	(144 184)	(252 432)	(144 184)
Disbursements to investments in controlled entities		-	-	(2 954)	(2 314)
Net cash flows from investing activities		**(315 742)**	**(150 815)**	**(318 712)**	**(153 246)**
Cash flows from financing activities					
Repayment of other financial liabilities		(170 639)	(226 916)	(32 752)	(34 631)
Proceeds from Funds under management		(100 083)	511 841	(96 340)	510 441
Funds under management returned		-	(510 883)	-	(510 883)
Proceeds from loans from group company		-	-	6 000	-
Proceeds from shareholders' loan		-	-	39	87
Net cash flows from financing activities		**(270 722)**	**(225 958)**	**(123 053)**	**(34 986)**
Net increase/(decrease) in cash and cash equivalents		**(84 353)**	**(115 709)**	**(9 053)**	**83 801**
Cash and cash equivalents at the beginning of the year		2 090 299	2 206 008	1 907 788	1 823 987
Cash and cash equivalents at the end of the year	15	**2 005 946**	**2 090 299**	**1 898 735**	**1 907 788**

SIGNIFICANT **ACCOUNTING POLICIES**

1.1 BASIS OF PRESENTATION

The Consolidated Annual Financial Statements have been prepared on a historical cost basis, except as otherwise indicated. The Consolidated Annual Financial Statements are presented in Rand and all values are rounded to the nearest thousand (R'000), except as otherwise indicated. The Consolidated Annual Financial Statements are prepared on a going concern basis. The Consolidated Annual Financial Statements for the year ended 31 March 2025 comprise the NHFC, its subsidiaries and the Group's interest in associates (referred to as the Group). The financial year-end for all its subsidiaries is 31 March except the HiP Trusts as stated in Note 6. Similar accounting policies are applied across the Group.

1.2 STATEMENT OF COMPLIANCE

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

1.3 BASIS OF CONSOLIDATION

The Consolidated Annual Financial Statements comprise the financial statements of NHFC SOC Limited and its subsidiaries as at 31 March 2025.

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

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

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

Investments in subsidiaries and associates in the Company's separate financial statements are carried at fair value and investment in associates are equity accounted at group level.

1.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

The accounting policies adopted are consistent with those of the previous year.

1.5 SUMMARY OF SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of the asset or liability affected in the future.

BONUS PROVISION

Staff and management bonuses are provided for as and when the employee renders service.

The bonus is based on performance and is evaluated using a rating method on an annual basis.Provision is made based on the approved budget and recognised monthly which is adjusted once performance assessments have completed.

INVESTMENT PROPERTIES

Management reassesses annually the most appropriate allocation of housing stock into inventory and investment properties categories. The percentage allocation is estimated as the most likely manner in which economic benefits will be realised from these assets, be it either in the form of proceeds on the sale of the asset or rental income received on the lease of an operating lease asset.

The company uses a combination of the Income Capitalisation Method of Valuation and the Direct Comparison Sales Method of Valuations as a primary method of determining the fair value of the Company's investment property. The Income Capitalisation method determines the net normalised annual income of the property, assuming the property is fully let at market related rentals, and market escalations, with an allowance made for vacancies (where applicable) and bad debts. Market related operating expenses are incurred, resulting in a net annual income which is then capitalised at a market related rate. The capitalisation rate is best determined by referring to market transactions of comparable properties as it is based on information derived from market analysis.

The Direct Method of Comparison, as accepted by our Courts, entails valuers to conduct their assessment of Market Value by considering prices paid for comparable type property in recent open market transactions in the vicinity of the Subject Property being valued, disregarding transactions that are not sufficiently comparable, and taking into account any adjustments that need to made in order to render the figures obtained from the comparable transactions more meaningful. Comparable transactions are guided by issues such as the date of the sale, the presence or absence of improvements, and the general location of the subject Property, as well as its productivity and size.

FAIR VALUE OF FINANCIAL INSTRUMENTS

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair value. The judgements include considerations of inputs such as liquidity risk, equity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Refer to note 35 for a comprehensive assessment of financial risk management.

1.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BUSINESS COMBINATIONS AND GOODWILL

I) BUSINESS COMBINATIONS FROM 1 JANUARY 2010

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is measured to fair value at the acquisition date through surpus or deficit.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in surplus or deficit or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled in equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for the non-controlling

interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in surplus or deficit

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

II) BUSINESS COMBINATIONS PRIOR TO 1 JANUARY 2010

In comparison to the above-mentioned requirements the following differences applied:

- Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.
- Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.
- When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that would otherwise have been required under the contract.

- Contingent consideration was recognised only if the Group had a present obligation, the economic outflow of which was more likely than not, and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

(B) INVESTMENT IN SUBSIDIARIES

Investments in subsidiaries are carried at fair value. The preferred basis of determining the fair value has been determined using the discounted cash flow method unless it has been deemed inappropriate. In such a case the price to earnings multiple is used to determine fair value.

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

(C) INTEREST IN ASSOCIATES

The Group's investment in an associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the statement of financial position at historical cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of financial performance reflects the share of the results of operation of the associate. Where there has been a change recognised directly in the 'other comprehensive income' of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of financial performance. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit or loss of the associates is shown on the face of the statement of financial performance. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period as those of the Group, other than those mentioned in note 7.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit or loss of an associate' in the statement of financial performance.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

Investments in associates are carried at fair value in the company financials. When an associates financial performance deteriorates or has an adverse outlook, with no reliable financial information available. The carrying value of such an investment is assessed using the cost model.

(D) PROPERTY, PLANT AND EQUIPMENT

i) Measurement

All items of property, plant and equipment recognised as assets are measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

ii) Subsequent cost

The Group recognises the cost of replacing part of such an item of property, plant and equipment in carrying amount when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably.

iii) Depreciation

Depreciation is calculated on a straight-line basis over the asset's expected useful life, using the following depreciation rates to reduce the carrying value to recoverable amount:

Item	Average useful life
Furniture and fittings	6 years
Motor vehicles	4 years
Office equipment	6 years
Computer equipment	3 years
Leasehold improvements	period of lease (average 3 years)

The residual values, useful lives and depreciation method are re-assessed at each financial year-end and adjusted accordingly.

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstance indicate that the carrying value may not be recoverable. If any such indications exist and where the carrying value exceeds the estimated recoverable amount, the assets are written down to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use.

The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. Impairment losses are recognised in the statement of financial performance.

When an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Leasehold improvements relate to operating leases.

iv) De-recognition

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits or service potential are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of financial performance in the year the asset is de-recognised.

(e) Properties developed for sale

The cost of the properties for sale comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the properties developed for sale to their present location and condition.

Properties developed for sale are measured at the lower of cost and net realisable value.

Instalment sale agreements which have been cancelled and the asset transferred to the name of Cape Town Community Housing Proprietary Limited are transferred at the cost of the foregone asset, being the remaining balance of the instalment sale.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost to completion and the estimated cost necessary to make the sale. Development expenditure is capitalised and measured at cost, being all directly attributable cost necessary to prepare the property to be able to operate in the manner intended by management.

When properties developed for sale are sold, the carrying amount of those properties developed for sale are recognised as an expense in the period in which the related revenue is recognised, The amount of any write-down of properties developed for sale to net realisable value and all losses of properties developed for sale are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal or write-down of properties developed for sale, arising from an increase in net realisable value, are recognised as a reduction in the amount of properties developed for sale recognised as an expense in the period in which the reversal occurs.

Work-in-progress

Work in progress is measured at the actual costs of the development expenditure incurred on the housing projects. The cost of completed housing units are transferred to cost of sales when units are sold, occupied and transferred. The balance of completed units is transferred to inventory awaiting allocation to approved buyers.

(F) INTANGIBLE ASSETS

(i) Recognition and measurement

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

Intangible assets are amortised using the straightline method over three years and tested for impairment annually.

(ii) Derecognition

Gains and losses arising from the de-recognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of financial performance when the asset is de-recognised.

(G) FINANCIAL INSTRUMENTS

i) Financial assets

Financial assets within the scope of GRAP 104 are classified as financial instruments divided into three different categories:

a) Financial instruments at fair value, comprising both derivative and non-derivative financial assets and financial liabilities;

b) Financial instruments at amortised cost comprising only non-derivative financial assets and financial liabilities; or

c) Financial instruments at cost, comprising investments in residual interests where the fair value cannot be reliably determined.

This standard has an impact on loans and receivables, held-to-maturity investments and equity investments.

Management determine the classification of its financial assets at initial recognition.

Financial instruments at fair value (with revenue or expense recognised as a surplus or deficit in the statement of financial performance)

This includes financial assets and liabilities that are:

- derivatives;
- combined instruments designated at fair value, i.e. instruments that include a derivative and non-derivative host contract;
- held-for-trading;
- non-derivative instruments with fixed or determinable payments that are designated at initial recognition to be measured at fair value;
- investments in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Financial instruments held at amortised cost

These are non-derivative financial assets or financial liabilities that have fixed or determinable payments.

RECOGNITION AND MEASUREMENT

Where the Group subsequently measures financial assets and financial liabilities at fair value, it excludes transaction costs from the amount initially recognised.

Where the Group subsequently measures financial assets and financial liabilities at amortised cost or cost, it includes transaction costs in the amount initially recognised.

Equity investments

Equity investments are held at fair value. Where the investment is listed on the stock exchange, the closing price at the reporting date is used.

Where the investment is not listed the discounted cash flow method is used with the appropriate weighted average cost of capital applied to cash flows, unless it has been deemed inappropriate. In such case, the price to earnings multiple is used to determine fair value.

Fair value gains and losses are recognised in the statement of financial performance.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when

the Group has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit and loss when the investments are de-recognised or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowances for impairment. Gains and losses are recognised in the statement of financial performance when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

Amortised cost

Held-to-maturity investments and loans and receivables are measured at amortised cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Trade and other receivables

Other receivables are classified as loans and receivables. These are initially measured at the fair value. Other receivables are subsequent to initial recognition measured at amortised cost.

Cash and cash equivalents

Cash and short-term deposits on the statement of financial position comprise cash at banks, cash on hand and short-term deposits with an original maturity varying of up to 12 months.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash equivalents as defined above, net of outstanding bank overdrafts.

Cash and short-term deposits are subsequently measured at amortised cost.

II) IMPAIRMENT OF FINANCIAL ASSETS

Assets carried at amortised cost

The financial asset is only impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition date of the asset (a loss event) and that loss (or event) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss on loans and advances, and held-to-maturity investments carried at amortised cost, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss in each reporting period.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

- Significant financial difficulty of the client or the borrower;
- A breach of contract, such as delinquency in interest or principal payments;
- The Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- It becoming probable that the borrower will enter into bankruptcy or other financial re-organisation;
- The disappearance of an active market for that financial asset resulting in financial difficulties; and
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decreases cannot yet be identified with the individual financial assets in the Group.

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

The amount of specific impairments raised is the amount needed to reduce the carrying amount of the asset to the present value of the expected ultimate fair value less costs to sell, taking into consideration the financial status of the underlying client and any security in place for the recoverability of the financial asset.

The recoverable amount of the assets is calculated as the present value of the estimated future cash flows, discounted at the effective interest rate (i.e. the effective interest rate computed at initial recognition of the asset).

For the purposes of a collective (general) evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that considers asset type, industry, location, collateral type, past due status and other factors). Those characteristics are relevant to the estimation of the future cash flows for groups of such assets by being indicative of the debtors' ability to pay all the amounts due according to the contractual terms of the assets being evaluated.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the statement of financial performance.

In relation to advances, provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of advances is reduced through use of an impairment account. Impaired debts are de-recognised when they are assessed as uncollectible. Interest income on impaired balances continues to be accrued using the rate used to discount the future cash flows for the purpose of measuring the impairment loss, but only for the portion of the loans and advances not impaired.

FINANCE LEASE RECEIVABLES

Finance lease receivable are the sales transactions of properties developed for sale. Selling profit or loss is recognised in the period in which it occurs in accordance with the policy followed for outright sales. When below market interest rates are charged, selling profit is restricted to that which would apply if market rates were charged. Costs incurred

in connection with negotiating and arranging agreements are recognised as an expense when the selling profit is recognised.

Finance lease receivables are initially recognised at the net investment in the finance lease agreement. The recognition of finance income is based on a constant periodic rate of return on the net investment in the instalment sale receivable.

Subsequent impairment of finance lease receivables is determined and recognised in accordance with the policy applicable to loans and receivables.

(III) FINANCIAL LIABILITIES

RECOGNITION AND MEASUREMENT

Financial liabilities are recognised initially at fair value generally being their issue proceeds net of transaction costs incurred. Financial liabilities other than those at fair value through the surplus or deficit are subsequently stated at amortised cost and interest is recognised over the period of the borrowing using the effective interest rate method.

Financial liabilities comprise the following:

OTHER PAYABLES

Other payables are recognised at fair value.

INTEREST-BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognised at the fair value. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of financial performance when the liabilities are de-recognised, as well as through the amortisation process.

IV) DE-RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS

A financial asset is de-recognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

FINANCIAL LIABILITIES

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

(H) PROVISIONS

Provisions are recognised when:

- The group has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Provisions are not recognised for future operating losses.

If an entity has a contract which is onerous, the present obligation under the contract shall be recognised and measured as provision.

Contingent assets and liabilities are not recognised. Contingencies are disclosed in note 34.

(I) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use.The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings; and
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- Expenditures for the asset have been incurred;
- Borrowing costs have been incurred; and
- Activities that are necessary to prepare the asset for its intended use are in progress.

Capitalisation is suspended during extended periods in which active development is suspended.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(J) LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset. The classification of the lease is determined in terms of GRAP 13 Leases.

FINANCE LEASES - GROUP AS LESSOR

The Group recognises finance lease receivables on the Statement of Financial Position.

Finance income is recognised based on a pattern reflecting constant periodic rate of return on the Group's net investment in the finance lease.

FINANCE LEASES - GROUP AS LESSEE

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of financial performance.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term (where ownership of the asset is not expected to transfer to the entity at the end of the lease term).

Operating lease payments are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term.

(K) CONTINGENT LIABILITIES AND COMMITMENTS

CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities are not recognised in the statement of financial position but disclosed in notes.

COMMITMENTS

Items are classified as commitments where the Group has committed itself to disbursement on lending activities and with suppliers for future transactions. Commitments are not recognised in the statement of financial position but disclosed in the notes.

(L) REVENUE RECOGNITION

I) REVENUE FROM EXCHANGE TRANSACTIONS

Revenue comprises interest received on advances, interest on investments, revenue from sale of houses, and dividends received. Revenue is recognised to the extent that it is probable that economic benefits or service potential will flow to the Group and the revenue can be reliably measured. An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

SALE OF HOUSES

Revenue from the sale of subsidised houses constructed is recognised when significant risks and rewards of ownership are transferred to the buyer. Revenue is stated excluding value added tax.

Revenue from the sale of non-subsidised houses constructed is recognised against registration of transfer of ownership in the name of the buyer. Revenue is stated excluding value added tax.

RENTAL INCOME

Rental income arising from operating leases on property is accounted for on a straight-line basis over the lease term.

INTEREST INCOME

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

DIVIDENDS

Revenue is recognised when the Group's right to receive the payment is established.

FEES

Initiation fees are raised when the loan agreement is signed by two parties .

Revenue from servicing the loan - Other fees that are charged by the entity for servicing the loan are recognised as revenue as the services are provided.

Share of residual interest in controlled entities.

Residual income/(loss) derived from equity investments.

II) REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where NHFC received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

(M) TAXATION

I) CURRENT TAXATION

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date.

II) DEFERRED TAXATION

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting surplus nor taxable surplus or deficit; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

Deferred tax relating to items recognised directly in other comprehensive income is recognised in equity and not in profit and loss..

(N) RETIREMENT BENEFITS

The Group has a defined contribution plan which requires contributions to be made to a separate administered fund. The contributions made are recognised as an expense in the statement of financial performance.

The Group is not liable for post-retirement benefits of any nature.

(O) INVESTMENT PROPERTY

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of the day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the statement of financial position date. Gains and losses arising from changes in the fair values of investment properties are included in the statement of financial performance in the year in which they arise.

Where an investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Investment properties are de-recognised when either they have been disposed of or the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of financial performance in the period of de-recognition.

INVESTMENT PROPERTY

Where an investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owneroccupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(P) RELATED PARTY DISCLOSURES

Related parties are identified as being those parties that control or have significant influence over NHFC and those parties that are controlled or significantly influenced by NHFC. Disclosure is made of all relationships involving control, even when there are no transactions between such parties during the year; all other related party transactions and management compensation.

Disclosure of transactions between certain government or government-related entities will only be disclosed if they are collectively or individually significant.

(Q) PRESENTATION OF BUDGET INFORMATION IN FINANCIAL STATEMENTS

An entity should present a comparison of the budget amounts for which it is publicly accountable to actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with standards of GRAP.

The budget information includes the budget for the Company and its subsidiaries. The budget is prepared on an accrual basis and the comparison of actual performance against budget is based on an accrual basis.

The approved budget covers the fiscal period from 2024/04/01 to 2025/03/31.

(R) DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require determination of fair value, for both the financial and nonfinancial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further, information about assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

INVESTMENT PROPERTY

Valuation methods and assumptions used in determining the fair value of investment property.

CAPITALISATION METHOD (INVESTMENT PROPERTY)

The value of the property reflects the present value of the sum of the future benefits which the owner may expect to derive from the property. These benefits are expressed in monetary terms and based upon the estimated rentals such a property would fetch i.e. the market related rental between a willing landlord and tenant. The usual property outgoings are deducted to achieve a net rental, which is then capitalised at the rate or return an investor would require or seek for such a property.

COMPARATIVE METHOD (INVESTMENT PROPERTY)

The method involves the identification of comparable properties sold in the area or in a comparable location within a reasonable time. The selected comparable properties are analysed and compared with the subject properly. Adjustments are then made to their values to reflect any differences that may exist. This method is based on the assumption that a purchaser will pay an amount equal to what others have paid or are willing to pay.

EQUITY INVESTMENTS

The fair values of quoted equity investments in active markets are based on the closing trading price at the reporting date.

If the market for the equity investment is not active (and for unlisted equity investments), the Group establishes fair value by using valuation techniques. The Group uses its judgement to make assumptions that are mainly based on market conditions existing at each reporting date. Unlisted equities are valued on various valuation methods including the discounted cash flow method and net asset value bases. The discounted cash flow method is the preferred method and involves discounting the projected free cash flow earning of the underlying entity using an appropriate risk weighted average cost of capital over the projected investment horizon.

NON-DERIVATIVE FINANCIAL LIABILITIES

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

1.7 EVENTS AFTER REPORTING DATE

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The group will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The group will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.8 IRREGULAR EXPENDITURE

National Treasury practice instruction 4 of 2022/23 on Irregular Expenditure Framework.

Irregular expenditure is recorded in the notes to the Financial Statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore is provided.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority is recorded appropriately in the irregular expenditure register. If liability for losses resulting from the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned.

If recovery is not possible, the accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant expenditure item, be disclosed as such in the integrated report and updated accordingly in the irregular expenditure register.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure in the integrated report must be updated with the amount condoned.

1.9 FRUITLESS AND WASTEFUL EXPENDITURE

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recoverable, it is accounted for as revenue in the statement of financial performance.

1.10 TRANSFER OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL

IDENTIFYING THE ACQUIRER AND TRANSFEROR

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which group to the transaction or event is the transferor(s) and which group is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which group is the acquirer and which group is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

1.11 SHARE CAPITAL/CONTRIBUTED CAPITAL

An equity instrument is any contract that evidences a residual interest in the assets of an group after deducting all of its liabilities.

1.12 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (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.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
    - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
    - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
    - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
    - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The group has not applied the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 April 2025 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023 Improvements to the Standards of GRAP 2023	to be determined	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	to be determined	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Impact is currently being assessed

FINANCIAL INSTRUMENTS

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

3. LOANS AND RECEIVABLES - ADVANCES

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Gross advances				
Opening balances	4 531 407	4 528 590	3 091 085	3 083 403
Disbursements	331 059	415 851	326 205	406 328
Interest	526 733	582 962	309 781	353 745
Repayments	(1 054 587)	(991 228)	(835 538)	(756 056)
Amounts written off	(88 343)	(10 661)	(74 433)	(2 228)
Fees	3 874	5 893	3 874	5 893
Balance at the end of the year	**4 250 143**	**4 531 407**	**2 820 974**	**3 091 085**
Impairments on advances				
Balances at the beginning of the year	(359 949)	(314 562)	(255 297)	(222 346)
Increase in impairments on advances	(114 626)	(54 046)	(101 146)	(32 951)
Impairments reversed during the year	101 759	8 659	101 759	-
Net impairments (raised)/reversed	**(12 867)**	**(45 388)**	**613**	**(32 951)**
Balance at the end of the year	**(372 816)**	**(359 949)**	**(254 684)**	**(255 297)**
Specific impairments	(333 354)	(320 088)	(215 223)	(215 436)
General impairments	(39 462)	(39 862)	(39 462)	(39 862)
Net advances	**3 877 327**	**4 171 458**	**2 566 290**	**2 835 788**
Quasi loan Disbursements	50 000	-	50 000	-
Quasi loan balance at end of the year	**50 000**	**-**	**50 000**	**-**
Maturity analysis				
Receivable within one year	1 097 543	755 625	928 542	741 965
Receivable within one to two years	964 561	676 473	626 560	512 571
Receivable within two to three years	718 189	1 141 741	211 188	576 662
Receivable beyond three years	1 147 034	1 597 619	850 000	1 004 590
Net advances	**3 927 327**	**4 171 458**	**2 616 290**	**2 835 788**
Loans and advances - NHFC	2 606 308	2 835 192	2 616 290	2 835 788
Loans and advances - HIP	1 321 019	1 336 266	-	-
Total Loans and advances	**3 927 327**	**4 171 458**	**2 616 290**	**2 835 788**
Non-current assets	2 829 784	3 415 833	1 687 748	2 091 554
Current assets	1 097 543	755 625	928 542	744 234
	3 927 327	**4 171 458**	**2 616 290**	**2 835 788**

Impairments were reversed as a result of certain loans and advances being renegotiated and settled and irrecoverable amounts which are subsequently written off.

Loan terms issued to clients vary from one year to 20 years.

4. LOANS TO SUBSIDIARIES

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Gross advances				
Opening balances	-	-	112 434	96 738
Disbursements	-	-	11 983	16 794
Repayments	-	-	(372)	(1 098)
Amounts previously impaired, written off/ Refund	-	-	(16 986)	-
Balance at the end of the year	**-**	**-**	**107 059**	**112 434**
Impairments on advances				
Balances at the beginning of the year	-	-	(62 851)	(62 955)
Impairments reversed during the year	-	-	16 566	104
Balance at the end of the year	**-**	**-**	**(46 285)**	**(62 851)**
Net advances			**60 774**	**49 583**

5. INVESTMENTS IN NON-CONTROLLED ENTITIES

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Blue Financial Services Limited				
Shares at cost - ordinary shares				
Investments in shares at cost	30 000	30 000	30 000	30 000
Fair value adjustment	(30 000)	(30 000)	(30 000)	(30 000)
Carrying amount of shares at 31 March	**-**	**-**	**-**	**-**

As part of a debt restructuring agreement, the NHFC acquired 67 415 730 ordinary shares by converting a R30 million interest bearing loan owed by Blue Financial Services Limited to equity. This was equivalent to 0.88% of the issued capital. The conversion took place in July 2012 at an agreed share price of 44.5 cents per share. The equity investment in Blue Financial Services was devalued during July 2013 following a significant decrease in the share price to 13 cents, a further devaluation was taken in March 2016 as a prudent measure given the uncertainties surrounding the company's underlying performance in its operations, the prolonged suspension from the JSE and the lack of audited financial statements. Other factors that inherently affect the company's future prospects include the raising of funding and the settlement of the Debt Restructuring Agreement lenders.

As there is no quoted share price or reliable financial information, the investment in Blue Financial Services is measured at cost less accumulated impairments in accordance with GRAP. In the absence of a quoted share price, the carrying value has been fully impaired.

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Evolution Credit Limited				
Investment at cost	56 590	56 590	56 590	56 590
Amounts disbursed during the year	-	-	-	-
	56 590	**56 590**	**56 590**	**56 590**
Fair value changes	**(34 118)**	**(37 348)**	**(34 118)**	**(37 348)**
Cumulative changes	(37 348)	(33 822)	(37 348)	(33 822)
Current year changes	3 230	(3 526)	3 230	(3 526)
Carrying amount at 31 March	**22 472**	**19 242**	**22 472**	**19 242**

As a result of a restructuring in Evolution Credit in December 2017, the NHFC converted portion of its senior debt investment in Evolution Credit into Payment in Kind ("PIK") notes, a quasi-equity investment. R131.9 million senior debt facility (including interest) were restructured.

The ordinary shares held in Evolution Credit by the NHFC equated to 8.96% of the issued ordinary shares in the company which was acquired at a nominal amount of R80.4, and given the implementation of the scheme of arrangement, the NHFC shareholding increased from 6.69% to 8.96% during the current year under review. As at March 2018 bulk of the equity and quasi-equity exposure was held in the E PIK Notes at a gross value of R52.8 million prior to the scheme of arrangement. Since March 2018, NHFC investment in Evolution Credit has been fair valued on an annual basis. In the financial year ended 31 March 2025, an upward fair value occurred and a Dividend income of R3.450 million was received.

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
IHS Fund II SA Collector, L.P.(International Housing Solutions) (IHS)				
Investment at cost	300 889	300 889	300 889	300 889
Amounts disbursed in current year	-	-	-	-
	300 889	**300 889**	**300 889**	**300 889**
Cumulative fair value changes since inception	(81 461)	(79 482)	(81 461)	(79 482)
Cumulative changes from prior years	(79 482)	(85 614)	(79 482)	(85 614)
Current year changes	(1 979)	6 132	(1 979)	6 132
Carrying value at 31 March	**219 428**	**221 407**	**219 428**	**221 407**

The Fund's primary purpose is to invest in affordable housing projects, including completed projects that are to be renovated, and projects in development. Fund investments may be in the form of equity interests, interests in trusts, debt, subordinated debt or preferred equity in housing projects. As a limited partner, the NHFC participates in the profits and losses generated by the Fund. Its revenue therefore is accrued from the profits or losses generated per reporting period.

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
IHS Social Housing SA (Proprietary) Limited				
Investments in shares at cost	5 479	5 479	5 479	5 479
Current year disbursement	58 945	-	58 945	-
Carrying amount of shares at 31 March	**64 424**	**5 479**	**64 424**	**5 479**

The R58.9 million for IHS Social Housing SA (Proprietary) Limited was disbursed during the current year (2024: R5.4million).

Total investment in non-controlling entities	**306 324**	**246 128**	**306 324**	**246 128**

6. INVESTMENTS IN CONTROLLED ENTITIES

INVESTMENT IN ABAHLALI HOUSING ASSOCIATION (NO. 2) NPC

The NHFC took control of Abahlali Housing Association and the bank accounts in 2007 when the company was in financial distress. When tenants decide to settle the rental units, those settlements proceeds are deposited into the Abahlali bank account over which the NHFC has full control. Abahlali is considered a controlled entity as the NHFC appoints its directors. Abahlali is in the process of being liquidated.

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Abahlali Housing Association (No. 2) NPC				
Investment at cost	-	-	-	-
Accumulated impairments	-	-	-	-
Carrying amount of the investment in Abahlali	**-**	**-**	**-**	**-**

INVESTMENT IN GATEWAY HOME LOANS (PROPRIETARY) LIMITED

Gateway Home Loans (Proprietary) Limited is a wholly owned subsidiary of National Housing Finance Corporation SOC Limited and is currently not trading and is in the process of being deregistered.

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Gateway Home Loans (Proprietary) Limited				
Investment at cost	-	-	50 000	50 000
Accumulated impairments	-	-	(50 000)	(50 000)
Carrying amount of the Investment in Gateway Home Loans	**-**	**-**	**-**	**-**

CAPE TOWN COMMUNITY HOUSING COMPANY (PROPRIETARY) LIMITED

The Cape Town Community Housing Company (Proprietary) Limited (CTCHC) is a wholly owned subsidiary of National Housing Finance Corporation SOC Limited.

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Investment at cost	-	-	28 816	28 816
Accumulated fair value changes from prior years	-	-	(13 211)	(13 656)
Current year fair value adjustment	-	-	1 303	445
Carrying amount of the investment in CTCHC	**-**	**-**	**16 908**	**15 605**

A total of 43 577 707 debentures were converted to 43 577 707 ordinary no par value shares in the share capital of Cape Town Community Housing Company (Proprietary) Limited for a gross value total premium of R51 518 225.81 in 2020.

The shareholder's loan of R121 708 494 has been capitalised by the issue of 102 949 529 ordinary no par value shares.

All of NHFC outstanding debt granted has been converted to equity with the exception of that related to Harmony Village. The incurrence of finance cost has been ceased, with the NHFC no longer accruing any interest. The loan relating to Harmony Village has now been fully settled by the CTCHC.

HOUSING INVESTMENT PARTNERSHIP TRUST

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Opening balance	-	-	298 736	296 422
Disbursements in the current year	-	-	2 955	2 314
	-	**-**	**301 691**	**298 736**
Accumulated Fair values	-	-	(103 830)	(110 655)
Accumulated fair value from prior years	-	-	(110 655)	(50 287)
Fair value for the current year	-	-	6 823	(60 368)
Carrying amount of the investment in HIP	**-**	**-**	**197 861**	**188 081**

The NHFC is the sole investor in the junior debt instruments in Housing Investment Partners Trust (Trust 1) and Vulumnyango Trust (Trust 2). NHFC has residual interests in the two trusts.

NHFC has applied a discounted cash flow (DCF) method in arriving at the equity valuation of the two trusts. The projections of the trusts have been reviewed to understand the reasonableness in projected earnings along with the working capital changes and repayments of senior and mezzanine debt. Due consideration has been given to the revenue prospects of the trusts, as well as whether the cost structures reasonably represents the required platform to achieve projected revenues. Cost of equity was computed using a risk-free rate subjectively adjusted with company and market risk and this was applied to the cash flows potentially distributable to equity investors.

OTHER SUBSIDIARIES

The following wholly owned subsidiaries of National Housing Finance Company are held at cost, the value of the individual subsidiaries equals to the share capital which is less than a R1000:

- NHFC Management Services (Proprietary) Limited (NMS)
- NURCHA Loan Fund (Proprietary) Limited
- NURCHA Development Finance (Proprietary) Limited
- NURCHA Equity Services (Proprietary) Limited
- NURCHA Bridging Fund (Proprietary) Limited
- NURCHA Finance Company (Proprietary) Limited
- Mortgage Default Insurance Company (Proprietary) Limited (MDIC)
- Gateway Home Loans 001 (Proprietary) Limited

All subsidiariwes with the exception of NMS are in the process of being deregistered.

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Total Investment in Controlled Entities	-	-	**214 769**	**203 686**

7. INVESTMENTS IN ASSOCIATES

7.1 INVESTMENT IN ASSOCIATE - TUHF HOLDINGS LIMITED

The company is involved in the provision of commercial property finance in the form of bridging finance and long-term loans for the regeneration of South African inner city precincts and surrounding suburbs. The NHFC effectively owns 35.48% (2024: 35.48%) of the issued share capital consisting of ordinary shares.

The following table illustrates the summarised financial information of NHFC's investment in TUHF:

	GROUP	
	2025	2024
	R '000	R '000
Share of the associate's balance sheet		
Total assets	1 810 164	1 617 285
Total liabilities	(1 653 525)	(1 456 769)
Net asset	**156 639**	**160 516**
Investment at cost	33 282	33 282
Accumulated share of the associate's surplus	76 786	87 252
Accumulated share of the associate's reserves	43 914	41 874
	153 982	162 408
Current year share of the associates surplus	(13 876)	(10 466)
Current year share of other reserves	10 000	2 040
Carrying amount of the investment in TUHF ordinary shares	**150 106**	**153 982**
Investment in C class ordinary shares		
Carrying amount of the investment in C class ordinary shares	6 533	6 533
Total carrying amount of investment in TUHF	**156 639**	**160 515**

*Other reserves include movements in employee share scheme, dividends declared and non distributable reserves

The financial result of TUHF Holdings have been converted to align to the group's accounting policies.

	GROUP	
	2025	2024
	R '000	R '000
Share of the associate's revenue	204 229	201 867

Summarised financial information for TUHF at 100%

	GROUP	
	2025	2024
	R '000	R '000
Current assets	446 256	324 098
Non-current assets	4 663 173	4 268 889
Current liabilities	(65 082)	(60 108)
Non-current liabilities	(4 595 361)	(4 045 778)
Revenue	613 491	659 431
Expenditure	(661 130)	(676 266)
Tax expense	16 029	(12 661)
Surplus or deficit	(31 609)	(29 497)

7.2 INVESTMENT IN ASSOCIATE - TUHF HOLDINGS LIMITED

The following table illustrates the summarised financial information in the company's books:

	COMPANY	
	2025	2024
	R '000	R '000
Investment in ordinary shares at cost	33 282	33 282
Investment in C class ordinary shares at cost	6 533	6 533
Total cost of acquisition	**39 815**	**39 815**
Opening fair value changes	89 206	65 684
Current fair value changes	(22 617)	23 522
Cumulative fair value changes - Inception to date	**66 589**	**89 206**
Carrying amount of the investment in TUHF	**106 404**	**129 021**

The investment in TUHF has been valued at fair value. NHFC has applied a discounted cash flow (DCF) method in arriving at the valuation of TUHF. Company projections have been reviewed to understand the reasonableness of projected earnings along with the working capital changes. Due consideration has been given to the revenue prospects of the company, as well as whether the cost structures reasonably represent the required platform to achieve projected revenues. Cost of equity was computed using a risk-free rate subjectively adjusted with company and market risk and this was applied to the cash flows potentially distributable to equity investors. The terminal value was determined using the perpetual growth approach unless not appropriate for that particular investment.

NHFC's shareholders loans to the value of R6.5 million were converted to C ordinary shares in the prior financial years.

7.3 INVESTMENT IN ASSOCIATE - HOUSING INVESTMENT PARTNERS (PROPRIETARY) LIMITED (HIP)

The NHFC has a 33.33% equity shareholding in HiP, the fund management company that developed an income linked mortgage loan product and arranges and manages the debt funds that provide the mortgage loan funding.

The following table illustrates the summarised financial information of NHFC's investment in HiP:

	GROUP	
	2025	2024
	R '000	R '000
Share of the associate's balance sheet		
Total assets	14 891	16 287
Total liabilities	(41 591)	(42 012)
Net asset	**(26 700)**	**(25 725)**
Share of the associate's revenue	8 927	9 553
Share of surplus/(deficit)	(793)	1 021

The Group's share of cumulative losses amounts to R33.8 million in 2025 (R33.8 million in 2024) which have been recognised in Shareholder loan investment account.

The Group's share of cumulative losses in the associate HiP have been recognised up to the cost of the investment, being R7.232 million.

The investee has a different reporting date of 31 December. There has not been any material impact for the current year as all losses have been written off against the investment at group level. The different reporting date has however been considered when preparing the valuation of the investment.

Summarised financial information for HiP at 100%

	GROUP	
	2025	2024
	R '000	R '000
Current assets	5 580	8 238
Non-current assets	39 097	40 628
Current liabilities	(113 814)	(113 551)
Non-current liabilities	(10 971)	(10 971)
Revenue	28 067	34 568
Expenditure	(30 447)	(31 506)
Surplus or deficit	(2 379)	3 062

7.4 INVESTMENT IN ASSOCIATE - HOUSING INVESTMENT PARTNERS (PROPRIETARY) LIMITED (HIP)

The following table illustrates the summarised financial information in the company's books:

	COMPANY	
	2025	2024
	R '000	R '000
Investment in shares opening balance	7 232	7 232
Accumulated fair value adjustments in prior years	(7 232)	(7 232)
Carrying amount of the investment HiP	-	-

HiP is an entity established to operate as a fund manager that designed and developed an innovative income linked retail home loans product. HiP originates, manages and administers the debt funds that provide the mortgage loan funding. NHFC has applied a discounted cash flow (DCF) method in arriving at the valuation of HiP. Company projections have been reviewed to understand the reasonableness in projected earnings along with the working capital changes. Due consideration has been given to the revenue prospects of the company, as well as whether the cost structures reasonably represents the required platform to achieve projected revenues. Cost of equity was computed using a risk-free rate subjectively adjusted with company and market risk and this was applied to the cash flows potentially distributable to equity investors. No fair value adjustment was processed in the current financial year. HiP as a fund manager, needs to significantly raise the funds under management (loan book) for the business to be financial sustainable. It continues to generate marginal operating profits. The investee has a different reporting date of 31 December. The different reporting date has however been considered when preparing the valuation of the investment.

A significant portion of the assets of the limited partnership that the NHFC is invested in, resides in properties which have been valued on a discounted cash flow basis to which an appropriate discount rate has been adopted based on the capitalisation rate of the property plus a premium based on project specific risk like, construction risk, lease up risk and rental escalation risk.

7.5 INVESTMENT IN ASSOCIATE - KANGA FINANCE (PROPRIETARY) LIMITED PREVIOUSLY LENDCOR (PROPRIETARY) LIMITED (KANGA)

The following table illustrates the summarised financial information of NHFC's investment in Kanga:

	GROUP	
	2025	2024
	R '000	R '000
Share of the associate's balance sheet		
Total Assets	99 558	87 780
Total Liabilities	(85 495)	(75 882)
Net asset	**14 063**	**11 898**
Investment at cost	350	350
Accumulated share of profits	12 103	12 173
	12 453	12 523
Current year share of profits	2 203	(70)
Carrying amount of the investment in Kanga	**14 656**	**12 453**
Share of the associate's revenue	46 086	40 723

The group's share of cumulative equity amounts to R14.1 million.

Summarised financial information for Kanga at 100%

	GROUP	
	2025	2024
	R '000	R '000
Current assets	25 082	31 811
Non-current assets	472 706	407 089
Current liabilities	(45 660)	(34 034)
Non-current liabilities	(381 817)	(345 374)
Revenue	230 431	190 818
Expenditure	(215 583)	(191 515)
Tax expense	(3 835)	425
Surplus or deficit	11 013	(351)

7.6 INVESTMENT IN ASSOCIATE - KANGA FINANCE (PROPRIETARY) LIMITED PREVIOUSLY LENDCOR (PROPRIETARY) LIMITED (KANGA)

The following table illustrates the summarised financial information in the company's books:

	COMPANY	
	2025	2024
	R '000	R '000
Investment in equity shares		
Investment in ordinary shares at cost	350	350
Opening accumulated fair values from prior years	12 374	8 829
Current year fair value changes	1 353	3 545
Cumulative accumulated fair value - inception to date	13 727	12 374
Carrying amount of the investment in Kanga	**14 077**	**12 724**

NHFC has a 20% interest in Kanga Finance (Proprietary) Limited and has a right to appoint a director. As the investee company has a February year end, adjustments have been processed to align the financials to the NHFC year end of March.

7.7 INVESTMENT IN ASSOCIATE - NORUFIN HOUSING (PROPRIETARY) LIMITED (NORUFIN)

The following table illustrates the summarised financial information of NHFC's investment in Norufin:

	GROUP	
	2025	2024
	R '000	R '000
Share of the associate's balance sheet		
Total Assets	-	-
Total Liabilities	-	-
Net asset	**-**	**-**
Investment at cost	5 288	5 288
Accumulated share of profits/(loss) of associate	(4 441)	(4 441)
	847	847
Current year share of profits	-	-
Carrying amount of the investment in Norufin	**847**	**847**
Share of the associate's revenue	**-**	**-**

7.8 INVESTMENT IN ASSOCIATE - NORUFIN (PROPRIETARY) LIMITED (NORUFIN)

The following table illustrates the summarised financial information in the company's books.

	COMPANY	
	2025	2024
	R '000	R '000
Investment in ordinary shares at cost	5 286	5 286
Cumulative Impairments - inception to date	(5 286)	(5 286)
Carrying amount of the investment in Norufin	**-**	**-**

As there is no quoted share price or reliable financial information, the investment of 20% in Norufin is measured at cost less accumulated impairments in accordance with GRAP.

7.9 INVESTMENT IN KABO FINANCIAL ENTERPRISE (PROPRIETARY) LIMITED

The Entity has a 20% interest in Kabo Financial Enterprise (Proprietary) Limited and has the right to appoint a director.

The following table illustrates summarised financial information of the Entity's investment in Kabo Financial Enterprise (Proprietary) Limited.

	GROUP	
	2025	2024
	R '000	R '000
Accumulated share of surplus/(deficit)	(236)	(236)
Current year share of losses	-	-
Carrying amount of the investment in Kabo	**(236)**	**(236)**

As part of NHFC's commitment to transforming the incremental housing industry, took up equity in Kabo. This is done to assist the company with the initial losses that a start-up will incur. As a consequence of these losses, the share capital is fully provided for. Other than NHFC's shares, Kabo is 100% black woman owned.

7.10 INVESTMENT IN KABO FINANCIAL ENTERPRISE (PROPRIETARY) LIMITED

The following table illustrates the summarised financial information in the company's books:

	COMPANY	
	2025	2024
	R '000	R '000
Investment in equity shares		
Original investment in Kabo	129	129
Accumulated impairment	(129)	(129)
Carrying amount of the investment in Kabo	**-**	**-**
Investment in preference shares		
Investment at cost	121	121
Cumulative impairments	(121)	(121)
	-	-

As there is no quoted share price or reliable financial information, the investment in Kabo is measured at cost less accumulated impairments in accordance with GRAP.

7.11 INVESTMENT IN LEHAE HOUSING (PROPRIETARY) LIMITED

The Entity has a 20% interest in Lehae Housing (Proprietary) Limited and has the right to appoint a director.

The following table illustrates summarised financial information of the Entity's investment in Lehae Housing (Proprietary) Limited.

	GROUP	
	2025	2024
	R '000	R '000
Investment at Cost		
Accumulated share of profits/(losses)	800	800
Carrying amount of the investment in Lehae	(800)	(800)
	-	-

7.12 INVESTMENT IN LEHAE HOUSING (PROPRIETARY) LIMITED

The following table illustrates the summarised financial information in the company's books:

	COMPANY	
	2025	2024
	R '000	R '000
Investment in equity shares		
Carrying amount investment in Lehae	41	41
Fair value adjustment in investment in Lehae	(41)	(41)
Carrying amount of the investment in Lehae	**-**	**-**
Investment in preference shares		
Investment at cost	754	754
Cumulative impairments	(754)	(754)
Investment in preference shares in Lehae	**-**	**-**

As there is no quoted share price or reliable financial information, the investment in Lehae is measured at cost less accumulated impairments in accordance with GRAP.

7.13 INVESTMENT IN THUTHUKANI HOUSING FINANCE (PROPRIETARY) LIMITED

The Entity has a 20% interest in Thuthukani Housing Finance (Proprietary) Limited and has the right to appoint a director. Thuthukani Housing Finance restructured in December 2022, our ordinary share holding has reduced from 30% to 20%. A new equity investor has come on board. The investee has a different reporting date of 31 December, adjustments have been processed to align the financials to the NHFC year end of March

The following table illustrates summarised financial information of the Entity's investment in Thuthukani Housing Finance (Proprietary) Limited.

7.13 INVESTMENT IN THUTHUKANI HOUSING FINANCE (PROPRIETARY) LIMITED (CONTINUED)

	GROUP	
	2025	2024
	R '000	R '000
Share of associates balance sheet		
Total assets	22 666	19 546
Total liabilities	(17 230)	(11 530)
Net assets	**5 436**	**8 016**
Investment at Cost	49 733	49 733
Accumulated share of surplus/(deficit)	(4 561)	(4 969)
	45 172	44 764
Current year share of surplus/(deficit)	(2 496)	408
Carrying amount of the investment in Thuthukani	**42 676**	**45 172**
Share of associates revenue is R4 247 000 (2024: R5 523 000).		
Summarised financial information for Thuthukani at 100%		
Current assets	62 936	12 829
Non-current assets	50 392	84 901
Current liabilities	(30 522)	(6 129)
Non-current liabilities	(55 628)	(51 522)
Revenue	24 847	38 508
Expenditure	(37 328)	(36 470)
Surplus or deficit	(12 482)	2 038

7.14 INVESTMENT IN THUTHUKANI HOUSING FINANCE (PROPRIETARY) LIMITED

The following table illustrates the summarised financial information in the company's books:

	COMPANY	
	2025	2024
	R '000	R '000
Investment in equity shares		
Carrying amount investment in Thuthukani	49 733	49 733
Fair value adjustment in investment in Thuthukani	(49 733)	(49 733)
Carrying amount of the investment in Thuthukani	-	-

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Total Investment in associates	**214 583**	**218 752**	**120 482**	**141 746**

8. INVESTMENT IN PREFERENCE SHARES

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Greenstart Proprietary Limited				
Investment at cost	2 500	2 500	2 500	2 500
Cumulative impairments	(2 500)	(2 500)	(2 500)	(2 500)
Dividends accrued	158	158	158	158
Dividends impaired	(158)	(158)	(158)	(158)
Investment in preference shares at fair value	**-**	**-**	**-**	**-**

Investment in Greenstart Homeloans – These are redeemable cumulative preference shares redeemable at the option of the issuer. The investment consists of 100 shares at a par value of R1 and a share premium of R24 999 per share. The total of the preference shares in Greenstart Homeloans Proprietary Limited is R2.5 million. Dividends in terms of the shareholders' agreement are set at 6.3% per annum on the aggregate subscription price of R2.5 million.

9. PROPERTY, PLANT AND EQUIPMENT

	2025			2024		
	COST	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
Group						
Land	490	-	490	490	-	490
Furniture and fixtures	674	(454)	220	451	(448)	3
Motor vehicles	1 975	(388)	1 587	361	(361)	-
Office equipment	1 290	(1 181)	109	1 244	(1 035)	209
IT equipment	14 411	(11 986)	2 425	12 458	(10 704)	1 754
Leasehold improvements	680	(227)	453	-	-	-
Total	**19 520**	**(14 236)**	**5 284**	**15 004**	**(12 548)**	**2 456**
Company						
Land	490	-	490	490	-	490
Furniture and fixtures	457	(237)	220	234	(231)	3
Motor vehicles	1 855	(268)	1 587	241	(241)	-
Office equipment	1 176	(1 067)	109	1 130	(921)	209
IT equipment	13 973	(11 636)	2 337	12 129	(10 376)	1 753
Leasehold improvements	680	(227)	453	-	-	-
Total	**18 631**	**(13 435)**	**5 196**	**14 224**	**(11 769)**	**2 455**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - GROUP - 2025

	OPENING BALANCE	ADDITIONS	DEPRECIATION	TOTAL
Land	490	-	-	490
Furniture and fixtures	3	223	(6)	220
Motor vehicles	-	1 614	(27)	1 587
Office equipment	209	46	(146)	109
IT equipment	1 754	1 953	(1 282)	2 425
Leasehold improvements	-	680	(227)	453
	2 456	**4 516**	**(1 688)**	**5 284**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - GROUP - 2024

	OPENING BALANCE	ADDITIONS	DISPOSALS	DEPRECIATION	TOTAL
Land	490	-	-	-	490
Furniture and fixtures	31	-	-	(28)	3
Office equipment	349	-	-	(140)	209
IT equipment	1 663	1 391	(31)	(1 269)	1 754
	2 533	**1 391**	**(31)**	**(1 437)**	**2 456**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - COMPANY - 2025

	OPENING BALANCE	ADDITIONS	DEPRECIATION	TOTAL
Land	490	-	-	490
Furniture and fixtures	3	223	(6)	220
Motor vehicles	-	1 614	(27)	1 587
Office equipment	209	46	(146)	109
IT equipment	1 753	1 844	(1 260)	2 337
Leasehold improvements	-	680	(227)	453
	2 455	**4 407**	**(1 666)**	**5 196**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - COMPANY - 2024

	OPENING BALANCE	ADDITIONS	DISPOSALS	DEPRECIATION	TOTAL
Land	490	-	-	-	490
Furniture and fixtures	31	-	-	(28)	3
Office equipment	349	-	-	(140)	209
IT equipment	1 661	1 391	(31)	(1 268)	1 753
	2 531	**1 391**	**(31)**	**(1 436)**	**2 455**

The cost of fully depreciated assets that are still in use amounts to R10.5 million (2024: R8.8 million), and for the Group R11.1 million (2024: R9.3 million).

No property, plant and equipment has been pledged as security.

No significant amount was incurred to repair and maintain property, plant and equipment.

10. INTANGIBLE ASSETS

	2025			2024		
	COST	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
Computer software - Group	14 206	(14 206)	-	14 206	(14 206)	-
Computer software - Company	13 956	(13 956)		13 956	(13 956)	

RECONCILIATION OF INTANGIBLE ASSETS - GROUP/COMPANY - 2025

	OPENING BALANCE	TOTAL
Computer software	-	-

RECONCILIATION OF INTANGIBLE ASSETS - GROUP/COMPANY - 2024

	COST	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
Computer software	407	(407)	-

11. FINANCE LEASE RECEIVABLES

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Gross investment in the lease due				
- within one year	36 530	44 009	-	-
- in second to fifth year inclusive	55 941	46 351	-	-
- later than five years	67 093	61 106	-	-
	159 564	151 466	-	-
less: Unearned finance revenue	(59 128)	(53 211)	-	-
	100 436	**98 255**	**-**	**-**
Present value of minimum lease payments due				
- within one year	29 486	36 965	-	-
- in second to fifth year inclusive	22 566	18 811	-	-
- later than five years	48 384	42 479	-	-
	100 436	**98 255**	**-**	**-**
Non-current assets	70 950	61 290	-	-
Current assets	29 486	36 965	-	-
	100 436	**98 255**	**-**	**-**

The average term on the finance lease receivable is 14 years. The interest rate in the agreement is mostly variable at the contract date for the full period. NHFC considers that the fair values of the finance lease receivables does not differ materially from the carrying value.

The amount of R100.4 million (2024: R98.2 million) is the maximum exposure to credit risk.

12. INVESTMENT PROPERTY

	2025			2024		
	VALUATION R '000	ACCUMULATED IMPAIRMENT R '000	CARRYING VALUE R '000	VALUATION R '000	ACCUMULATED IMPAIRMENT R '000	CARRYING VALUE R '000
Investment property - Group	126 499	-	126 499	113 381	-	113 381
Investment property - Company	108 000	-	108 000	102 000	-	102 000

Reconciliation of investment property - Group

	OPENING BALANCE R '000	DISPOSALS R '000	FAIR VALUE ADJUSTMENTS R '000	TOTAL R '000
Investment property - 2025	113 381	(125)	13 243	126 499
Investment property - 2024	82 897	(117)	30 601	113 381

Reconciliation of investment property - Company

	OPENING BALANCE R '000	FAIR VALUE ADJUSTMENTS R '000	TOTAL R '000
Investment property - 2025	102 000	6 000	108 000
Investment property - 2024	71 650	30 350	102 000

NATURE AND IMPACT OF THE VALUATION

Investment property is stated at fair value determined, based on a valuation performed by an accredited independent valuer, Mr Tsietsi Madonsela (Registered Professional Associated Valuer at Lutendo Property Group Proprietary Limited) on 26 May 2025. Mr Tsietsi Madonsela is an independent valuer and has experience in property valuations.

In order to determine which method or combination of methods applies to the subject property, cognisance was taken of the fact that the subject unit is an income producing property. Taking this into account, combination of the Income Capitalisation Method of Valuation and the Direct Comparable Sales Method of Valuations was considered to be most appropriate for the property. The Income Capitalisation method determines the net normalised annual income of the property, assuming the property is fully let at market related rentals, and market escalations, with an allowance made for vacancies (where applicable) and bad debts. Market related operating expenses are incurred, resulting in a net annual income which is then capitalised at a market related rate.

The capitalisation rate is best determined by referring to market transactions of comparable properties as it is based on information derived from market analysis. The risk inherent in income producing properties is the degree of certainty that the income stream will be realised despite the uncertainty of the future, and therefore the higher the risk factor, the better return the investor will require.

The capitalisation rates have been considered in view of locality and quality of space offered, these range between 11% to 12% based on industry surveys. The valuer thus applied an average capitalisation rate of 11.00% in the calculation taking into account the age of the buildings, locality and condition as well as security of the income.

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
The following amounts have been recognised in surplus				
Fair value gain/(loss)	13 242	30 601	6 000	30 350
Net rental income	12 261	11 928	11 936	11 618
Direct operating expenses	(14 422)	(13 862)	(14 422)	(13 682)
Repairs and maintenance	(43)	(1 098)	(43)	(1 098)
	11 038	**27 569**	**3 471**	**27 188**
Details of investment property				
- Purchase price: 1 December 2008	26 361	26 361	21 654	21 654
- Additions since purchase or valuation	100 138	87 020	86 346	80 346
	126 499	**113 381**	**108 000**	**102 000**

a) Description: Erven 300 and 585 West Germiston, Germiston, Gauteng, known as President Place

13. HELD TO MATURITY INVESTMENTS

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Standard Bank of South Africa Limited	66 924	86 461	66 924	86 461
Investec Bank Limited	156 486	121 464	156 486	121 464
Nedbank Limited	95 027	25 283	95 027	25 283
First National Bank Limited	220 853	97 229	220 853	97 229
National Treasury	427 897	362 315	427 897	362 315
Held-to-maturity money market investments - current	**967 187**	**692 752**	**967 187**	**692 752**
Land and Agricultural Bank of South Africa SOC Ltd*	29 955	51 958	29 955	51 958
Impairment on Land Bank	(13 115)	(33 244)	(13 115)	(33 244)
Non-current	**16 840**	**18 714**	**16 840**	**18 714**
Total held-to-maturity money market investments	**984 027**	**711 466**	**984 027**	**711 466**

Held-to-maturity money market investments are made for varying periods up to twelve months in line with the cash flow requirements of the NHFC and earn interest at the respective money market rates.

Investments are made in line with NHFC investment policy counter party risk, refer to Financial risk note 35.

*The exposure to the counterparty was impaired following default in 2020. At implementation of the liability solution in September 2024 they had significantly reduced the balance, and a portion of the impairment was reversed. The counterparty has been honoring its obligations since and no further impairment or reversal was applied at financial year end.

14. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Employee costs in advance	7 233	4 919	7 233	4 919
Deposits	1 583	1 572	1 157	1 186
VAT	4 626	4 855	-	-
Other debtors receivables	4 087	4 475	4 144	688
President Place debtors	2 891	4 830	2 891	4 830
Levies on finance leases	8 610	5 828	-	-
	29 030	**26 479**	**15 425**	**11 623**

Deposits mainly relate to office rental deposits.

Study loans included in staff debtors are non-interest bearing and are expensed as bursaries when studies are completed, or recovered if studies are not completed

Other staff debtors are charged interest at the prime lending rate.

15. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Short-term deposits - NHFC				
ABSA Bank Limited	2 066	1 917	-	-
Investec Bank Limited	2 726	282	2 726	282
Nedbank Limited	173 795	159 959	173 795	159 959
Standard Bank of South Africa Limited	1 289	1 222	1 289	1 222
Rand Merchant Bank, a division of First Rand Bank Limited	7 532	7 542	7 532	7 542
Stanlib Limited	73 154	67 332	73 154	67 332
South African Reserve Bank	500 698	458 583	486 933	445 483
First National Bank Limited	33 795	16 504	30 820	13 571
	795 055	**713 341**	**776 249**	**695 391**
Cash at bank and in hand - NHFC				
Cash on Hand	11	7	3	-
Standard Bank of South Africa Limited	11 600	13 848	2 501	2 600
First National Bank Limited	18 943	11 235	12 869	6 321
Nedbank Limited	71 970	143 417	-	-
	102 524	**168 507**	**15 373**	**8 921**
Total cash and short-term deposits	**897 579**	**881 848**	**791 622**	**704 312**

15. CASH AND CASH EQUIVALENTS (CONTINUED)

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Short term deposit - third party funds				
Reserve Bank - First Home Finance	1 095 717	1 194 299	1 095 717	1 194 299
Standard Bank - First Home Finance	11	10	11	10
	1 095 728	**1 194 309**	**1 095 728**	**1 194 309**
Cash at bank and in hand - third party funds				
Standard Bank - First Home Finance	11 375	9 135	11 375	9 135
First National Bank - First Home Finance	10	10	10	10
First National Bank - Gqebera	1 254	4 997	-	-
	12 639	**14 142**	**11 385**	**9 145**
Total third party funds	**1 108 367**	**1 208 451**	**1 107 113**	**1 203 454**
Total Cash and cash equivalents	**2 005 946**	**2 090 299**	**1 898 735**	**1 907 766**
NHFC				
Short-term deposits	795 055	713 341	776 249	695 391
Cash at Bank	102 524	168 507	15 373	8 921
	897 579	**881 848**	**791 622**	**704 312**
First Home Finance				
Short term deposits	1 095 728	1 194 309	1 095 728	1 194 309
Cash on hand and at bank	11 385	9 145	11 385	9 145
	1 107 113	**1 203 454**	**1 107 113**	**1 203 454**
Gqebera				
Cash on hand and at bank	1 254	4 997	-	-
Total Cash and cash equivalents	**2 005 946**	**2 090 299**	**1 898 735**	**1 907 766**

*Funds under management refer to note 22.

16. FUNDS UNDER MANAGEMENT - UNALLOCATED AMOUNTS

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Funds under management - unallocated amounts	142 866	-	142 866	-

These are unallocated amounts that was transferred to the First Home Finance partners that had not been transferred to the beneficiaries as at year-end.

17. OTHER FINANCIAL LIABILITIES

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
At amortised cost				
Old Mutual Capital Holding Proprietary Limited	531 957	526 776	-	-
Trust 1 Mezzanine loan- the loan bears interest at 3 months jibar + 5.5% payable monthly with a bullet payment for capital in June 2028 of R80 million; senior loan bears interest at 3 months jibar+3.5% payable with a bullet payment for capital in June 2028. Trust 2 Mezzanine loan - the loan bears interest at 3 months jibar+ 6.75% payable monthly with a bullet payment for capital of R350 million on the maturity date (Maturity date is April 2029 being the expected 5th anniversary of the CP fulfilment date)				
Future Growth Asset Management Proprietary Limited	321 668	464 737	-	-
Trust 2 Senior debt -the loan bears interest at 3 months jibar + 4.75% payable quarterly with a bullet payment of R450 million on the maturity date (Maturity date is April 2029 being the expected 5th anniversary of the CP fulfilment date)				
Agence Francaise de Developpement (AFD)	-	9 685	-	9 685
This loan bears interest at a fixed rate of 5.744% per annum and is repayable in equal semi-annual capital instalments of R 5 965 615 (2023: R5 965 615) exclusive of interest. Interest and capital is paid biannually on 31 May and 30 November of each year. The final instalment was paid on 24 November 2024.				
European Investment Bank (EIB)	17 006	34 088	17 006	34 089
This loan bears interest at a quarterly variable rate of 3M Jibar with a margin of 0.40% per annum and is repayable in semiannual equal capital instalments of R 8 308 077 (2023: R8 308 077) exclusive of interest. Interest and capital is paid biannually on 15 June and 15 December of each year. The final instalment is payable on 15 December 2025.				
Development Bank of South Africa (KfW)	92 841	98 825	92 841	98 825
The loan bears interest at a fixed rate of 7.65% per annum payable half yearly on 15 June and 15 December of R 6 557 841. Repayment of the 41 half yearly instalment commenced on 14 December 2014.				

17. OTHER FINANCIAL LIABILITIES(CONTINUED)

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
City of Cape Town	500	500	-	-
The loan relates to a discount on interest raised on the debentures previously issued to the City of Cape Town to the Cape Town Community Housing Company (Proprietary) Limited. The loan is payable as and when the company ("CTCHC") becomes profitable.				
	963 972	**1 134 611**	**109 847**	**142 599**
Non-current liabilities				
At amortised cost	921 597	1 077 904	85 070	107 818
Current liabilities				
At amortised cost	42 375	56 707	24 777	34 781

18. PROVISIONS

	OPENING BALANCE	ADDITIONS	UTILISED DURING THE YEAR	REVERSED DURING THE YEAR	TOTAL
	R '000	R '000	R '000	R '000	R '000
Reconciliation of provisions Group - 2025					
Lease payments	4 600	-	-	-	4 600
Municipal rates	2 237	594	(503)	-	2 328
Incentive bonus	2 361	606	(871)	(1 490)	606
	9 198	**1 200**	**(1 374)**	**(1 490)**	**7 534**
Reconciliation of provisions Group - 2024					
Lease payments	4 600	-	-	-	4 600
Municipal rates	2 117	205	(85)	-	2 237
Incentive bonus	3 804	1 490	(2 933)	-	2 361
	10 521	**1 695**	**(3 018)**	**-**	**9 198**
Reconciliation of provisions Company - 2025					
Incentive bonus	2 361	-	(871)	(1 490)	-
Reconciliation of provision Company - 2024					
Incentive bonus	3 804	1 490	(2 933)	-	2 361

Provision for lease payments relates to the purchase price for CTCHC piece of land which was allocated by the Upington Municipality of which the purchace price will only be paid when the last house is transferred to the owner.

Provision for municipal rates covers the rates that are outstanding and is payable when certain properties are transferred into the name of CTCHC.

There was no bonus provision raised for the current year.

19. PAYABLES FROM EXCHANGE TRANSACTIONS

	GROUP		COMPANY	
	OPENING BALANCE	ADDITIONS	UTILISED DURING THE YEAR	TOTAL
	R '000	R '000	R '000	R '000
Trade payables	19 917	12 559	10 725	11 409
Payments received in advance	92	128	-	-
Accrued leave pay	11 050	11 210	10 719	10 920
Accrued expense	42 727	41 084	20 195	14 619
Accrued audit fees	425	658	-	-
	74 211	**65 639**	**41 639**	**36 948**

Trade payables are non-interest bearing and are settled within 30-days.

20. ISSUED CAPITAL AND SHARE PREMIUM

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Issued and fully paid				
84 187 332 ordinary shares of R0.01 each	842	842	842	842
Share premium	879 158	879 158	879 158	879 158
	880 000	**880 000**	**880 000**	**880 000**

The 15 812 668 unissued shares are under the control of the shareholder.

21. GRANT CAPITAL

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Grants received	1 656 698	1 656 698	1 656 698	1 656 698

The initial grant of R200 million arose as a result of the merger of the Housing Equity Fund and the Housing Institutions Development Fund in the 2002 financial year. They are considered to be permanent and are therefore included in Shareholder's Equity. There are no conditions attached to these grants. During previous financial years additional grant capital amounting to R530 million was received from the shareholder and a further R80m was received during the 31 March 2019 year and R50 million in the 31 March 2020 year.

A total of R442 million Government Grants (R20 million from the Department of Housing and R422 million from the National Department of Human Settlements) has been transferred to the NHFC from NURCHA, these are considered to be permanent and are therefore included in Shareholder's equity. In addition, R18.3 million grant from the Open Society Institution of New York has transferred to the NHFC.

A total of R181 million Government Grants has been transferred to the NHFC from RHLF, these are considered to be permanent and are therefore included in Shareholder's equity. In addition, R154.8 million grant from KFW has transferred to the NHFC, the terms of the grant from the KFW require that these funds, and any interest earned on them, are used for loans to retail lenders who may only use these funds to grant housing loans to poor rural families.

22. FUNDS UNDER MANAGEMENT

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
First Home Finance[(a)]	1 249 995	1 203 469	1 249 995	1 203 469
Gqeberha[(b)]	1 254	4 997	-	-
Closing balance	**1 251 249**	**1 208 466**	**1 249 995**	**1 203 469**

(a)The NHFC is managing funds on behalf of the national government human settlements departments for the First Home Finance programme.

(b) The NHFC is managing funds on behalf of the Umzi Wase Gqeberha Housing Development Association

The net income on these funds is capitalised. The cost of managing the implementation of First Home Finance is recovered on an annual basis.

Funds under management are invested in held-to-maturity investments (note 13) and short-term deposits (note 15).

23. LONG TERM PAYABLES

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
VAT Payable	5 608	6 300	-	-

The VAT payable arises from CTCHC on the Harmony Village project and will be paid to SARS in annual instalments to match the manner in which revenue is received from customers.

24. REVENUE

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Interest on advances				
Interest on performing advances	259 699	288 382	259 699	288 382
Interest on impaired advances	50 082	65 363	50 082	65 363
Interest on finance leases receivable	12 625	12 853	-	-
Interest on advances from controlled entities	216 952	229 217	-	-
	539 358	**595 815**	**309 781**	**353 745**
Interest on investments				
Interest on short-term deposits and held-to-maturity investments	137 866	113 891	135 774	110 883
Rental income				
Rental income from investment property	12 261	11 976	11 936	11 618
Dividend received				
Dividend income from TUHF	-	-	876	-
Dividend income from Evolution Credit	3 450	-	3 450	-
Dividend income from Greenstart	158	158	158	158
	3 608	**158**	**4 484**	**158**
Sale of houses				
CTCHC sale of houses	-	304	-	-
Management Fees				
Fees charged to controlled entities	-	-	11 650	15 775
Programme management fees	521	4 331	-	-
First Home Finance recovery	20 602	19 585	20 602	19 585
	21 123	**23 916**	**32 252**	**35 360**
Share of residual interest in controlled entities - Housing Investment Partners	-	-	3 231	6 956
Fees on advances	3 874	5 893	3 874	5 893

25. COST OF SALES

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
CTCHC cost of sale of houses	-	251	-	-

26. OTHER OPERATING INCOME

Other operating income is made up as follows:

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Levies from finance lease receivable	2 419	2 505	-	-
Recoveries and refunds	17 773	15 657	17 398	5 889
Other interest received	1 296	2 208	1 296	2 207
Sundry income	3 072	6 278	3 072	12 825
	24 560	**26 648**	**21 766**	**20 921**

27. OPERATING SURPLUS

Included in operating surplus are the following items:

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Staff costs	135 672	122 858	131 161	119 410
Salaries	115 289	105 104	111 184	102 029
Medical aid	4 722	4 399	4 722	4 399
Provident fund	15 661	11 255	15 255	10 882
Bonus provision	-	2 100	-	2 100
Executive costs (refer to note 36)	21 641	30 328	21 641	30 328
Salaries	18 459	25 789	18 459	25 789
Medical aid	968	1 228	968	1 228
Provident fund	2 214	3 311	2 214	3 311
Administration	9 122	7 303	6 952	4 757
Marketing	9 847	3 254	9 847	3 252
Consultancy	32 141	20 415	32 124	20 396
Directors' fees	8 890	7 257	8 890	7 257
Legal fees	2 359	5 832	2 334	5 461
Auditors' fees	8 677	9 847	7 805	9 193
Travel and entertainment	4 185	2 864	4 002	2 587
Communication	1 796	5 569	1 760	5 550
Computer expenses	17 572	9 907	17 223	9 525
Training and development	3 554	4 664	3 554	4 663
Office expenses	2 895	2 273	2 854	2 158

27. OPERATING SURPLUS (CONTINUED)

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Depreciation and amortisation	1 688	1 845	1 666	1 844
Sundry & Investment property expenses	4 399	8 474	4 399	630
Operating lease expense	9 400	4 872	6 759	2 854
	273 838	**247 562**	**262 971**	**229 865**
Management fees incurred in controlled entities	34 729	37 285	-	-
Total operating expenses	**308 567**	**284 847**	**262 971**	**229 865**
Impairments	**(7 103)**	**47 773**	**(37 150)**	**35 089**
Net impairment raised/(reversed) on loans and advances	(613)	32 951	(613)	32 951
Impairment from controlled entities	13 481	12 581	-	
Impairment reversal on Land Bank	(20 129)	-	(20 129)	
Impairment of dividend accrued Greenstart	158	158	158	158
Net impairment/(reversal) on loans to subsidiaries	-	-	(16 566)	(103)
Net impairment raised on President Place	-	2 083	-	2 083
Bad debts written off	**88 343**	**11 890**	**91 415**	**2 242**
Bad debts (reversal)/written off on loans and advances	74 433	2 228	74 433	2 228
Bad debts from controlled entities	13 910	7 375	-	-
Bad debts written off - Other	-	2 287	-	14
Bad debts written off on loans to subsidiaries	-	-	16 982	-
Total net impairments and bad debts written off	**81 240**	**59 663**	**54 265**	**37 331**

28. SURPLUS/(DEFICIT) FROM ASSOCIATE

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
TUHF Holdings Proprietary Limited	(3 876)	(8 426)	-	-
Housing Investment Partners Proprietary Limited	(793)	1 021	-	-
Kanga Finance Proprietary Limited	2 203	(70)	-	-
Thuthukani Housing Finance Proprietary Limited	(2 496)	408	-	-
	(4 962)	**(7 067)**	**-**	**-**

Share of surplus/deficit from TUHF have been converted to be consistent with the accounting policies of the group.

29. INVESTMENT FAIR VALUE AND IMPAIRMENT

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Investment property (Fair value model)	13 242	30 601	6 000	30 350
Fair value changes on investments				
Unlisted investments				
Cape Town Community Housing Company Proprietary Limited	-	-	1 302	445
Trust for Urban Housing Finance Holdings Proprietary Limited	-	-	(22 617)	23 522
International Housing Solutions Proprietary Limited	(1 979)	6 132	(1 979)	6 132
Evolution Credit Limited	3 230	(3 526)	3 230	(3 526)
Housing Investment Partners Trust and Vulumnyango Trust (Trust 2)	-	-	6 826	(60 368)
Thuthukani Housing Finance Proprietary Limited	-	-	-	-
Kanga Finance Proprietary Limited	-	-	1 353	3 545
	1 251	2 606	(11 885)	(30 250)
Total	**14 493**	**33 207**	**(5 885)**	**100**

30. FINANCE COSTS PAID

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Interest on other financial liabilities	132 063	145 698	9 370	11 864

31. TAXATION

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Major components of the tax expense				
Current				
Local income tax - current period	368	481	-	-
Local income tax - recognised in current tax for prior periods	2	(431)	-	-
	370	**50**	**-**	**-**
Deferred				
Arising from previously unrecognised tax deficit	1 401	6 224	-	-
	1 771	**6 274**	**-**	**-**

Tax expense is raised in the Group as some of the subsidiaries has used up its assessed losses as well as legislation from the prior year that only allows the maximum 80% of taxable income for the year to be utilised against losses in a financial year for those that still have accumulated tax losses.

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Income tax receivable/(payable): statement of financial position				
Balance at the beginning of the year	53 420	39 290	53 889	41 552
Receivable refunded by SARS	(53 889)	12 337	(53 889)	12 337
Net tax receivable/(payable) by subsidiaries	(453)	1 793	-	-
Balance at the end of the year	**(922)**	**53 420**	**-**	**53 889**

The NHFC is exempt from normal taxation as per Taxation Laws Amendment Act No. 15 of 2016 published in the Government Gazette on 19 January 2017 under notice 40562. However, the NHFC complies with all other South African taxes, including employees' tax and Value Added Tax.

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Deferred tax asset				
Tax losses available for set off against future taxable income	16 463	17 865	-	-

32. RELATED PARTIES

The consolidated financial statements include the financial statements of National Housing Finance Corporation SOC Ltd, itssubsidiaries and associates as listed below.

	2025 % EQUITY INTEREST	2024 % EQUITY INTEREST
Gateway Home Loans (Proprietary) Limited #	100	100
Gateway Home Loans 001 (Proprietary) Limited #	100	100
Cape Town Community Housing Company (Proprietary) Limited	100	100
Mortgage Default Insurance Company (Proprietary) Limited #	100	100
NHFC Management Services (Proprietary) Limited	100	100
NURCHA Finance Company (Proprietary) Limited #	100	100
NURCHA Equity Services (Proprietary) Limited #	100	100
NURCHA Development Finance (Proprietary) Limited #	100	100
NURCHA Bridging Fund (Proprietary) Limited #	100	100
NURCHA Loan Fund (Proprietary) Limited #	100	100
TUHF Holdings Limited	35	35
Housing Investment Partners (Proprietary) Limited	33	33
Kanga Finance (Proprietary) Limited	20	20
Norufin Housing (Proprietary) Limited	20	20
Lehae Housing (Proprietary) Limited	20	20
Thuthukani Housing Finance (Proprietary) Limited	20	20
Housing Investment Partners Trust*	-	-
Vulumnyango Trust*	-	-
Abahlali Housing Association (No. 2) NPC^	-	-

* NHFC is invested in Junior debt facility.

^ NHFC controls Abahlali Housing Association and its bank account.

The deregistration of these companies are in progress at year-end.

The National Government through the Minister of the Department of Human Settlements has ultimate control of the entity on behalf of the Government in terms of the PFMA.

The following table provides the total amounts of transactions and outstanding balances which have been entered into with related parties:

	COMPANY		COMPANY	
	AMOUNTS OWED BY/ TO RELATED 2025	TRANSACTIONS WITH RELATED PARTIES 2025	AMOUNTS OWED BY/ TO RELATED 2024	TRANSACTIONS WITH RELATED PARTIES 2024
	R '000	R '000	R '000	R '000
Cape Town Community Housing Company (Proprietary) Limited				
- Advances (Owing to)	(14 193)	-	(8 193)	-
- Receivable/(Payable)	3 395	-	(688)	-
- Payroll administration	-	3 262	-	2 834
Housing Investment Partners (Proprietary) Limited				
- Working capital loan	33 832	-	33 832	-
Housing Investment Partners Trust				
- Equity	11 244	-	52 303	-
Vulumnyango Trust				
- Equity	186 616	-	135 777	-
Abahlali Housing Association (No. 2) NPC				
- Advances *	36 461	-	36 461	-
TUHF Holdings Limited				
C Class ordinary shares	6 533	-	6 533	-
- Interest received	-	24 856	-	29 124
- Loans	206 165	-	244 306	-
- Equity investment	106 404	-	129 021	-
- Quasi loan Disbursements	50 000	-	-	-
NHFC Management Services (Proprietary) Limited				
Administrative fees	-	11 650	-	15 775
Loans	107 055	-	95 405	-
Provided for impairment	(46 286)	-	(46 286)	-
NURCHA Finance Company (Proprietary) Limited ~				
Loans *	-	-	13 893	-
NURCHA Equity Services (Proprietary) Limited ~				
Loans *	-	-	13 015	-
NURCHA Development Finance (Proprietary)Limited~				
Loans *	-	-	14 639	-
NURCHA Bridging Fund (Proprietary) Limited ~				
Loans *	-	-	8 232	-
NURCHA Loan Fund (Proprietary) Limited ~				
Loans *	-	-	8 468	-

	COMPANY		COMPANY	
	AMOUNTS OWED BY/ TO RELATED 2025	TRANSACTIONS WITH RELATED PARTIES 2025	AMOUNTS OWED BY/ TO RELATED 2024	TRANSACTIONS WITH RELATED PARTIES 2024
	R '000	R '000	R '000	R '000
Kanga Finance (Proprietary) Limited				
Loans	-	-	69 279	-
Interest received	-	1 376	-	10 912
Equity	14 077	-	12 725	-
Norufin Housing (Proprietary) Limited				
Equity	5 286	-	5 286	-
Impaired	(5 286)	-	(5 286)	-
Thuthukani Housing Finance (Proprietary) Limited				
Interest received	-	5 669	-	7 187
Loans	48 992	-	44 647	-
Department of Human Settlements				
Funds under management - First Home Finance	1 249 995	-	1 203 469	
Grant - First Home Finance - National	-	20 465		19 585
Grant - First Home Finance - Gauteng	-	137	-	-

The NHFC has paid CIPC fees for its all its subsidiaries excluding CTCHC during the year, where is less than R1 000 each.

TERMS AND CONDITIONS WITH RELATED PARTIES

Transactions with related parties are done on terms equivalent to those that prevail in arm's length transactions which would occur in the ordinary course of business.

Except for advances, accounts receivable are interest free and settlement occurs in cash within 30 days. There have been no guarantees provided or received for any related receivables

* - NHFC has written off these loan balances in its books.

~ - These companies are in the process of deregistration and their loans are forgiven by the NHFC at year-end.

Although the NHFC has a relationship with our sole shareholder, the Department of Human Settlements, and acts as agent in certain instances, GRAP 20 states that the NHFC need not disclose balances or the value of transactions between the parties.

Transactions with key management personnel are disclosed under note 36.

33. CASH FLOWS FROM OPERATING ACTIVITIES

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Net surplus before tax	231 315	269 862	190 632	266 667
Non-cash and separately presented items	83 112	19 781	43 913	41 009
Working capital changes	2 176	(19 579)	(1 472)	(19 645)
Tax received/(paid)	53 889	(12 337)	53 889	(12 337)
Decrease/(increase) in advances	131 619	3 337	145 750	(3 661)
Net cash flows generated fromoperations	**502 111**	**261 064**	**432 712**	**272 033**
Non-cash and separately presented items				
Depreciation and amortisation	1 688	1 844	1 666	1 843
Dividends accrued	158	158	158	158
Impairments and bad debts	81 240	59 663	54 265	37 331
Share of profit of an associate	4 962	7 067	-	-
First Home Finance non-cash	-	(7 821)	-	(7 821)
Fair value adjustment on equity investments	(1 250)	(2 606)	11 885	30 250
Fair value adjustment on property investment	(13 243)	(30 601)	(6 000)	(30 350)
Accrued interest income	(8 408)	(9 834)	(8 408)	(9 834)
Intercompany fees	-	-	(11 650)	(15 775)
Accrued finance cost	824	596	824	596
Other non-cash items	17 141	1 315	1 173	34 611
Net cash flows used in operations	83 112	19 781	43 913	41 009
Working capital changes				
(Increase)/decrease in finance lease receivable	(2 181)	(212)	-	-
(Increase)/decrease in accounts receivable	(2 551)	23 775	(3 802)	356
Increase/(decrease) in accounts payables	8 572	(41 819)	4 691	(18 558)
(Decrease)/ increase in provisions	(1 664)	(1 323)	(2 361)	(1 443)
	2 176	(19 579)	(1 472)	(19 645)

34. CONTINGENT LIABILITIES AND COMMITMENTS

LITIGATION

As at end March 2025 there is a possible obligation that could arise from past events within the Programme Management Unit ("PMU") division. It probably will not result in an outflow of resources, however, this will only be ascertained once the matter has been adjudicated on by the courts.

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Commitments in respect of lending activities				
Contracted and disbursing	867 166	1 055 731	867 166	1 055 731
Approvals contracted not yet disbursing	981 277	505 889	981 277	505 889
Approved but not yet contracted for	195 097	345 719	195 097	345 719
	2 043 540	**1 907 339**	**2 043 540**	**1 907 339**
Suppliers contracts	27 228	36 144	27 228	36 144
Programme management portfolio	-	637	-	-
	27 228	**36 781**	**27 228**	**36 144**

Operating lease commitment - Group as lessee

The NHFC has its main lease at 90 Grayston Drive that was concluded in April 2024 being our permanent office with beneficial occupation on 1 March 2024 with occupation starting 1 June 2024 for a period of 3 years.

The lease in Gqeberha at Fairview Office was entered into in November 2022 for a period of 3 years. The Cape Town lease was entered into in July 2024 for a period of 3 years.

Future minimum rentals payable under current operating lease at 31 March:

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
National Housing Finance Corporation SOC Limited	3 477	2 962	3 477	2 962
Cape Town Community Housing Proprietary Limited	581	146	-	-
NHFC Management Services	240	397	-	-
Within one year	4 298	3 505	3 477	2 962
National Housing Finance Corporation SOC Limited	4 347	7 824	4 347	7 824
Cape Town Community Housing Proprietary Limited	783	-	-	-
NHFC Management Services	-	240	-	-
After one year but not more than five years	5 130	8 064	4 347	7 824
Total office operating lease commitments - office buildings	**9 428**	**11 569**	**7 824**	**10 786**

Operating lease commitments - Office photocopiers

The Group entered into operating leases for photocopiers. The new lease was entered into in March 2024 for a period of 3 years.

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Within one year	155	155	155	155
After one year but not more than five years	142	297	142	297
	297	452	297	452
Total Group commitments	**9 725**	**12 021**	**8 121**	**11 238**

34. FINANCIAL RISK MANAGEMENT

The Group has various financial assets such as loans and receivables, finance lease receivables, other receivables, investments in preference shares, cash and short-term deposits and held-to-maturity investments which arise directly from its operations.

The Group's principal financial liabilities comprise funds under management, other financial liabilities and trade and other payables.

The main risks arising from the Group's financial instruments are credit risk, equity and quasi equity investment risk, interest rate risk and liquidity risk.

The Board is ultimately responsible for the overall risk management process and reviews and approves policies for the managing of each of these risks. The Board has delegated certain matters to the Audit Committee, the Board Information Technology and Risk Committee and the Board Credit and Investment Committee.

The Group's senior management oversees the management of these risks and is supported by a Management Assets and Liabilities Committee, Management Credit and Investment Committee and Enterprise Risk Management Framework.

These committees provide assurance that risks are governed by appropriate policies and procedures and that financial risks are identified, measured, mitigated and managed in accordance with Group policies and Group risk appetite. It is the Group's policy that no trading for speculative purposes shall be undertaken.

CREDIT RISK

Credit risk is the risk of an economic loss arising from the failure of a counterparty to fulfil its contractual obligations. The Group is exposed to credit risk from its operating activities, primarily advances in the form of senior debt, sub-ordinated debt and investments (short term deposits and money market instruments).

EQUITY RISK

Investment in equity and quasi equity instruments such as ordinary shares, preference shares, junior and mezzanine debt is regulated through the Board approved policy. This is typically done for entities that are start-ups and providing innovative funding solutions in the affordable housing market. These kinds of instruments are unsecured and high risk in nature. They are used for leveraging private sector funding, maximising impact and transforming the human settlements supply chain.

LOANS AND RECEIVABLES – ADVANCES

The credit risk arising from advances and the credit value chain is managed by the Credit Division and is subject to the Group's established policy, procedures and controls as well as the risk appetite of the Group. The risk appetite statement and credit policy are reviewed and approved by the Board regularly.

The credit policy provides for comprehensive sanctioning structures and credit risk acceptance processes including robust assessment and monitoring procedures at individual counterparty level, to generate quality credit assets, relative to the risk/reward inherent in the transaction.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentrations of risk, the risk appetite statement includes specific guidelines to focus on maintaining a diversified portfolio. Provision is also made for prudential limits. Identified concentrations of credit risks are controlled and managed accordingly. Advances are presented net of the allowance for impairment. The requirement for an impairment is analysed at regular intervals guided by an impairment policy.

Advances are presented net of the allowance for impairment. The requirement for an impairment is analysed at regular intervals guided by an impairment policy.

FINANCIAL INSTRUMENTS AND CASH DEPOSITS

The credit risk arising from financial instruments is managed within the Treasury department. The Treasury Policy and Risk Appetite Statement of the Group provides a framework that regulates the treasury management activities, operations conducted, management and control of risk.

Short-term deposits and held-to-maturity money market investments are placed with financial institutions rated at least P-3 or better in terms of short-term credit ratings by a reputable rating agency. Counterparty limits are reviewed by the Board of Directors on an annual basis. Limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. The Group exposure at year-end is within approved counterparty limits.

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Maximum exposure to credit risk				
Loans and receivables - advances	3 927 327	4 171 458	2 616 290	2 835 788
Finance lease receivables	100 436	98 255	-	-
Held-to-maturity investments	984 027	711 466	984 027	711 466
Cash and short-term deposits	2 005 946	2 090 299	1 898 735	1 907 788
Other receivables and prepayments	29 030	26 479	15 425	11 623
Funds under management - unallocated amounts	142 866	-	142 866	-
	7 189 632	**7 097 957**	**5 657 343**	**5 466 665**

Collateral and other credit enhancements – loans and receivables advances

To mitigate credit risk, the Group endeavours to obtain collateral or other security against all advances made, dependent on the assessed risk inherent in the particular advance and in line with the NHFC's approved credit policy.

The main types of collateral taken against loans and receivables – advances subject to credit risk are:

- Mortgage bonds over properties;
- Cession of debtors books;
- Cession of income and bank account;
- Guarantees;
- Personal suretyship of principals;
- Pledge of call account or fixed deposits; and
- Cession of shares.

Credit risk mitigation policies and procedures ensure that the credit risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement.

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Credit quality of loans and receivables				
The credit quality of loans and receivables advances that are neither past due nor impaired can be assessed by reference to ageing.				
Neither past due nor impaired	2 831 083	3 312 654	1 658 957	2 069 533
Past due but not impaired*	336 270	394 013	339 299	397 042
Impaired**	934 851	824 741	674 780	624 511
12 months turnaround period	197 939	-	197 939	-
	4 300 143	4 531 408	2 870 975	3 091 086
Less: Specific impairments	(333 354)	(320 088)	(215 223)	(215 436)
General impairments	(39 462)	(39 862)	(39 462)	(39 862)
Net advances	**3 927 327**	**4 171 458**	**2 616 290**	**2 835 788**

* Past due but not impaired balance is the full outstanding capital as at the date on which the client defaulted.

** Impaired balance is not equal to specific impairments as some advances are not fully impaired after considering the value of security.

Ageing analysis of advances that are past due, but not impaired: 2025	AGEING OF AMOUNTS DUE					
	TOTAL BALANCE	CAPITAL INSTALMENT	CURRENT TO 30 DAYS	31 TO 60 DAYS	61 TO 90 DAYS	91 TO 180+ DAYS
	R '000	R '000	R '000	R '000	R '000	R '000
Group 2025	336 270	182 690	19 281	9 306	3 881	121 112
Group 2024	394 013	205 467	77 629	3 354	4 883	102 680
Company 2025	339 299	185 719	19 281	9 306	3 881	121 112
Company 2025	397 042	208 496	77 629	3 354	4 883	102 680

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

- Evidence of financial distress when it is considered that the borrower is unlikely to pay its credit obligation in full; and
- The debt is more than 90 days in arrears.

The fair value of collateral that the Group holds relating to past due or impaired loans and receivables at 31 March 2025 amounts to R1 865 million (2024: R1 662 million).

During the current and previous year the Group did not take possession of any guarantees or debtors books.

The carrying amounts of advances that would otherwise be past due whose terms have been renegotiated in the last 12 months amounts to R198 million (2024: R0 million).

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Credit quality and concentration of other financial assets				
Counterparties with external credit ratings of at least F1				
Held-to-maturity investments – money market	984 027	711 466	984 027	711 466
Cash and short term deposits	2 005 946	2 090 299	1 898 735	1 907 788
Counterparties assessed by reference to historical information about counterparty default rates				
- Finance lease receivables	100 436	98 255	-	-

Other receivables and prepayments are considered current and are not considered impaired.

Concentration risk of equity loans and receivables by operation:

	GROUP	COMPANY
Strategic investment	8%	20%
Incremental housing loans	3%	3%
Home ownership	33%	3%
Private Rental Housing	15%	20%
Social Rental Housing	22%	30%
Affordable Housing	19%	24%
Subsidy Housing	0%	0%

Interest rate risk

Interest rate risk is the exposure of the Group to increased financing cost and reduced revenue due to adverse changes in interest rates.

The objectives of managing interest rate risk are to:

- identify and quantify interest rate risk and to structure assets and liabilities to reduce the impact of changes in interest rates;
- minimise the negative impact of adverse interest rate movement on the Group's returns within an acceptable risk profile;
- reduce the cost of capital and minimise the effect of interest rate volatility on funding cost;
- manage exposures by ensuring an appropriate ratio of floating rate exposures to fixed rate exposures; and
- take advantage of interest rate cycles.

	GROUP 2025		GROUP 2024	
	FIXED RATE	PRIME LINKED RATE	FIXED RATE	PRIME LINKED RATE
	R '000	R '000	R '000	R '000
The Group is exposed to interest rate risk on the following assets and liabilities:				
Assets				
Loan and receivables – advances rates vary between 6.50% and 12.00% p.a.	60 893	3 868 148	107 287	4 064 171
Finance lease receivables average interest rate of 10.50% p.a.	100 436	-	98 255	-
Held-to-maturity investment rates vary between 7.91% and 11.75% p.a.	-	984 027	-	711 466
Cash and short-term deposits rates vary between 6.95% and 9.35% p.a.	-	2 005 946	-	2 090 299

	GROUP 2025		GROUP 2024	
	FIXED RATE	PRIME LINKED RATE	FIXED RATE	PRIME LINKED RATE
	R '000	R '000	R '000	R '000
Liabilities				
Funds under management vary between 6.95% to 8.25%	-	1 251 249	-	1 208 466
AFD loan – the rate was fixed but varied between 5.69% to 5.74% in its final payment this year	-	-	9 685	-
EIB loan– the rate varies between 8.192% and 8.75%	-	17 006	-	34 089
DBSA loan -the rate is fixed at 7.65% p.a.	92 841	-	98 825	-
Future Growth Asset Management Proprietary Limited	-	321 668	-	464 737
Old Mutual Capital Holding Proprietary Limited	-	531 957	-	526 776

	COMPANY 2025		COMPANY 2024	
	FIXED RATE	PRIME LINKED RATE	FIXED RATE	PRIME LINKED RATE
	R '000	R '000	R '000	R '000
Assets				
Loan and receivables – advances rates vary between 6.50% and 12.00% p.a.	60 893	2 555 397	107 287	2 728 501
Held-to-maturity investments rates vary between 7.91% and 11.75% p.a.	-	984 027	-	711 466
Cash and short-term deposits rates vary between 6.95% and 9.35% p.a.	-	1 898 735	-	1 907 788
Liabilities				
Funds under management vary from 6.95% to 8.25%	-	1 249 995	-	1 203 469
AFD loan – the rate was fixed but varied between 5.69% to 5.74% in its final payment this year	-	-	9 685	-
EIB loan– the rate varies between 8.192% and 8.75%	-	17 006	-	34 089
DBSA loan -the rate ia fixed at 7.65%	92 841	-	98 825	-

Interest rate sensitivity

Our business model is mostly affected by the interest rate and therefore an assessment of interest rate sensitivity is performed.

The impact of 1% move in interest rates, which is deemed reasonable based on the interest rate forecasts, with all other variables held constant is reflected below.

		GROUP		COMPANY	
	INCREASE/ DECREASE	EFFECT ON PROFIT	EFFECT ON PROFIT	EFFECT ON PROFIT	EFFECT ON PROFIT
	%	R '000	R '000	R '000	R '000
Loans and receivables – advances	1	38 664	40 642	25 554	27 285
	(1)	(38 664)	(40 642)	(25 554)	(27 285)
Held-to-maturity investments	1	9 840	7 115	9 840	7 115
	(1)	(9 840)	(7 115)	(9 840)	(7 115)
Cash and short-term deposits	1	20 059	20 903	18 987	19 078
	(1)	(20 059)	(20 903)	(18 987)	(19 078)
Financial liabilities and Funds under management	1	(21 219)	(22 341)	(12 670)	(12 376)
	(1)	21 219	22 341	12 670	12 376
The Group earns interest as follows:					
Interest on advances		539 358	595 815	309 781	353 745
Interest on investment		137 866	113 891	135 774	110 883
		677 224	**709 706**	**445 555**	**464 628**
The Group's interest obligations are as follows:					
Interest on other financial liabilities		132 063	145 698	9 370	11 864

Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to honour its financial commitments on a cost effective and timeous basis.

To ensure that the Group is able to meet its financial commitments the liquidity management process includes:

- short- and long-term cash flow management;
- diversification of investment activities with appropriate levels of short-term instruments and maturities in line with the Treasury policy;
- at least 60% of money market portfolio to mature within six months;
- limiting capital market investments to 30% of the portfolio; and
- mobilisation of funding.

	LESS THAN 3 MONTHS	3 TO 12 MONTHS	>1 YEAR	TOTAL
	R '000	R '000	R '000	R '000
As at 31 March 2025				
Trade and other payables	63 069	-	-	63 069
Funds under management	-	1 251 249	-	1 251 249
Long-term payables	-	-	5 608	5 608
Other financial liabilities	-	42 375	921 597	963 972
	63 069	**1 293 624**	**927 205**	**2 283 898**
As at 31 March 2024				
Trade and other payables	54 301	-	-	54 301
Funds under management	-	1 208 466	-	1 208 466
Long-term payables	-	-	6 300	6 300
Other financial liabilities	-	56 707	1 077 904	1 134 611
	54 301	**1 265 173**	**1 084 204**	**2 403 678**

Fair value of financial instruments

The carrying value of financial assets and financial liabilities for both years approximated their fair values.

Capital management

The objective of the Group's capital management is to ensure that it maintains a strong credit rating and generates sufficient capital to support its business objectives and maximise shareholder value.

The Group monitors capital using the debt to equity ratio, which is the interest-bearing debt divided by the equity. The Group's policy is to keep the ratio at 65% and below.

	2024	2025
	R '000	R '000
Total interest bearing debt	963 472	1 134 111
Total equity	5 555 289	5 325 745
Debt to equity ratio	17 %	21 %

Credit rating

The credit ratings below are provided by the Global Credit Rating Co.

National

Long term A (ZA)

Short term A1 (ZA)

International

Long term B+

Short term B

Positive Influences: A strong Social/Sustainability mandate and a Robust liquidity profile.

Negative Influences: Weak Asset quality due to high-risk target Market.

The outlook for both National and International rating is Stable.

Fair value hierarchy

Fair value is the amount for which an asset could be exchanged or liability settled between knowledgeable willing parties in an arm's length transaction. This requires disclosure of fair value measurements by level according to the following fair value measurement hierarchies:

- Level 1: Values are determined using readily and regularly available quoted prices in an active market for identical assets or liabilities. These prices would primarily originate from the Johannesburg Stock Exchange, the Bond Exchange of South Africa or an international stock or bond exchange.
- Level 2: Values are determined using valuation techniques or models, based on assumptions supported by observable market prices or rates either directly (that is, as prices) or indirectly (that is, derived from prices) prevailing at the financial position date. The valuation techniques or models are periodically reviewed and the outputs validated.
- Level 3: Values are estimated indirectly using valuation techniques or models for which one or more of the significant inputs are reasonable assumptions (that is unobservable inputs), based on market conditions.

	GROUP			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	R '000	R '000	R '000	R '000
2025				
Unlisted equity investments in non-controlled entities	-	-	306 324	306 324
2024				
Unlisted equity investments in non-controlled entities	-	-	246 128	246 128

	COMPANY			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	R '000	R '000	R '000	R '000
2025				
Unlisted equity investments in non-controlled entities	-	-	306 324	306 324
Unlisted equity investments in associates	-	-	120 482	120 482
Unlisted equity investments in controlled entities	-	-	214 769	214 769
Total			**641 575**	**641 575**
2024				
Unlisted equity investments in non-controlled entities	-	-	246 128	246 128
Unlisted equity investments in associates	-	-	141 746	141 746
Unlisted equity investments in controlled entities	-	-	203 686	203 686
Total			**591 560**	**591 560**

	COMPANY		
	INVESTMENT IN NON CONTROLLED ENTITIES	INVESTMENT IN CONTROLLED ENTITIES	INVESTMENT IN ASSOCIATES
Company - Level 3 additional disclosure (R'000)			
Opening balance	238 043	261 295	114 678
Disbursements	5 479	2 314	-
Fair value movement (IS)	2 606	(59 923)	27 068
Carrying value March 2024	246 128	203 686	141 746
Disbursements	58 945	2 954	-
Fair value movement (IS)	1 251	8 129	(21 264)
Carrying value at 31 March 2025	**306 324**	**214 769**	**120 482**

	GROUP
	INVESTMENT IN NON CONTROLLED ENTITIES
Opening balance	238 043
Disbursements	5 479
Fair value movement (IS)	2 606
Carrying value at 31 March 2024	246 128
Disbursements	58 945
Fair value movement (IS)	1 251
Carrying value at 31 March 2025	**306 324**

Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

	FAIR VALUE	COST	AMORTISED COST	TOTAL
	R '000	R '000	R '000	R '000
Group 2025				
Unlisted equity investments in non-controlled entities	306 324	-	-	306 324
Loans and receivables – advances	-	-	3 927 327	3 927 327
Finance lease receivables	-	-	100 436	100 436
Held-to-maturity investments	-	-	984 027	984 027
Cash and short-term deposits	-	-	2 005 946	2 005 946
Other receivables	-	-	22 821	142 866
Funds under management - unallocated amounts			142 866	142 866
	306 324	**-**	**7 183 423**	**7 489 747**

	FAIR VALUE	COST	AMORTISED COST	TOTAL
	R '000	R '000	R '000	R '000
Group 2024				
Unlisted equity investments in non-controlled entities	246 128	-	-	246 128
Loans and receivables – advances	-	-	4 172 342	4 172 342
Finance lease receivables	-	-	98 255	98 255
Held-to-maturity investments	-	-	711 466	711 466
Cash and short-term deposits	-	-	2 090 299	2 090 299
Other receivables	-	-	20 052	20 052
	246 128	**-**	**7 092 414**	**7 338 542**
Company 2025				
Unlisted equity investments in non-controlled entities	306 324	-	-	306 324
Unlisted equity investments in associates	120 482	-	-	120 482
Unlisted equity investments in controlled entities	214 769	-	-	214 769
Loans and receivables – advances	-	-	2 616 290	2 616 290
Loans to subsidiaries	-	60 774	-	60 774
Held-to-maturity investments	-	-	984 027	984 027
Cash and short-term deposits	-	-	1 898 735	1 898 735
Other receivables	-	-	14 268	14 268
Funds under management - unallocated amounts	-	-	142 866	142 866
	641 575	**60 774**	**5 656 186**	**6 358 535**
Company 2024				
Unlisted equity investments in non-controlled entities	246 128			246 128
Unlisted equity investments in associates	141 746			141 746
Unlisted equity investments in controlled entities	203 686			203 686
Loans and receivables – advances			2 835 788	2 835 788
Loans to subsidiaries		49 583		49 583
Held-to-maturity investments			711 466	711 466
Cash and short-term deposits			1 907 788	1 907 788
Other receivables			10 437	10 437
	591 560	**49 583**	**5 465 479**	**6 106 622**

Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

	FAIR VALUE	COST	AMORTISED COST	TOTAL
	R '000	R '000	R '000	R '000
Group 2025				
Financial liabilities	-	-	963 972	963 972
Trade and other payables	-	-	63 067	63 067
Funds under management	-	1 251 249	-	1 251 249
	-	**1 251 249**	**1 027 039**	**2 278 288**
Group 2024				
Financial liabilities	-	-	1 134 611	1 134 611
Trade and other payables	-	-	54 302	54 302
Funds under management	-	1 208 466	-	1 208 466
		1 208 466	**1 188 913**	**2 397 379**
Company 2025				
Financial liabilities	-	-	109 847	109 847
Trade and other payables	-	-	30 919	30 919
Funds under management	-	1 249 995	-	1 249 995
		1 249 995	**140 766**	**1 390 761**
Company 2024				
Financial liabilities	-	-	142 599	142 599
Trade and other payables	-	-	26 029	26 029
Funds under management	-	1 203 469	-	1 203 469
		1 203 469	**168 628**	**1 372 097**

36. MEMBERS' AND PRESCRIBED OFFICERS' REMUNERATION AND OTHER BENEFITS PAID, PAYABLE OR RECEIVABLE

NATIONAL HOUSING FINANCE CORPORATION SOC LTD

	FEES	COMMITTEES FEES	TOTAL 2025	TOTAL 2024
Figures in Rand thousand				
Non-executive Chairman				
Mr L Vutula	1 063	-	1 063	1 100
Directors - independent non-executives				
Ms S Bolipombo	920	-	920	1 051
Mr P Heeger	1 159	-	1 159	1 040
Ms T Chiliza	790	-	790	882
Ms P Mthethwa[1]	1 168	-	1 168	242
Ms P Kadi[2]	-	-	-	329
Mr T Mabaso[3]	656	-	656	198
Ms A Seedat	645	-	645	607
Mr T Bonakele	839	-	839	875
Ms T Kobile[4]	654	-	654	574
Mr V Dube[5]	619	-	619	-
Mr J Coetzee[6]	-	-	-	91
Mr S Moraba[7]	-	152	152	179
Ms T Thankge[8]	-	183	183	83
Directors' fees	**8 513**	**335**	**8 848**	**7 251**

The Board's term of appointment ended on 28 March 2025, the new Board was appointed effective 1 August 2025.

1. Ms P Mthethwa did not earn fees until December 2023 as she was in the full time employ of the National Empowerment Fund.
2. Ms P Kadi did not earn fees from August 2023 as she is in the full time employ of National Heritage Council.
3. Mr T Mabaso did not earn fees between August 2023 and February 2024 as he is in the full time employ of the Office of Deputy Minister of Transport.
4. Ms T Kobile only started earning fees from November 2022.
5. Mr V Dube did not earn fees until June 2024 as he was in the employ of the Western Cape government.
6. Mr J Coetzee was nominated by the NHFC to its strategic investments and continues to represent the NHFC in HIP Management company and on HIP Trust 1 and 2.
7. Mr S Moraba was nominated by the NHFC to its strategic investment and continues to represent the NHFC in HiP Management Company, HIP Trust 1 and 2, and on various companies in the TUHF Holdings group.
8. Ms T Thankge serves as a co-opted member of Human Capital Committee (HCC) in the position of HCC Advisor.

Figures in Rand thousand	SALARIES	BONUSES	POST EMPLOYMENT PENSION AND MEDICAL BENEFITS	OTHER	TOTAL 2025	TOTAL 2024
Chief Executive Officer and executive director						
Ms A Mayekiso	4 403	-	704	-	5 107	5 113
Executive managers / and Prescribed officers						
Mr B Gordon[9]	285	144	63	-	492	3 772
Mr J Fakazi	2 772	167	548	-	3 487	3 432
Ms M Mamatela	2 189	129	314	-	2 632	2 946
Mr M Oepeng	1 755	37	267	-	2 059	2 003
Ms N Mongali	1 868	-	243	-	2 111	1 848
Ms N Ntshingila	1 950	123	630	-	2 703	2 884
Ms T Ramotsehoa	2 176	47	257	-	2 480	2 135
Mr V Gqwetha[10]	-	-	-	-	-	3 928
Ms V Menye[11]	1 061	167	156	-	1 384	3 374
Mr Z Lupondwana[12]	-	57	-	-	57	1 826
Management costs	**18 459**	**871**	**3 182**	**-**	**22 512**	**33 261**

9. Mr B Gordon retired from the NHFC on 30 April 2024.
10. Mr V Gqwetha retired from the NHFC on 31 March 2024.
11. Ms V Menye resigned on 31 August 2024.
12. Mr Z Lupondwana retired on 31 October 2023.

Directors' and senior management emoluments - Cape Town Community Housing Company (Proprietary) Limited

Figures in Rand thousand	FEES	SALARIES	COMMITTEES FEES	TOTAL 2025	TOTAL 2024
Chairperson					
Ms A Mayekiso	-	-	-	-	-
Directors					
Mr S Tati (Non-Executive)	-	-	-	-	-
Mr M Oepeng	-	-	-	-	-
Mr A Chabalala	-	-	-	-	-
Directors' fees	**-**	**-**	**-**	**-**	**-**
Management costs	**-**	**-**	**-**	**-**	**-**

Ms A Mayekiso and Mr M Oepeng are executives of the holding company and currently serve on the subsidiary's board. Mr A Chabalala is an employee of the holding company. However they receive no remuneration as board members.

Mr S Tati is a non-executive director until September 2024 and also does not receive any remuneration.

37. PRIOR PERIOD ERRORS

CORRECTION OF INTEREST RECORDED ON NHFC LOAN DUE TO DELAYED IMPLEMENTATION ON SUSPENSION OF INTEREST

There is a correction regarding the interest suspension date on the CTCHC loan. The NHFC Board approved the suspension of interest from the 1st of July 2017. However, there was an error in the implementation, and the interest was only suspended after three years in March 2020 by CTCHC. Consequently, payments continued to be made on the overstated loan balance.

Upon correction of the interest suspension date to March 2017, it was determined that CTCHC has overpaid NHFC over the period 2017 to 2025. The overpayment was a result of the reversal of interest previously paid due to the suspension of interest as well as payments made subsequent to the partial write off of debt in the NHFC, totalling R26 million.

CHANGE IN ACCOUNTING POLICY ON DEBTORS' IMPAIRMENT

CTCHC has adopted the accounting policy of the parent company NHFC which is aligned to GRAP 104.

ACCRUAL REVERSAL

There was an over accrual of invoices at the end of 2024 and this was corrected.

RESTATEMENT IN HIP (PTY) RESULTS

NHFC share of surplus in the company was updated in prior year from this change.

The correction of the error(s) results in adjustments as follows:

	GROUP 31 MARCH 2024			COMPANY 31 MARCH 2024		
	PREVIOUSLY REPORTED	CORRECTION	RESTATED	PREVIOUSLY REPORTED	CORRECTION	RESTATED
	R '000	R '000	R '000	R '000	R '000	R '000
Statement of Financial Position						
Assets						
Loans and advances	4 172 342	(884)	4 171 458	-	-	-
Property, plant and equipment	2 562	(106)	2 456	2 561	(106)	2 455
Other receivables and prepayments	25 826	653	26 479	-	-	-
Liabilities						
Trade and other payables	67 169	(1 530)	65 639	30 219	6 729	36 948
Net Assets						
Accumulated surplus	2 598 494	1 193	2 599 687	2 213 288	(6 835)	2 206 453
Statement of Financial Performance						
Rental income	11 928	48	11 976	-	-	-
Other operating income	-	-	-	29 180	(8 259)	20 921
Operating expenses	(286 267)	1 424	(284 843)	(231 288)	1 424	(229 864)
Deficit from associates	(6 183)	(884)	(7 067)	-	-	-
Surplus for the year	263 000	588	263 588	273 502	(6 835)	266 667

38. IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

	GROUP		COMPANY	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Irregular expenditure	81 893	5 057	81 342	5 057
Fruitless and wasteful expenditure	103	320	-	10
	81 996	**5 377**	**81 342**	**5 067**

***Refer to reconciling notes in the annual report**

R74 million irregular expenditure relates to write-offs that were not appropraitely approved in terms of the Delegation of Authority due to the NHFC not having a Board at the time of submission. The new Board has since ratified the full amount and this will reflected as condoned in the new financial year.

R10.59 million of unconfirmed irregular expenditure is still under assessment.

The fruitless and wasteful expenditure in the Group column relates to penalties from SARS and CIPC in the subsidiaries.

Irregular expenditure for the 2023/24 financial year has been revised, after conducting the necessary determination tests, it was found that some of the expenditures previously classified as irregular in 2023/24 were, in fact, not irregular.

39. EVENTS AFTER THE REPORTING DATE

The current Board ended their term on 28 March 2025 and the appointment of the new Board was completed on 1 August 2025.

The following entities have been deregistered after the reporting date:

- NURCHA Equity Services (Proprietary) Limited
- NURCHA Finance Company (Proprietary) Limited
- NURCHA Loan Fund (Proprietary) Limited
- NURCHA Bridging Fund (Proprietary) Limited
- NURCHA Development Finance (Proprietary) Limited
- Gateway Home Loans 001 (Proprietary) Limited

Abahlali has been placed under voluntary liquidation, effective 15 May 2025, as recorded with the Companies and Intellectual Property Commission (CIPC).

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

BUDGET ON ACCRUAL BASIS

	APPROVED BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL AMOUNTS ON COMPARABLE BASIS	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL	REFERENCE
	R '000	R '000	R '000	R '000	R '000	
Group						
Statement of Financial Performance						
Revenue						
Interest on advances	604 713	-	**604 713**	539 358	**(65 355)**	A
Interest received on investments	130 000	-	**130 000**	137 866	**7 866**	B
Rental income	11 668	-	**11 668**	12 261	**593**	
Dividends received	2 000	-	**2 000**	3 608	**1 608**	C
Management fees	85 139	-	**85 139**	21 123	**(64 016)**	
Other income	2 552	-	**2 552**	24 560	**22 008**	D
Fees on advances	3 135	-	**3 135**	3 874	**739**	
Total revenue	**839 207**	**-**	**839 207**	**742 650**	**(96 557)**	
Expenditure						
Impairments and bad debts	(71 669)	-	**(71 669)**	(81 240)	**(9 571)**	E
Programme implementation cost	(40 222)	-	**(40 222)**	978	**41 200**	
Operating expenses	(462 455)	-	**(462 455)**	(308 567)	**153 888**	F
Total expenditure	**(574 346)**	**-**	**(574 346)**	**(388 829)**	**185 517**	
Profit on disposal	-	-	**-**	26	**26**	
Finance costs	(145 839)	-	**(145 839)**	(132 063)	**13 776**	
Fair value adjustment	-	-	**-**	14 493	**14 493**	G
Share of surpluses/(deficits) from associates	-	-	**-**	(4 962)	**(4 962)**	H
Surplus before taxation	**119 022**	**-**	**119 022**	**231 315**	**112 293**	I
Taxation	-	-	**-**	(1 771)	**(1 771)**	
Surplus for the year	**119 022**	**-**	**119 022**	**229 544**	**110 522**	

	APPROVED BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL AMOUNTS ON COMPARABLE BASIS	DIFFERENCE BETWEEN FINAL BUDGET AND ACTUAL	REFERENCE
	R '000	R '000	R '000	R '000	R '000	
Company						
Statement of Financial Performance						
Revenue						
Interest on advances	361 871	-	**361 871**	309 781	**(52 090)**	**A**
Interest received on investments	130 000	-	**130 000**	135 774	**5 774**	**B**
Rental income	11 668	-	**11 668**	11 936	**268**	
Dividends received	2 000	-	**2 000**	4 484	**2 484**	**C**
Management fees	39 655	-	**39 655**	32 252	**(7 403)**	
Other income	-	-	**-**	21 766	**21 766**	**D**
Share of residual interest in controlled entities	5 030	-	**5 030**	3 231	**(1 799)**	
Fees on advances	3 135	-	**3 135**	3 874	**739**	
Total revenue	**553 359**	**-**	**553 359**	**523 098**	**(30 261)**	
Expenditure						
Impairments and bad debts	(65 666)	-	**(65 666)**	(54 265)	**11 401**	**E**
Operating expenses	(415 071)	-	**(415 071)**	(262 972)	**152 099**	**F**
Total expenditure	**(480 737)**	**-**	**(480 737)**	**(317 237)**	**163 500**	
Profit/(loss) on disposal	-	-	**-**	26	**26**	
Finance costs	(9 309)	-	**(9 309)**	(9 370)	**(61)**	
Fair value adjustment	-	-	**-**	(5 885)	**(5 885)**	**G**
Surplus for the year	**63 313**	**-**	**63 313**	**190 632**	**127 319**	**I**

Active entities:

- Cape Town Community Housing Company (Proprietary) Limited (CTCHC),
- Housing Investment Partners Trust,
- Vulumnyango Trust,
- NHFC Management Services (Proprietary) Limited and,
- Abahlali Housing Association (No. 2) NPC

Dormant entities:

- Mortgage Default Insurance Company (Proprietary) Limited (MDIC),
- Gateway Home Loans (Proprietary) Limited,
- Gateway Home Loans 001 (Proprietary) Limited,
- NURCHA Finance Company (Proprietary) Limited,
- NURCHA Equity Services (Proprietary) Limited,
- NURCHA Development Finance (Proprietary) Limited,
- NURCHA Bridging Finance (Proprietary) Limited, and
- NURCHA Loan Fund (Proprietary) Limited.

In addition the financial statements have included the results of associate companies being Trust for Urban Housing Finance Holdings (Proprietary) Limited (TUHF), Housing Investment Partners (Proprietary) Limited (HIP), Kanga Finance (Proprietary) Limited, Thuthukani Housing Finance (Proprietary) Limited, Norufin (Proprietary) Limited, Kabo Financial Enterprise (Proprietary) Limited and Lehae Housing (Proprietary) Limited.

CONSOLIDATION PROCESS

The main difference between NHFC group and NHFC company results is the inclusion of the subsidiaries results in the Groupaccount to reflect their underlying economic performance, funding arrangements and asset performance. Intercompany finding arrangements and management fees are eliminated. The Groups associate companies have been included using the equity accounting method as prescribed by the GRAP standards.

ECONOMIC OVERVIEW

An overview of the economic and operational trading environment is provided in the message from the Chairman and CEO's report.

BUDGET

The budget reflected is as submitted to the NDoHS and was tabled and approved in parliament in January 2024.

CONTROLLED AND NON-CONTROLLED ENTITIES IMPACT ON GROUP AND COMPANY PERFORMANCE

The group has a residual interest in some of the quasi-equity investments. This impacts the manner and the timing in which the revenue from these investments is recognised in the statement of comprehensive income, the GRAP requirements are driven by the extent of the residual interest and therefore required different inclusion of the economic performance differs at group and company level.

STATEMENT OF COMPREHENSIVE INCOME IMPACT IN THE GROUP FINANCIAL STATEMENTS

The following additional amounts have been included in the group statement of comprehensive income for the 31 March 2025 financial year:

- Interest on loans and advances R216.9 million
- Impairments and bad debts R27.4 million
- Operating expenses R34.7 million
- Finance cost R120.9 million

STATEMENT OF COMPREHENSIVE INCOME IN THE COMPANY FINANCIAL STATEMENTS

The following additional amounts have been included in the company statement of comprehensive income for the 31 March 2025 financial year:

- Share of residual income in controlled entities R3.9 million
- Dividends received R4.5 million

CURRENT YEAR PERFORMANCE

A. INTEREST ON ADVANCES

As a lending institution, the critical aspects are the loan book growth, quality of the loan book that impacts the level of impairments and write offs and the operational efficiency. On the asset growth, the company achieved disbursements of R432 million against a budget of R493 million for the financial year disbursement.

Interest on advances are under budget as a result of the interest rate cuts.

B. INTEREST ON INVESTMENTS
Over budget as a result of excess cash held from the repayment of the short term products.

C. DIVIDENDS RECEIVED
R3.9 million dividend was received.

D. OTHER INCOME
This is mainly the bad debts recovered.

E. IMPAIRMENT AND BAD DEBTS
Impairments and bad debts are within budget.

F. OPERATING EXPENSES
In the operating expenses, the group realised a saving of R154 million and with company R152 million due to the delay in procurement on some of the projects.

G. FAIR VALUE ADJUSTMENTS
Fair value adjustment as a reflection of the performance of the investee companies. From the group's point of view, investment in non-controlled entities are the only ones fair valued and the rest of the investments are either eliminated or equity accounted.

H. SHARE OF SURPLUS/(LOSSES) FROM ASSOCIATES
The share of surplus/losses are a reflection of the performance of the investee companies.

I. SURPLUS BEFORE TAX
Overall performance, the group surplus for the year is over budget by R111 million (93%) and R127 million (301%) on a company level as a result of the savings in operating costs due to the delay and postponement in procurement on some of the projects.