IDC

Industrial Development Corporation

Your partner in development finance

2016 Integrated Report

Driving South Africa's competitiveness through industrial development

*The IDC was established in 1940 by an Act of Parliament (**Industrial Development Corporation Act, No 22 of 1940**), as a result of a report by a commission led by Dr HJ van Eck who later became the Corporation's first Managing Director. The commission's report concluded that South Africa, despite its abundant mineral resources, was lagging in development. The commission cited the country's inefficient use of its natural resources as one of the reasons for slow growth, noting that a high proportion of manufactured goods, including machinery, timber and textiles was imported at the expense of local manufacturing. **Key milestones:** In **1941**, the IDC granted its first loan to Ouma Rusks, assisting the company to expand production of its brand of rusks made from a traditional local recipe for biscuits. In **1950**, the Corporation funded the establishment of Sasol, which has since grown to be a global petro-chemicals giant. In **1962**, an export credit financing scheme was set up to help local companies export their products, and in **1964**, the Corporation established its Small Industries division with the objective of assisting emerging small industrialists. A key subsequent milestone in **1972** was the establishment of a pilot plant at Richards Bay Minerals for the reclamation of titanium minerals from beach sand. In **1979**, in partnership with Siemens, the South African Post Office and the CSIR, the IDC committed to the establishment of South Africa's Micro-electric Centre – a catalytic development for the country's industrial research capabilities. In **1988**, the Corporation acquired a minority shareholding in steel manufacturer ISCOR, since renamed Arcelor Mittal SA, and later funded the Algorax/Degussa project in Port Elizabeth for the manufacturing and export of automotive catalytic converters. In **1991 to 1992**, the IDC paid a record dividend of R1 billion which its shareholder channelled to the Development Bank of Southern Africa. In yet another landmark transaction marking the Corporation's shift to the promotion of Black Economic Empowerment (BEE), in **1993** the IDC purchased and warehoused Metropolitan Life shares for BEE group New African Investment Limited. The Corporation later became a significant player in the BEE arena, a development that led to the emergence and proliferation of black-owned businesses. Over the last 20 years, the IDC has facilitated the creation of over 453 000 jobs, and during that period, has invested in a range of sectors including, among others, R46 billion in metals and machinery, R34 billion in mining, R20 billion in chemicals and petroleum, R16 billion in agro-processing and R11 billion in tourism and restaurants. In the 75 years spanning its existence, the Corporation has played a catalytic role in establishing and increasing the capacity of a number of companies that have since grown to become cornerstones of the local economy, including Ouma Rusks, Sasol, Foskor, Hulamin, Safmarine, Richards Bay Minerals, Karsten Boerdery, Hans Merensky, Palaborwa Mining Corporation, Hernic Ferrochrome, Incwala Resources, Kumba Iron Ore, York Timber, Imbani Platinum, Durfeco Steel Processing and KaXu Solar One. After extending its mandate in **1999** to include investing in economies in the rest of Africa, the IDC became a member of a consortium of investors from around the globe that established MOZAL, an aluminium smelter based in Mozambique. Ohorongo Cement in Namibia forms part of our flagship projects in the rest of Africa. Other investments in Africa span various sectors, including mining, agriculture, manufacturing, tourism and infrastructure. Against the backdrop of severe economic headwinds, including the global economic recession in **2008**, the **2000s** era prompted the Corporation to take up a more proactive role in helping South Africa to mitigate the effects and impact of the global financial meltdown. During this period the IDC also part-funded, among other iconic infrastructure projects, the construction of the Gautrain rapid rail link, while its special funding schemes, specifically designed to help struggling businesses at the height of the recession, were attributable in helping stave off a full-scale economic recession. The Corporation has also instrumental in de-risking the green economy by funding the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) projects that are expected to add 1 408MW of power to the national grid.*

INDUSTRIAL DEVELOPMENT CORPORATION: A 75-YEAR JOURNEY

With the advent of democracy in 1994, the IDC aligned to the new priorities of the country, including the new policy frameworks of the government, especially the Industrial Policy Action Plan (IPAP), the New Growth Path (NGP) and the National Development Plan (NDP). Leveraging the diverse skillset of its human capital and its financial strength, IDC has been instrumental in creating industries that today form the spine of the country's industrial capacity while proactively addressing the negative legacy of Apartheid. Its investment decisions have often had a wide-ranging impact not only on SA, but also the African continent's developmental agenda.

A watershed moment for South Africa had been the release in 1990 of President Nelson Mandela, culminating in the first democratic elections and the re-integration of the country into the global economic community. The post-democratic era saw the democratic government adopt economic policies aimed at restructuring the economy with the Reconstruction and Development Programme (RDP) becoming the focal point in the government's transformation objectives. Notable among other policy developments was government's adoption of Black Economic Empowerment (BEE) – a policy designed to accelerate the participation of black people in the mainstream economy.

The nineties saw the IDC providing funding that established the table grape industry in the Northern Cape and begin investing in the tourism industry. In addition to these industry interventions, the IDC proved catalytic in advancing government's BEE policies by funding the first BEE transaction. In that transaction, the Corporation purchased and warehoused Metropolitan shares for New Africa Investments Limited (NAIL) – a consortium of black entrepreneurs.

IDC went on to fund a raft of subsequent empowerment transactions, notable among which was the funding and creation of Exxaro – which was one of the first black-owned coal mining companies to be listed on the Johannesburg Stock Exchange (JSE).

Keen to integrate and advance regional economic development, government mandated the Corporation to extend its investment in the rest of Africa, and Mozal, an aluminium smelting plant in Mozambique, became the first IDC-funded project outside SA. Mozal's significance is such that it has grown to become one of the largest employers in Mozambique. The IDC not only invested in the plant but is also credited with securing investors from around the globe to establish a major industrial enterprise in a country that was still recovering from decades of a brutal civil war.

IDC's support for Mozal echoed its early role in the South African economy. Born from a need to accelerate economic growth, IDC was established by Parliament through the Industrial Development Corporation Act, No 22 of 1940. This came about as a result of a conviction that the country should reduce its inefficient use of natural resources, typically exported as raw materials, and modernise its economy by manufacturing more goods locally. At the same time, the country would target the production of essential goods that were becoming scarce given the impact on trade as a result of World War II.

Shortly after its establishment, the IDC gave its first start-up loan to a Mrs Greyvenstein who used this loan to build her small home-based industry into the popular Ouma Rusks brand, assisting this small home-based outfit to expand its production capacity. During its first 50 years of operation, the IDC became instrumental in commissioning many large industrial projects including the petro-chemicals giant Sasol, the fertiliser manufacturer Foskor, the copper producer Palabora Mining, and the aluminium manufacturer Alusaf among others.

The 2000s saw the IDC part-fund the construction of the Gautrain rapid rail link as well as the establishment of telecoms start-up Neotel and the television broadcaster CNBC Africa. The Corporation's role in developing the local film industry came to the fore leading to the funding of award-winning movies such as *Tsotsi, Hotel Rwanda, Skin,* and *Drum*, the film based on stories of Sophiatown. *Mandela's Long Walk to Freedom* would later be funded by the IDC in 2013.

Of particular significance is the initiative launched during the global economic crisis, which saw the Corporation, through a R6.1 billion Distress Fund, provide relief to distressed companies. The Distress Fund helped to mitigate the impact of a local economic slowdown in the wake of the collapse of global financial markets in 2008.

The NGP, IPAP, NDP and National Infrastructure Plan (NIP) are cornerstones of the government's developmental agenda. Within the context of its mandate, IDC has embraced these policy frameworks and sought to define its role in assisting the

Workers installing solar panels at one of the renewable energy projects funded by IDC.

government further its developmental objectives. Maintaining its relevance in the current economic landscape, the Corporation has also played a critical role in de-risking the green economy by funding Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) projects that are expected to add 1408 MW of power to the national grid. As a result, the private sector is increasingly making forays into the green economy and creating more employment opportunities.

Despite strong economic headwinds recently, impacting negatively on a manufacturing sector burdened by fierce foreign competition in the domestic and traditional export markets, the IDC maintains its role as government's key development agent in the industry. IDC's new strategy under Project Evolve focuses on developing priority value chains to ensure SA's competitiveness, enhance the impact of the Corporation on the SA economy and facilitate job creation.

The IDC Act of 1940 envisaged a body that would facilitate, promote, guide and assist the financing of industries to promote the growth of local manufacturing. IDC has done just that and looks forward to the next 75 years of relevance and impact.

IDC gave its first start-up loan to Ouma Rusks, enabling this home-run business to increase production.

APPROVALS* AND NUMBER OF TRANSACTIONS SINCE 1940

* Approval figures per 10-year period at Rand values prevailing at the time.

Decade	Total number	Total value
1940s	130	R16m
1950s	150	R144m
1960s	770	R540m
1970s	1 300	R2.5bn
1980s	1 400	R6.1bn
1990s	2 600	R37.2bn
2000s	2 900	R58.9bn
2010s	1 550	R84.1bn

IDC IMPACT

The post-1994 era has seen the Corporation contribute significantly to the expansion and diversification of SA's industrial base and in the process facilitating job creation, reducing inequality and promoting economic growth. Given South Africa's history, inclusive growth and structural economic transformation have been key focus areas for both government and the private sector as they seek to help the country realise its full economic potential. The role of the IDC has been critical to helping the country achieve these objectives.

CUMULATIVE JOBS CREATED AND SAVED

PAST FIVE YEARS	124 000
PAST 10 YEARS	274 000
PAST 20 YEARS	453 000

COMMITMENT TO SELECT SECTORS OVER THE LAST 20 YEARS

R46bn	METALS AND MACHINERY
R34bn	MINING
R20bn	CHEMICALS AND PETROLEUM
R11bn	TOURISM AND RESTAURANTS
R14bn	RENEWABLE ENERGY
R16bn	AGRO-PROCESSING

CONTENTS

1 OUR DEVELOPMENTAL ROLE AND MODEL

2 PERFORMANCE AND IMPACT

3 STATUTORY AND ADDITIONAL INFORMATION

4 ANNUAL FINANCIAL STATEMENTS

ONLINE REPORTS
Read more about IDC
www.idc.co.za

LA *Refers to Limited Assurance*

5 SUPPLEMENTARY ONLINE INFORMATION

The following additional information is available online on our website.

Corporate governance

Board meetings and meeting attendance, Board committees, Board Investment Committee (BIC), Human Capital and Nominations Committee (HCNC), Report of the Board Human Capital and Nominations Committee, Board Audit Committee, Board Risk and Sustainability Committee (BR&SC), Social and Ethics Committee (SEC), Executive Management Committee (EXCO), Ethics and managing director's conflicts of interest, Governance training and assessment of clients/ investee companies, Centre for Corporate Governance.

Human capital

Actual numbers of employees per band, gender and ethnic origin, Occupational levels, Staff numbers per region excluding head office employees, Staff movement for the period 2016, Talent attraction and retention rates, Comparative summary of investment in staff training.

Information technology

Strategic initiatives, IT and business alignment

Procurement

Preferential procurement

Special funding schemes

Memberships

Customer relationship management

King III checklist

GRI table

COMMITTED TO TRANSPARENT REPORTING

The IDC is committed to and fully embraces the principles of integrated reporting. Accordingly, the 2016 Integrated Report largely demonstrates our continued commitment to integrating sustainability across our organisation and its subsidiaries. When referring to "IDC", "we" or "our", we mean the Industrial Development Corporation and our subsidiaries Findevco, Impofin and Konoil.

In following on the Global Reporting Initiative Guidelines 4 (GRI G4) adopted in our 2014 report, this report covers our financial and non-financial strategy, performance aspects and prospects for the financial year 1 April 2015 to 31 March 2016. In addition, the report covers the five material aspects identified as core to the IDC business. These material matters were established taking into account published guidelines of Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC) and the International Federation of Accountants (IFAC). Doing so ensures that the matters identified are sufficiently important concerns, which could substantively influence the assessments and decisions of key stakeholders (refer to page 26).

This process involved the analysis of the following internal and external factors:

- Significant risks to the IDC as defined by our Enterprise Risk Management (ERM) process
- Concerns and expectations of our stakeholders
- Review and benchmarking material industry-wide issues
- Review by IDC Executive Management Committee (EXCO)
- Advice from external specialists

Reporting boundaries are further refined for each material aspect. In preparing the report, management considered the integrated reporting guidelines provided by the following:

- South African Report of Corporate Practice (King III Report)
- This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines and a list of these Standard Disclosures can be found online in our GRI G4 table
- Guidance issued by the Integrated Reporting Committee (IRC) of South Africa and the International Integrated Reporting <IR> Framework issued by the IIRC
- Companies Act, No 71 of 2008 as amended
- International Financial Reporting Standard (IFRS)
- Internally developed guidelines and policies (available upon request)
- Public Finance Management Act, No 1 of 1999 as amended
- Industrial Development Corporation Act, No 22 of 1940 as amended.

Similar to our previous reports, a combined financial and non-financial assurance team from KPMG and SizweNtsalubaGobodo (SNG), supported by the IDC's internal audit team, adopted a combined assurance approach to the information in this report.

In addition to the Annual Financial Statements and opinions included here, selected performance information was assured at a limited assurance level according to the International Standards for Assurance Engagements (ISAE 3000), assurance engagements other than audits and reviews of historical information. The external auditors assured the financial section of this report. The IDC Board Audit Committee verified the independence of the external assurance providers of the IDC.

We appreciate your feedback. Kindly submit queries and comments to ir2016@idc.co.za or service@idc.co.za.

PERFORMANCE HIGHLIGHTS

The IDC has heeded the call to rise to the challenge with pleasing performance against its development objectives.

This performance not only demonstrates the IDC's grasp of its new proactive approach adopted in 2015 aimed at developing critical sectors to increase its impact, but also its agility in responding to economic challenges while staying on course with its long-term trajectory.

R14.5bn LA
Approvals of 180 transactions

R11.4bn
Total funding disbursed

15 272
Jobs expected to be created and saved

R4.9bn*
Approved for black-empowered companies

R2.9bn
Approved for black industrialists

R8.9bn
Approved for manufacturing

R1.2bn
Approved for businesses with women ownership of more than 25%

R970m
Approved for businesses with youth ownership of more than 25%

** Excluding funding to subsidiaries*

Shareholder commentary

Minister Ebrahim Patel

Industrial development is at the heart of our economic strategy and a key means to create jobs, expand the economy and combat poverty and inequality. The IDC is a key public institution that drives job-rich industrialisation in South Africa.

I am pleased therefore to receive this Annual Report which sets out the progress of the IDC in the past year and illustrates the bland figures with the human and enterprise stories that bring these figures to life.

It has been a tough year for industry: a global economy that grew slowly which placed pressures on our exports, a depressed commodity market that dramatically reduced demand and prices for many local minerals and the most severe drought in more than a century that impacted both on agriculture and on large industrial users of water.

These wider, contextual factors affect the IDC portfolio very directly, particularly given the large exposure of the Corporation to key commodity markets: for example, the decline in mineral and oil prices accompanied by a global glut in steel, affected dividend incomes of the IDC in its mature legacy investment portfolio, an important source of funding for investment in new sectors.

In these tough conditions, the IDC is not only affected by the new market conditions, but is crucially a counter-cyclical investment force that crowds in private investment by showing a commitment to an investment-led recovery.

The prudent management of the IDC finances in better times places the institution in a position to respond to the new conditions. IDC investment included support for new enterprises, for existing companies to improve their competitiveness and productivity and for efforts to claw back parts of the domestic market lost to imports previously as well as to export more, particularly to the rest of the continent.

In the past year, the IDC approved R14.5 billion of new investment, its highest nominal level to date and an increase of 26% compared to the previous year. These investment approvals are expected to create or save 15 272 direct jobs, in sectors such as advanced manufacturing, metals fabrication and clothing and textiles.

But the volume of investment is not a sufficient metric to ensure that we meet key development goals. I am pleased therefore to note the following three developments:

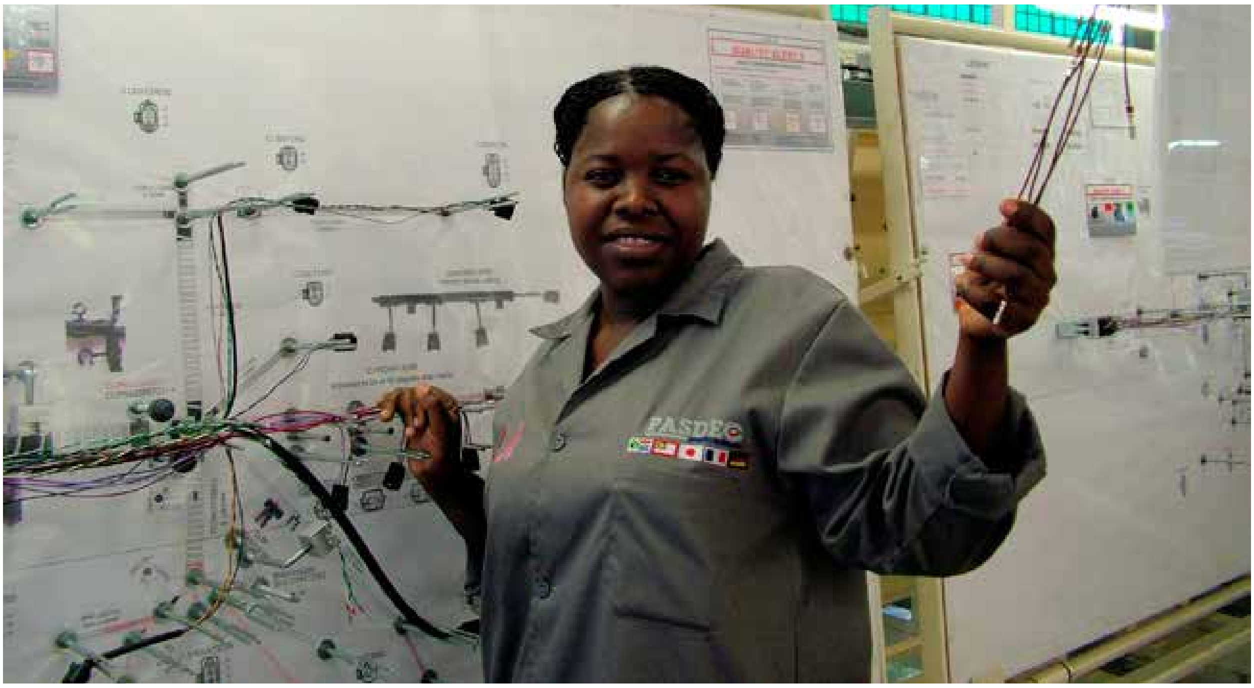
- To increase investment in youth empowered enterprises, the IDC approved projects worth R970 million for the year, a fourfold increase on last year's R243 million. In 2013, the Youth Employment Accord was adopted at the Hector Pieterson Memorial in Soweto. We committed to do even more to stimulate youth entrepreneurship so that we can unlock the energy and enterprise of a connected, techno-savvy generation whose efforts are reshaping key parts of the global economy. The IDC was mandated to expand its efforts and it has shown it is prepared to back young people who have good business projects, passion, commitment and a preparedness to work hard.
- To improve support for black industrialists and drive the broadening of wealth creation in the country, the IDC approved transactions involving 54 black industrialists with a capital commitment of R2.9 billion, an increase of 45%. These investments are expected to create more than 2 200 new jobs and support the evolution of empowerment programmes into a new, strongly pro-growth endeavour.
- To improve funding for women-owned businesses, the IDC approved transactions worth R1.2 billion, an increase of 59% on the previous year and tapping the enterprise of women in the economy. The release of the IDC's annual financial results during Women's Month in 2016 is therefore very fitting!

The IDC provides a range of services to the state that is not fully captured in the financial reports of the Corporation, including a Unit that works on unblocking and facilitating infrastructure development, a team that provides quality economic analysis and a staff complement with significant sector industrial knowledge that can be used to improve policy-making.

Balancing these positive stories are challenges that the IDC must resolve: particularly to place key investments such as Scaw Metals (steel products) and Foskor (fertilisers) on a more commercially-sustainable path. These industrial giants play a key role in the economy and their turnaround is important both for the wider efforts to reignite economic growth and to ensure they do not drain the resources of the IDC. I have requested the IDC to place emphasis on finalising and implementing a strategy to manage these companies into sustainability.

The increase in approvals needs to be maintained in the year ahead and the rate of disbursements must be lifted significantly for the counter-cyclical effect to be realised. And to ensure that the investments are sustainable and impairment levels are maintained at prudent levels, the IDC should do this together with improving both its capacity to evaluate risk and to mitigate such risk through efforts to support businesses and the development of viable business plans.

South Africa needs to do more to export manufactured products in labour-intensive sectors and move away from the large reliance on the export of raw materials. The IDC has a role to play in driving that focus and leveraging opportunities from traditional sources of investment in Europe and the United States as well as the increasingly important BRICS partner countries. A good case in point is the agreement signed between a large Chinese auto-maker and the IDC that will see the first new light passenger vehicle assembly plant built in South Africa in more than 40 years.



IDC funding facilitated expansion of this plant, Pasdec which is a manufacturer of electronic units and wire harnesses used in automobiles. IDC investment in the automobile sector will significantly boost growth prospects for suppliers of automobile components such as Pasdec.

In the previous year's annual report, I drew attention to six key "I's" that underpin economic development, namely infrastructure expansion, industrialisation, investment, innovation, inclusion (social and economic) and integration of the continental economy.

This year, I wish to point to three critical "I's" that should accompany these six, which are relevant to the IDC but which are also applicable to the wider economy:

- **Integrity:** for the IDC to demonstrate the utmost probity and integrity in its consideration of applications, to treat all potential and current customers fairly without any improper consideration or payments and to actively combat fraud and corruption ("integrity to promote industrialisation");
- **Institution-building:** to build on the solid foundations of the institution by expanding its skilled staff base and improving performance against high economic and development targets set by the Shareholder. Institution-building includes attracting skills that go beyond the industrial banking function of the IDC to capabilities to initiate large new opportunities for the economy ("the next Sasol");
- **Implementation:** ensuring that the vision of government on deepening industrial development, expanding job creation, greening the economy and broadening the entrepreneurial base with black industrialists, youth and women – is realised ("a hundred jobs created is worth more than a thousand simply promised").

The IDC operates in an economy shaped by many developments, global and local. We need to shape those that we can influence. It is clear that a broader agreement between social partners – business, labour and government – can help to reignite inclusive growth and creation of decent work opportunities. A stronger, more urgent national effort is required to address unemployment, poverty and inequality – solid job-rich industrialisation underpinned by social partnership can play a key role to achieve this. The IDC should encourage business and labour to work more closely at enterprise level in those companies that are in its portfolio and in this way help to strengthen inclusive growth and the fair sharing of the results of growth.

Finally, the IDC performance is driven by the IDC-family: let me thank Ms Busi Mabuza and the Board of the IDC which provides a strong governance framework for the institution, Geoffrey Qhena, who leads the IDC with deftness in challenging times and the staff who translate the goals of the IDC into practical investible projects and opportunities.

E Patel
Minister of Economic Development

30 June 2016

Leadership commentary

Board Chairperson

The IDC commemorated its 75th anniversary during the past year, an important milestone in our corporate history.

Notwithstanding the dramatic process involved in South Africa's transition to democracy, its economy has changed enormously since 1940. The IDC has contributed significantly to its expansion and diversification into Africa's most industrialised economy. As a development financier, we can celebrate many successes over this period and have certainly left our mark on many of the industries and global players of today. We have also sought to learn from our mistakes, and from the practices and experiences of our peers locally and abroad.

South African society is radically different today, with the extent of its political transformation hardly imaginable back in 1940. The national priorities identified by the governments of the day changed over the years, and the IDC's mandate, operating model, corporate make-up and other aspects of our business have evolved accordingly. We are proud to have played a meaningful role in the creation of a new society since the onset of democracy in 1994, but much more lies ahead in this transformation journey, for our economy must benefit all our citizens. To this end, the IDC's current strategic orientation and operational activities are guided by the Industrial Policy Action Plan, the Agricultural Policy Action Plan, the National Infrastructure Plan, the New Growth Path as the country's medium-term economic development strategy, and the long-term vision and goals captured in the National Development Plan.

The world's economic landscape became increasingly complex, competitive and innovative, especially over the past two or three decades. The forces of globalisation and major changes to the world's economic governance have altered its workings irreversibly. The centre of economic gravity has also been shifting rapidly from West to East, and gradually from North to South. The IDC has supported South African enterprises in adapting to these global forces and trends, consistently seeking to counter the threat of de-industrialisation, and assisting businesses in exploiting the opportunities that have been opening up in global markets, especially in faster-growing emerging and developing economies.

Today we see ourselves as a truly African development finance institution. The extension from 1997 onwards of the IDC's geographical mandate to the continent at large has enabled us to finance many African businesses and investment projects, contributing to regional integration.

As our economy went through many cyclical phases during the past 75 years, the IDC has striven to respond with the necessary flexibility. We always take a long-term view, looking beyond the current stage of the economic cycle in our assessments of business opportunities, strategic plans and actions.

A CHALLENGING ECONOMIC ENVIRONMENT

Similarly to many other economies around the globe, the South African economy has struggled since the global financial crisis and the ensuing great recession. Domestic structural constraints, particularly of an infrastructural nature, have also contributed to the slow pace of recovery. The economy's performance has been substantially below potential since 2009, and conditions have deteriorated further in recent times. Economic growth slowed throughout the financial year and turned negative in the final quarter. The rate of increase in gross domestic product for the period as a whole amounted to 0.6% (1.3% for calendar year 2015).

The productive sectors of the economy, which form the core of the IDC's operations, have been the most affected. Harshly impacted by the worst drought on record, the agriculture sector's output decreased by 8.8% in real terms during the review period. The sharp downturn in global commodities markets, which began in 2011, continued to impact negatively on the mining sector's performance (-0.6%). Manufacturing output also fell by 0.6%, with several industries experiencing very difficult operating conditions.

Subdued demand locally and abroad has affected the sales revenues of many business enterprises, while rising costs of production and infrastructure constraints have impacted on profitability and output levels. Business confidence dropped throughout the year and resulted in a 2.7% contraction in fixed investment by private business enterprises.

The prevailing cyclical difficulties are temporary and the structural challenges are being addressed, progressively raising the economy's growth potential for the benefit of all. Our country is blessed with enormous talent and a wealth of natural resources. Furthermore, we have demonstrated time and time again our ability to overcome adversity.

At the IDC, we are, therefore, very positive about the future of our country as a winning nation.

FOCUSED FOR GREATER IMPACT

The IDC has been strategically repositioned to help realise such a future.

The realities faced by the South African economy at the present time call for a strong response from an agile and dynamic organisation. As communicated in our previous integrated report, the implementation of Project Evolve, a strategic initiative aiming to enhance the impact of the IDC's activities on the economy, and fostering inclusive development, began in April 2015. This entailed a fundamental shift in focus toward specific industry value chains and key sectors to leverage economic linkages and enhance competitiveness.

We are deepening our understanding of the dynamics of the prioritised value chains and their present challenges, identifying specific areas for IDC intervention to realise growth opportunities and achieve the desired developmental returns. Systems and procedures were sharpened during the year to drive efficiencies and effectiveness, and we cultivated a client-centric and solutions-oriented approach across the Corporation.

The intended outcomes are starting to come to fruition. A more focused and proactive approach is catalysing investment activity and enhancing enterprise competitiveness in the productive sectors of the economy, especially in the processing industries. It is also helping to address some of the prevailing infrastructural constraints, particularly in the energy sector.

LA Our funding approvals reached an all-time high of R14.5 billion in the past year. This will enable our business partners to roll out their investment plans in the near term, principally in the following value chains: basic metals, metal products and mining; basic and speciality chemicals; machinery and equipment; automotive and transport equipment; agro-processing and agriculture; and chemical products and pharmaceuticals.

As part of our commitment to help address, in conjunction with private and public sector partners, South Africa's electricity deficit in a sustainable and environmentally responsible manner, we approved further funding for renewable energy projects, co-generation and energy efficiency solutions. Not included in the R14.5 billion approval figure above are billions of rands allocated to renewable energy projects but awaiting decision as part of government's Renewable Energy IPPP programme.

Disbursements totaled R11.4 billion, contributing significantly towards fixed investment in the economy throughout the year. The funds were invested in electricity generation; basic metals, metal products and machinery industries; chemical production, and, among others, mining operations.

A more customised and focused approach to the funding of black entrepreneurs, and women-empowered and youth-owned businesses, resulted in quantum increases in financing approved for each of these priority customer segments, and contributed to the transformation of the economy.

FINANCIAL RESILIENCE

To roll out our industrial development strategies and funding plans going forward, we need to safeguard the IDC's sustainability through robust financial and risk management processes.

The financial performance of the IDC Group during the review period was adversely affected by the generalised slowing of economic activity locally and abroad, and by the impact of down-trending commodities markets on a resource-biased equity portfolio.

While the IDC Company made a profit of R177 million, the poor performance of key subsidiaries resulted in the IDC Group recording a lower consolidated profit of R223 million in 2016 compared to the previous year's R1.7 billion profit. The drop in Group revenue, from R19.6 billion to R19.4 billion was mainly underscored by lower dividends received and by the weaker performance of our subsidiary, Scaw South Africa (Pty) Ltd, which operates in the distressed steel industry. Although Foskor (Pty) Ltd made a loss of R568 million, its revenue was 11% higher than in 2015, largely due to the positive effect of a weaker exchange rate of the Rand *vis-à-vis* the US Dollar on selling prices. Given the impact of major subsidiaries on the Group's performance and sustainability they will remain areas of strategic focus going forward.

The cumulative level of impairments increased to R11.8 billion, representing 16.9% (2015: 16.7%) of the total outstanding book at cost. The management of impairments remains key and, considering the relatively subdued economic environment anticipated in the short- to medium-term, we will continue implementing various mitigating initiatives.

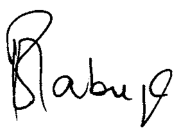
In light of the above, total assets declined to R121.3 billion (2015: R122.3 billion), largely due to the lower fair value of BHP Billiton and Kumba Iron Ore, while capital and reserves decreased to R84.7 billion (2015: R89.8 billion). A higher level of funding activity through loans and advances to our client base required increased borrowings. Set against lower reserves, this resulted in a higher debt/equity ratio of 33.0% (2015: 26.8%).

APPRECIATION

The IDC's achievements during a difficult year for the South African economy would not have been possible without the commitment and efforts of its management and staff, under the leadership of the Chief Executive Officer, Mr Geoffrey Qhena, and his executive team. On behalf of the Board, I express our gratitude for their steadfastness in this landmark anniversary year.

I also thank my fellow directors for their dedication and support during a year in which the IDC embedded its new game-changing strategic initiative. Towards the end of the year we bade farewell to Mr ZJ Vavi, who diligently served the Board for several years. We also welcomed Mr A Kriel and Ms M More, and look forward to their insights and contributions in the years ahead.

On behalf of the IDC, I extend our appreciation to Minister Ebrahim Patel for his guidance, confidence in, and high regard for the IDC as a leading agent of industrial development and economic transformation. We remain resolute in promoting South Africa as a successful and globally competitive economy which will realise its true potential.



BA Mabuza
Board Chairperson

30 June 2016

Leadership commentary

Chief Executive Officer's statement

The year under review was a particularly challenging one, in which the South African economy as well as the IDC Group remained under considerable strain on the back of adverse conditions both on domestic and external fronts.

The global economy continued to face headwinds and struggled to attain a higher growth momentum. World trade growth was consequently muted, with key markets for South African exports, such as China, recording lower demand for commodity products, and Europe for manufactured and processed goods.

Locally, difficult operating conditions, including the effects of the drought, weighed on the economy's performance. These developments, in turn, negatively weighed in on the IDC Group's performance and that of our business partners, particularly those operating in the manufacturing, mining and agricultural sectors. This further impacted both our pipeline and the quality of our portfolio. In addition, we also observed an increase in the number of struggling clients – defined as clients in financial distress, clients requesting a restructuring of their facilities with IDC and/or needing drought relief. This resulted in, for example, levels of impairments increasing and clients' requirements shifting more towards preserving jobs rather than expansions.

More positively, the rest of Africa was the largest single regional market for South African manufactured exports in calendar year 2015, accounting for 41.3% of South Africa's manufactured exports to the world at large. Merchandise exports to other African markets collectively totalled R288.8 billion, of which approximately 86% (R247.1 billion) consisted of manufactured goods. This had substantial spill-over effects throughout the South African economy due to strong inter-industry linkages.

PERFORMANCE HIGHLIGHTS

In the year under review, the IDC implemented its new, proactive industrial development strategy, which is primarily focused on the development of key value chains in the economy for enhanced competitiveness and growth. We also continued to play a critical counter-cyclical role in the economy, by providing funding to companies affected by the downturn, retaining production capacity and saving jobs in the process.

The total value of approvals increased to R14.5 billion (2015: R11.5 billion), the highest level ever, representing a year-on-year increase of 26% despite the number of transactions approved decreasing by 14% to 180 (2015: 210).

Approvals to the mining sector increased to R2.7 billion (2015: R2.5 billion). A major part of our focus was on providing specific support to those clients in distress and developing solutions to ensure their sustainability.

Total disbursements for the year increased to R11.4 billion (2015: R10.9 billion). This is a measure of the financial capital injected by the IDC into the economy for investment purposes. This is the second-highest annual level of disbursements after the record R16.0 billion reported in 2013. Our goal is to continue to reduce the turnaround time between approval and disbursements to ensure that timeous investment flows into the economy.

The largest beneficiaries of our funding approvals were the basic metals, metal products and mining industries, accounting for 45% of the total funding approved (R6.5 billion), thus countering the adverse trends experienced by these critical segments of the economy.

The chemicals and pharmaceuticals industries received 32% (R4.7 billion) of the total funding approved, with other principal beneficiaries being industrial infrastructure, 12% (R1.7 billion). Our high impact activities covering other manufacturing and tourism received 6.5% (R934 million) and this includes, among others Tourism (R222 million), Media and Motion Pictures, and tourism related activities (R149 million). Agro-processing and agriculture received 4% (R614 million).

The agricultural sector saw output drop by 8.4% in 2015, the largest annual decline in agricultural production since 1995, due to the severe drought. To counter the impact of the drought, the IDC approved a R250 million facility to the Land Bank for drought relief with the total facility to the Land Bank now standing at R479 million.

R614 million was approved to the agro-processing industry, where a sizeable investment of R203 million enabled an established, vertically integrated meat-processing business to extend its value chain from the livestock farmer in rural areas to a retail product available to the end-consumer. We also invested in horticulture and related processing, dairy processing, animal feed, food products, beverages and aquaculture.

DISTRESSED FUNDING

Of the R14.5 billion approved in the reporting period, R7.8 billion was allocated to assist companies in distress as a result of cyclical factors which included the aforementioned depressed market and adverse climatic conditions. In addition, restructurings of existing facilities amounting to R2.9 billion were implemented. This intervention will ensure that an estimated 9 480 jobs are saved and the industrial capacity is preserved. The major sectors which will benefit from this intervention are mining, agro-industries and manufacturing.

LEADERSHIP COMMENTARY (continued)

The IDC has significantly increased funding to women-owned enterprises. In the year under review the Corporation approved R1.2 billion in 35 transactions for women-empowered enterprises. Above, employees of K9, a 100% women-owned pet food manufacturer, packaging their products for delivery.

ECONOMIC EMPOWERMENT

The IDC is a key role player in the Black Industrialist Programme, which aims to promote the participation of black entrepreneurs as manufacturers in key sectors of the economy. I am particularly pleased to report that we approved 58 transactions to the value of R2.9 billion (2015: R2 billion) for 54 black industrialists over the past year, resulting in the creation of 2 263 jobs. Furthermore, we adjusted our pricing model to encourage access to affordable funding to black industrialists. A total of R4.9 billion was approved for black-empowered companies.

We approved R1.2 billion in 35 transactions for women-empowered businesses, of which 10 transactions pertained to the textiles, clothing and leather goods sector, and R421 million to producers of transport equipment.

Support to youth-empowered businesses improved significantly over the past year, with 19 transactions amounting to R970 million, approved for youth enterprises. Since the signing of the Youth Employment Accord, the IDC has provided funding to youth enterprises totaling R1.2 billion. We have also made a concerted effort, over the past four years, to improve our non-financial business support to youth-empowered business. In addition, we made adjustments to our systems, processes and products to facilitate youth enterprise development. These include the Gro-E Youth Scheme, the recently introduced Youth Pipeline Development Programme, and a more robust and responsive Business Support Programme.

ENHANCING SOCIO-ECONOMIC IMPACT

Employment creation and preservation forms an integral part of our core developmental objectives. Over the past year, we facilitated the creation of 11 833 jobs and saved 3 439 jobs. To illustrate this commitment, our funding to the mining and quarrying sector facilitated the creation of an additional 5 330 direct jobs and the saving of 1 000 jobs in existing operations. The manufacturing sector will benefit with the creation of 4 416 jobs as a result of our interventions. For example, Veer Steel Mills is expected to create 800 jobs with CRH Africa Automotive, creating 270 additional jobs.

RESILIENT FINANCIAL PERFORMANCE IN CHALLENGING ECONOMIC CONDITIONS

The Group reported a profit of R223 million (2015: R1.65 billion) at the back of revenue of R19.4 billion (2015: R19.6 billion). Revenue from our subsidiary company, Scaw, declined by 10% to R5.7 billion (2015: R6.3 billion) as a result of continued difficulties in the steel industry. Foskor's revenue, however, increased by 11% to R5.9 billion (2015: R5.3 billion) due to, among other factors, the effect of a favourable exchange rate. Turnaround strategies are underway to bolster performance and ensure profitability in the future for both companies.

The value of our listed share portfolio declined over the past year, to R40 billion (2015: R44.9 billion), mainly due to the continued adverse performance of the Corporation's commodity-based investments.

The current impairment charge for the Group rose sharply to R3.2 billion (2015: R1.5 billion) reflecting the challenging trading conditions faced by many sectors. Considerable time and effort has gone towards implementing various impairment interventions, targeted at strengthening our portfolio management. Significant progress has been made with regard to these interventions which are expected to reduce the impairment levels over the medium to long-term.

The increase in impairment levels is aligned with our risk appetite and role in supporting high-risk sectors and businesses unattractive to commercial financiers. The trend also reflects our renewed focus on funding early-stage projects and start-up operations and our commitment to play a counter cyclical role in the economy. This approach will, however, not be to the detriment of our financial sustainability.

We continued with the implementation of cost-efficiency initiatives during the financial year and this resulted in operating expenses (excluding impairments) marginally increasing by 3% to R4 540 million (2015: R4 422 million). Borrowings for the year increased to R28.0 billion (2015: R24.0 billion) to further support our funding activities.

LOOKING FORWARD

The IDC's priorities are aligned with government's policy direction and we continue to be committed to developing and diversifying South Africa's industrial capacity, and, in the process, facilitating job creation, reducing inequality and contributing to economic transformation. In the past calendar year, we celebrated 75 years of industrial development. This anniversary provided an opportunity to reflect on the journey we have travelled, thus far, and more importantly, the journey that lies ahead. The present levels of poverty, unemployment and inequality provide a stark reminder of the challenges confronting our country and the IDC's pivotal role within that. Industrialisation and infrastructure development hold the key to economic growth and transformation in South Africa and the IDC's role as a leading agent of industrial capacity development remains critical.

In April 2015, we implemented Project Evolve, shifting our focus to specific industry value chains and key sectors to provide the desired growth opportunities and development returns as we look for greater impact. Going forward, we will entrench this revised focus on those sectors where we can achieve targeted game-changing impacts, particularly in support of the expansion and/or modernisation of critical existing industries that can drive economic growth in South Africa and the rest of Africa. This includes investing in new industries that exhibit significant growth and development potential.

Project Evolve not only prioritised industries for IDC's proactive involvement, but also identified several areas where operational efficiencies could be further sharpened and improved as part of driving efficiencies and effectiveness. Significant work was completed in the reporting period. During this period, we implemented a new corporate structure, redefined resource requirements, improved our processes and made other performance-related enhancements. The implementation and monitoring of the outcomes from the different work streams continue as we entrench the value chain orientation we have adopted. Enhanced innovation and continuous improvement will remain at the centre of our strategy, maximising our impact on products and processes to achieve our objectives.

Going forward, we are targeting the approval of R100 billion and the disbursement of R96 billion over the next five years. In line with our prioritisation strategy, value chains will receive the largest portion of the capital allocation and approximately 23% of all new investments are expected to be in the industrial infrastructure space.

We remain committed to increasing industrial development and contributing to the revival of the manufacturing sector and, as a result, this sector will receive 61% of the capital allocation over the said period. To maximise our impact, we will increasingly look for opportunities to leverage more funding from other financiers, thus ensuring that we crowd in more financial players. The IDC will continue to strive for inclusive growth, focusing on key development outcomes, in particular, jobs-rich industrialisation, support for government's Black Industrialists Programme and women and youth entrepreneurial development.

MANAGEMENT CHANGES

During the year, we announced two new executive appointments, Ms Nonkululeko Veleti, succeeding Mr Gert Gouws as the new Chief Financial Officer, effective from September 2015, and Ms Zama Luthuli as the new Divisional Executive for Corporate Affairs, effective from July 2015.

I would like to extend my appreciation to Ms Katinka Schumann, Divisional Executive for High Impact and Regions, who served the IDC for 22 years. Her contribution to the organisation remains invaluable and impacted positively on the industries under her stewardship. I further extend my appreciation to Ms Khumo Morolo, Divisional Executive for Agro, Infrastructure and New Industries for her service to the Corporation. Both these executives left the IDC at the end of April 2016. They have been replaced by Mr William Smith, who assumed his new position as Divisional Executive for High Impact and Regions and Ms Lizeka Matshekga, Divisional Executive for Agro, Infrastructure and New Industries, at the beginning of May 2016.

ACKNOWLEDGEMENTS

I would like to extend my deepest appreciation and gratitude to the IDC Executive and employees for their unwavering support, diligence and hard work in what was undeniably a challenging year for the Corporation, and to our clients for choosing us as their partners in development.

Furthermore, I would also like to acknowledge, with much appreciation, the crucial role of the Chairperson and the Board of directors for their guidance and support during the year. A special word of thanks goes to the Minister of Economic Development and his team for ensuring that IDC continues to play a central role in the economy and delivers against its development mandate. Appreciation is also extended to all other government departments who, through their support in various ways, have enabled us to execute our mandate, to the Department of Trade and Industry (dti) for their continued confidence in the IDC and to National Treasury for supporting us in the improvement of our operating environment. The continued support of the other State-owned and controlled entities is also appreciated. In addition, I would like to extend my appreciation to the Honourable members of the Portfolio Committee on Economic Development for their continued support of the IDC and interest in its activities.

MG Qhena
Chief Executive Officer

30 June 2016

BOARD OF DIRECTORS

1

2

3

4

5

6

1 **BA MABUZA (52)**
Chairperson
(Non-executive Director)

BA (Mathematics and Computer Science) (Hunter College, City University of NY), MBA (Finance and Information Systems) (Leonard Stern School of Business, NYU)

Committees:
- Member of the Board Human Capital and Nominations Committee
- Member of the Board Investment Committee

2 **MG QHENA (50)**
Chief Executive Officer
(Executive Director)

BCompt (Hons) (UNISA), CA(SA), SEP (Wits and Harvard), Advanced Tax Certificate (UNISA)

3 **LI BETHLEHEM (48)**
(Non-executive Director)

BA (Hons) (Industrial Sociology) (Wits), Master of Arts (Wits), Certificate in Economics and Public Finance (UNISA)

Committees:
- Chairperson of the Board Risk and Sustainability Committee
- Member of the Board Investment Committee until 31 March 2016

4 **RM GODSELL (63)**
(Non-executive Director)

BA (Sociology and Philosophy) (University of Natal), MA (Liberal Ethics) (University of Cape Town), Postgraduate studies (Sociology and Philosophy) (Leiden University)

Committees:
- Member of the Board Human Capital and Nominations Committee
- Member of the Board Audit Committee

5 **SM MAGWENTSHU-RENSBURG (56)**
(Non-executive Director)

BA (Management Accounting and Business Administration) (Webster University, Vienna), MBA (Webster University, London), DPhil (Business Management) (UJ)

Committees:
- Chairperson of the Board Investment Committee
- Member of the Board Audit Committee

6 **BA DAMES (50)**
(Non-executive Director)

BSc (Hons) (Western Cape), MBA (Samford University)

Committees:
- Chairperson of the Board Human Capital and Nominations Committee
- Member of the Board Risk and Sustainability Committee

FOR MORE DETAILED INFORMATION ABOUT OUR LEADERSHIP, VISIT www.idc.co.za

BOARD OF DIRECTORS

7


8


9


10


11


12


13


14


15


7 **NP MNXASANA (59)**
(Non-executive Director)

BCompt (Hons) (UNISA), CA(SA)

Committees:
- Chairperson of the Board Audit Committee
- Member of the Board Risk and Sustainability Committee
- Member of the Board Investment Committee from 1 April 2016

8 **B MOLEFE (49)**
(Non-executive Director)

BCom (UNISA), MBL (UNISA), Post Graduate Diploma in Economics (University of London), Advanced Management Programme (Harvard Business School), Programme for Young Global Leaders (Kennedy School of Government, Harvard University), Executive Programme (Wharton Business School)

Committees:
- Member of the Board Investment Committee
- Member of the Board Audit Committee

9 **PM MTHETHWA (52)**
(Non-executive Director)

BA (Economics) (University of the North), MSc (Economics) (University of Paris), MBA (Corporate Finance) (University of Sheffield)

Committees:
- Member of the Board Investment Committee
- Member of the Board Risk and Sustainability Committee
- Chairperson of the Governance and Ethics Committee until 31 March 2016

10 **ND ORLEYN (60)**
(Non-executive Director)

BProc, Bluris, LLB, Certificate in Energy Law, Executive Management Programme (Kellogg Business School)

Committees:
- Member of the Board Investment Committee
- Member of the Board Human Capital and Nominations Committee
- Member of the Social and Ethics Committee
- Chairperson of the Social and Ethics Committee from 1 April 2016

11 **ZJ VAVI (53)**
(Non-executive Director)

Retired 29 February 2016

Committees:
- Member of the Board Human Capital and Nominations Committee until 29 February 2016
- Member of the Social and Ethics Committee until 29 February 2016
- Member of the Board Risk and Sustainability Committee until 29 February 2016

12 **NE ZALK (47)**
(Non-executive Director)

BA (English and Private Law) (UNISA), Post-graduate Diploma in Economics (Development) (School of Oriental and African Studies), MSc (Economics) (with merit) (School of Oriental and African Studies, London University)

Committees:
- Member of the Board Investment Committee
- Member of the Social and Ethics Committee

13 **GS GOUWS (57)**
Divisional Executive: Transaction Support and Post-Investment
(Alternate Director to CEO)

BCom (Law), BCom (Hons) (UJ), CA(SA), FCMA, Advanced Management Programme (Insead)

14 **A KRIEL (53)**
(Non-executive Director)

BSocSci (UCT)

Committees:
- Member of the Board Risk and Sustainability Committee
- Member of the Board Human Capital and Nominations Committee

15 **M MORE (35)**
(Non-executive Director)

BBBusSc (Finance Honours – CA option) (UCT), BCom (Accounting Honours) CTA (University of Natal), CA(SA)

Committees:
- Member of the Board Audit Committee
- Member of the Social Ethics Committee

FOR MORE DETAILED INFORMATION ABOUT OUR LEADERSHIP, VISIT www.idc.co.za

EXECUTIVE MANAGEMENT

1


2


3


4


5


6


1 **MG QHENA (50)**
Chief Executive Officer
BCompt (Hons) (UNISA), CA(SA), SEP (Wits and Harvard), Advanced Tax Certificate (UNISA)

2 **N VELETI (42)**
Chief Financial Officer
BCom (Accounting) (Wits), Post Graduate Diploma in Accounting (UKZN), CA(SA)

Appointed to executive management on 1 September 2015

3 **MP MAINGANYA (43)**
Chief Risk Officer
BCom (Wits), BAcc (Wits), HDip Tax Law (RAU), Adv. Cert. Banking (UJ), IEDP (Wits), GEDP (GIBS), CA(SA)

4 **GS GOUWS (57)**
Divisional Executive: Transaction Support and Post-Investment
BCom (Law), BCom (Hons) (UJ), CA(SA), FCMA, Advanced Management Programme (Insead)

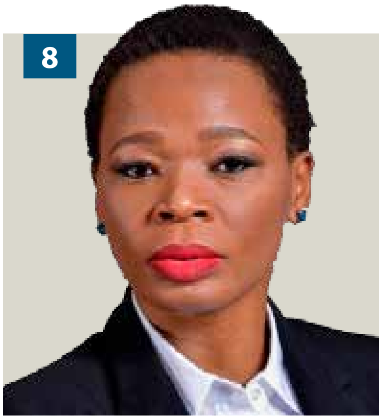
5 **RJ GAVENI (44)**
Divisional Executive: Human Capital
BAdmin (Hons) (Industrial Psychology) (UNISA), Masters in HR Management (Golden Gate University, USA), Executive Development Programme (GIBS)

6 **AP MALINGA (51)**
Divisional Executive: Mining and Metals Industries
Mining and Manufacturing Industries
BSc (Geology) (UCT), MBL (UNISA)

FOR MORE DETAILED INFORMATION ABOUT OUR LEADERSHIP, VISIT www.idc.co.za

EXECUTIVE MANAGEMENT

7



8

9

10

11

12

13

14

7

P MAKWANE (50)
General Counsel and Group Company Secretary

Bluris, LLB (Western Cape)

8

PZ LUTHULI (39)
Divisional Executive: Corporate Affairs

BA Communication (UZ), MBA (UNISA)

Appointed to executive management on 1 July 2015

9

DA JARVIS (46)
Divisional Executive: Corporate Strategy

BSocSci (UND), BSocSci (Hons) (UND), MSocSci (UND)

10

SAU MEER (54)
Divisional Executive: Chemicals and Textiles Industries

BSc (Mechanical Engineering) (University of Natal), MBL (UNISA), Advanced Management Programme (Insead), Executive Development Programme (GIBS)

11

KC MOROLO (52)
Divisional Executive: Agro, Infrastructure and New Industries

BScEng (Mechanical Engineering) (Wits), MEng (Engineering Management) (University of Pretoria), Board Leadership Programme (GIBS)

Resigned 30 April 2016

12

K SCHUMANN (47)
Divisional Executive: High Impact and Regions

B Home Economics, MBA (USB), Advanced Management Programme (Insead)

End of contract 30 April 2016

13

WH SMITH (55)
Divisional Executive: High Impact and Regions

Pr Eng, B Eng (Civil) (University of Stellenbosch), GDE (Civil) (Wits)

Appointed to executive management on 1 May 2016

14

L MATSHEKGA (42)
Divisional Executive: Agro, Infrastructure and New Industries

BCom General (UWC), BCom Hons Financial Analysis and Portfolio Management (UCT), Masters in Development Finance (USB), Global Executive Development Programme (GIBS)

Appointed to executive management on 1 May 2016

FOR MORE DETAILED INFORMATION ABOUT OUR LEADERSHIP, VISIT www.idc.co.za

OBJECTIVE AND OUTCOMES

Objective:

- Lead industrial capacity development

Outcomes:

- Facilitation of decent sustainable direct and indirect employment
- Increase development in poorer areas and ensure higher integration of regional economies
- Promotion of entrepreneurship and small and medium enterprise (SME) growth
- Advancement of environmentally sustainable growth
- Growth in sector diversity and increase localised production
- Support for the transformation of communities
- Development of black industrialists and support for women and youth entrepreneurs

VALUES

The IDC's day-to-day activities and business conduct are guided by our values:

- PASSION
- PARTNERSHIP
- PROFESSIONALISM

GROUP STRUCTURE

The following diagram illustrates the IDC Group structure*. As reflected in the notes to the Annual Financial Statements, the IDC financing subsidiaries are Findevco, Impofin, Konoil and the Small Enterprise Finance Agency (sefa).

IDC is a development finance institution (DFI). In some instances the Corporation may take control of other business enterprises through equity investments related to early-stage project investment, turnarounds of existing businesses, or for reasons strategic to the development of an industry.

Industrial Development Corporation of South Africa Limited

Foskor (Pty) Ltd	59%	Phosphate mining and fertiliser production
Scaw South Africa (Pty) Ltd	74%	Steel manufacturing and production of steel products
Small Enterprise Finance Agency SOC Ltd	100%	Development finance for survivalist, micro, small and medium enterprise
Thelo Rolling Stock Leasing (Pty) Ltd	50%	Rolling stock leasing
Prilla (Pty) Ltd	100%	Yarn manufacturer
Consolidated Wire Industries (Pty) Ltd	50%	Manufacturing of wire and wire products

Operational subsidiaries with assets exceeding R250 million shown.

** A more comprehensive list of subsidiaries is included in the notes to the financial statements.*

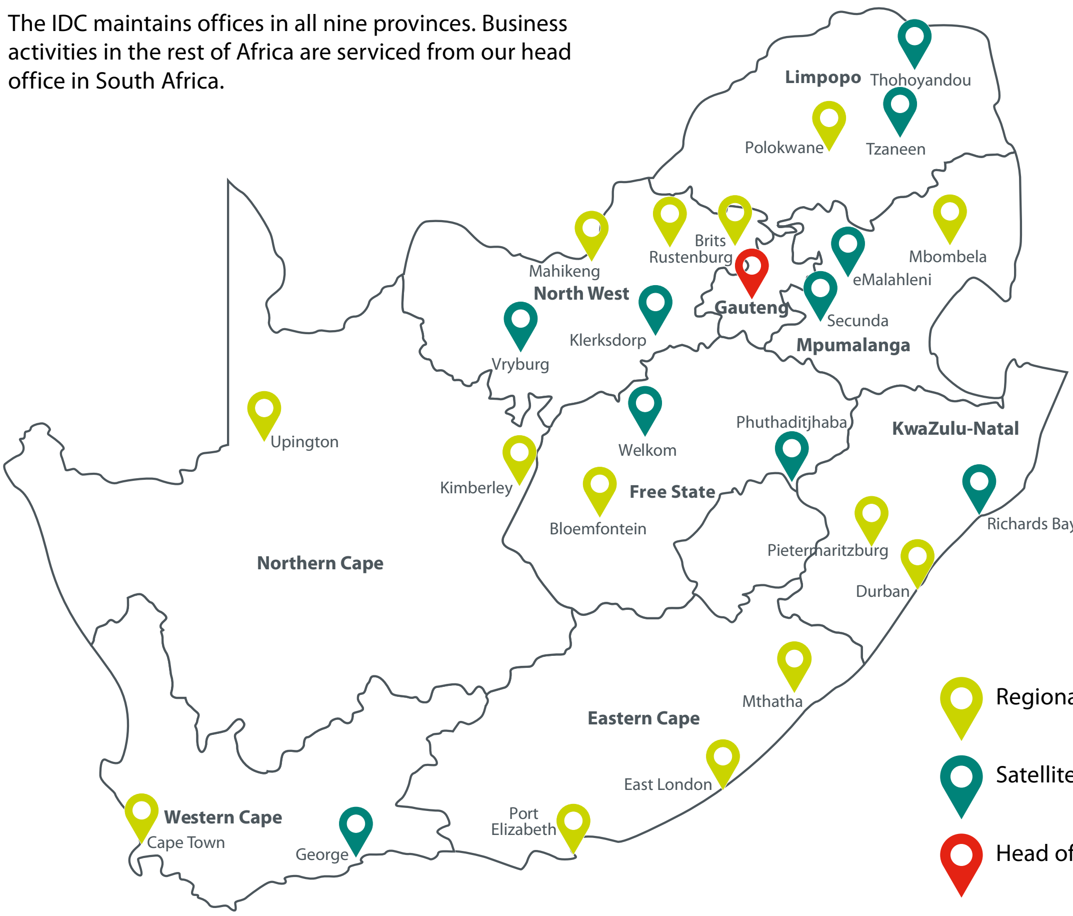
OPERATIONAL STRUCTURE

CHIEF EXECUTIVE OFFICER

OPERATIONAL DIVISIONS	SUPPORT DIVISIONS		DIRECT REPORTS
Agro, Infrastructure, and New Industries	Finance and Funding	Corporate Strategy	Internal Audit
Mining and Metal Industries	Corporate Risk	Human Capital	
Chemicals and Textiles Industries	Transaction Support and Post-Investment	Corporate Secretariat and Legal	
High Impact and Regions		Corporate Affairs	

OPERATIONAL FOOTPRINT

The IDC maintains offices in all nine provinces. Business activities in the rest of Africa are serviced from our head office in South Africa.



VISION AND MISSION

VISION

To be the primary driving force of commercially sustainable industrial development and innovation for the benefit of South Africa and the rest of Africa.

MISSION

The Industrial Development Corporation is a national development finance institution whose primary objectives are to contribute to the generation of balanced, sustainable economic growth in Africa and to the economic empowerment of the South African population, thereby promoting the economic prosperity of all citizens. The IDC achieves this by promoting entrepreneurship through the building of competitive industries and enterprises based on sound business principles.

OUR STRATEGY

The IDC's strategy is focused on the need to maximise development impact through jobs-rich industrialisation and ensuring the long-term sustainability of the Corporation by addressing specific issues related to financial capital, our human resources, stakeholders, the natural environment and increasing the efficient use of resources.

Strategy development in the IDC is an ongoing process with a formal annual review. These reviews take into account changes in the operating environment and are guided by robust discussions by the Board, executive management and other senior management of the IDC. Strategies targeting specific industries and functional areas are developed with inputs from experts in their respective fields throughout the Corporation.

STRATEGY PILLARS

INCREASING INDUSTRIAL DEVELOPMENT

Priority sector strategies where the IDC plays a proactive role

Strengthen IDC's development objectives and strategies

Identify and develop new industries that can be drivers for growth and employment in the future

Support infrastructure projects that unlock industrial development

Align the IDC with the NDP, NGP, IPAP, APAP and NIP sector development objectives

Increase the number of projects under development and in implementation

Provide industrial finance to achieve sector development objectives

Increase regional industrial integration by developing value chains

Ensure sefa operates effectively and efficiently

ENSURING LONG-TERM SUSTAINABILITY

FINANCIAL CAPITAL

Implement measures to manage concentration risk in the IDC portfolio

Plan investment returns and risk profile to ensure sufficient growth to replace existing cash generators

Structure investments to increase direct equity returns

Manage risk through appropriate investments, pricing and portfolio management

HUMAN, SOCIAL, NATURAL AND MANUFACTURING CAPITAL

Human resources
- Ensure appropriately skilled and capacitated human resources
- Entrench a culture of performance and development

Stakeholders
- Improve customer service
- Partner with other financiers to leverage different strengths and mandates
- Increase engagement with sector players to identify opportunities
- Develop black industrialists
- Strengthen IDC expertise to contribute to policy
- Build strong communities around IDC-funded projects

Natural environment
- Improve IDC's and industry's environmental sustainability

Utilisation of resources
- Enhance efficiency through improved systems

CASE STUDY

SACKS PACKAGING

Sacks Packaging is a 100% black-owned company that manufactures multi-wall sacks, paper bags, self-opening bags and high-gloss bags for sale to the sugar, agricultural, cement and other industries. The company's operations are based in Mobeni, KwaZulu-Natal.

The IDC supported Sacks Packaging in acquiring 100% of Nampak Sacks – a division of Nampak Products Limited (Nampak), a JSE listed company, and as part of the sale agreement Nampak sold their paper sack division as a going concern to a black-owned consortium.

In addition to providing funding for the deal, the IDC facilitated the change of the previously internationally held ownership to a locally based black consortium – a transaction which also helped to save 238 jobs – and approved funding to allow Sacks Packaging to purchase a previously leased property critical to the company's operational requirements. The IDC also provided a guarantee facility that will be used by this business partner to meet growing demand.

Through this transaction, the IDC and Nampak have demonstrated their commitment to the development of black industrialists and the transformation of the paper packaging sector.

IDC funding enabled a consortium of black industrialists to acquire 100% of Nampak Sacks – a division of JSE listed Nampak products. Above, employees sort paper packages at the company's plant in Mobeni, Durban.

PROJECT EVOLVE

In 2015, we embarked on a project to prioritise industries so as to ensure we increase our effectiveness and maximise our impact on the economy.

The priority industries were selected based on SA's current and long-term growth potential, our ability to have a meaningful impact, and alignment to government priorities. Three value chains were identified where our proactive support could have the largest impact on direct and indirect job creation through increased competitiveness, developing downstream industries and higher levels of exports – especially into markets in the rest of Africa. In addition, we are assuming a greater role to proactively nurture and develop industries that might not currently play a significant part in the South African economy, but have the potential for growth in the future. In particular, new sectors that derive their strength from innovation, science and technology are important. Another priority area aims to address the negative impact that the infrastructure backlog has on the development of industry. We are targeting infrastructure projects that can unlock industrial development.

The project also identified opportunities to increase the IDC's operational efficiencies and effectiveness.

The prioritisation component of the project resulted in a differentiated approach to developing industries. This approach is shown in the table overleaf and formed the basis for a restructuring of operations and a review and redesign of internal processes.

Some of the IDC staff pose for a commemorative photo in Sandton, Johannesburg.

IDC'S DIFFERENTIATED APPROACH TO SECTOR DEVELOPMENT

	VALUE CHAINS	NEW INDUSTRIES	SPECIAL HIGH IMPACT SECTORS	HIGH IMPACT SECTORS	INDUSTRIAL INFRASTRUCTURE
DEFINITION	Existing sectors with the largest opportunities within the economy and a high propensity for jobs-rich industrial development in the short and medium term. These are connected chains of industries where the IDC will take leadership for industrial capacity development. • Metals, metal products, machinery and equipment, transport equipment and mining • Chemicals, plastics and pharmaceuticals • Agro-processing and agriculture	Sectors which are determined by forward-looking trends and innovation, and could develop into significant opportunities for SA	Sectors that do not meet the criteria for value chains. However their particular place of importance within the South African economy, and the current role played by the IDC, suggests that the Corporation should continue to play a strategic role in these industries: • Media and motion pictures • Clothing, textiles, footwear and leather products	Sectors within the IDC mandate that offer a high volume of opportunities, contribute to the IDC development goals, but where the IDC does not foresee a proactive role	Infrastructure that unlocks industrial development: • Electricity • Water • Telecommunications • Logistics
APPROACH	Proactive industry development by: • Developing and implementing strategies to achieve industry development goals that in turn guide strategies for industries • Playing a proactive role to identify, develop and fund opportunities in support of strategies • In addition, we also reactively fund applications from entrepreneurs falling within the value chains • Taking advantage of economic linkages between sectors • Playing an active role in influencing policies to enhance development of the industries • Drive achievement of development outcomes	• New industries are nascent industries or technologies that the IDC will nurture to become sizeable, relevant industries of the future • The IDC will do regular reviews to identify new potential stars and those which should graduate or exit • The IDC will be involved in early-stage sector and technology development as well as enabling environments • There is expected to be a range of activities at various stages of development and levels of risk • Drive achievement of development outcomes	• Identified by exception • May require sector strategies and specialist skills • Drive achievement of development outcomes	• Fund a high volume of applications offering high-impact return on effort • Create jobs and deliver against the IDC's other developmental outcomes in sectors outside the value chains • Limited sector skills • Drive achievement of development outcomes	Unlock industrial development outcome through or by: • Playing a coordination role to ensure that requisite infrastructure is funded and developed by other funders • Supporting private sector or Public Private Partnerships (PPP) industrial infrastructure where it is necessary • Investing selectively in strategic, economy-wide, large-scale interventions

MATERIALITY

The IDC's definition of materiality with regard to integrated reporting, and the process followed for determining material issues, take into account the published guidelines of the International Integrated Reporting Council (IIRC), the International Federation of Accountants (IFAC) and the Global Reporting Initiative (GRI).

A matter is considered to be relevant if it is very important to appropriate stakeholders, relates to critical risks facing the organisation, or forms an integral part of our strategy. If these relevant matters can also substantially impact the Corporation's ability to create financial value and deliver development returns over time, as captured in the IDC's mission, they are then also considered to be material to the IDC (refer to page 22).

The process of determining materiality, in the context of integrated reporting, continues with consultations with internal and external stakeholders. In addition to engagements with stakeholders and leadership, we conduct research into industry best practice and peer reporting themes and practices. Finally, we undertake a validation exercise to ensure that the outcomes of our process comply with the requirements of integrated reporting frameworks.

The 11 material issues identified in 2013 were merged into five during the last reporting period and these will be revisited during each reporting cycle to test their continued relevance.

IDC's material issues

EXTERNAL

INTERNAL

Stakeholders

Stakeholders are prioritised according to their potential influence and their expectations are documented. (See reference on pages 47 to 53.) They expect the following from the IDC:

- Industrial development funding and impact
- Socio-economic impact
- Good governance
- Financial sustainability
- Relevant products and appropriate pricing
- Customer service levels
- Skilled human resource pool
- Stakeholder engagement
- Community development
- Policy research and inputs
- Environmentally sustainable development

Strategy

Board Strategy and business planning sessions highlight strategic priorities. These strategic prioririties are predicated on IDC's Strategy Pillars, which are shown on page 22, and summarised below:

- Increasing industrial development
- Ensuring long-term sustainable financial capital
- Ensuring long-term sustainable human, social, natural and manufacturing capital

Key risks

Top risks are identified and evaluated in terms of magnitude and likelihood. Issues that could substantially affect value creation are identified and linked to strategy, governance, performance and prospects. (See reference on key risks on pages 61 to 62.) These include:

- Business continuity
- Macro-economic conditions
- Shareholder confidence
- Insufficient participation by black industrialists in the economy
- Legal and regulatory compliance
- Volatility in listed share portfolio
- Maturity of IDC's risk management architecture
- Electricity supply
- Carbon taxes to be paid by IDC's subsidiaries and associates
- Credit risk
- Industrial action
- Dependence on an enabling environment

Top risks and strategic priorities were mapped to the material issues of stakeholders. The most significant issues that emerged from the three perspectives were then grouped.

IDC's Material Matters

- **Impacting on industrial development**
  Aligning IDC's activities with the sector objectives of the NGP, IPAP, APAP and NIP
- **Contributing to socio-economic development**
  Improving socio-economic impact including job creation, regional investment patterns in SA, black economic empowerment and black industrialists, and influencing environmentally sustainable development
- **Building strong partnerships**
  Increasing stakeholder engagement to communicate plans, successes, and fostering cooperation between role players
- **Committed to good governance**
  Maintaining good governance including risk assessment and fraud prevention processes
- **Impact on financial sustainability**
  Continuing to be a financially sustainable organisation through appropriate pricing, reducing impairments and portfolio management

OUR BUSINESS MODEL

INDUSTRY DEVELOPMENT STRATEGIES

The industries in which IDC is involved are shown in the section relating to strategy on pages 22 to 26.

PROJECT DEVELOPMENT | **ENABLING ENVIRONMENT** | **ASSESSMENT OF FUNDING APPLICATIONS**

The proactive development of industries will involve identifying and developing projects to address specific opportunities or weaknesses in value chains.

We strive to be at the centre of industrial development activities and achieve this by interacting with different stakeholders. These can include private sector players, which include potential local and international partners for projects that we are funding. It also includes interaction with government to provide inputs into policy development that will strengthen the enabling environment for industry development.

In addition to proactive industry development, we also provide funding for entrepreneurs who approach us and apply for finance for their businesses. These applications undergo a full assessment to determine the viability of the business plan, with our decision to provide funding being more dependent on the future potential of a business than the history of that business.

Apart from assessments of the commercial viability of businesses, we also take into account the development outcomes (see page 20) that would be achieved by funding the business.

We assess applications covering all stages of business maturity.

PROJECT FUNDING | **FUNDING OF APPLICATIONS**

As a DFI, the core of our activities relates to the financing of viable projects and businesses.

We use a range of financial instruments to provide finance. These include the extension of loans, equity investments and issuing of guarantees. Transactions, including repayment terms, are structured to suit a business' needs and cash flow expectations.

We access the capital needed to provide funding by borrowing from other DFIs, commercial banks, and issuing bonds. Exits from mature investments where our equity investments have resulted in capital growth are also used to fund new loans. Interest received from loans and dividends from equity investments are used to cover our costs with profits reinvested into the economy.

We also manage some funds on behalf of government and can use these funds to finance businesses that are aligned to the fund's objectives.

POST-INVESTMENT MANAGEMENT

After we provide funding, a business' performance is closely monitored to ensure continued sustainability and assistance is provided where problems arise.

Some of these interventions include financial support such as the restructuring of facilities (e.g. converting debt to equity), and non-financial support such as the appointment of skilled individuals to address specific shortcomings in the business.

2 PERFORMANCE AND IMPACT

CASE STUDY

VEER STEEL

The South African steel industry is highly concentrated and dominated by a few high-cost producers, resulting in high local steel prices to downstream users and hampering growth and job creation in the downstream steel industry.

In light of this challenge, the IDC's strategy seeks to optimise the use of locally available raw materials to lower input costs and to provide steel at a lower cost at the required quality and grades. The ultimate objective is to promote downstream beneficiation and fabrication industries.

A beneficiary of this strategy is Veer Steel which manufactures various sizes of steel bars used in the construction industry and in the fabrication of steel items such as gates, doors and windows. Just like other mini mills spread across the country, Veer has demonstrated the potential to produce steel efficiently with low overheads thus being able to transfer these low-cost products to downstream industries, and in the process creating substantial job opportunities.

The upside is that Veer has been able to compete in a tough economic climate unlike major players that are battling to offset the impact of cheap steel imports. In fact, it has been one of the few companies that has been able to compete favourably and profitably despite the harsh economic environment. Demand for its products has been consistent and the company now intends to expand its capacity so it can better serve its growing consumer base with quality steel at affordable prices. IDC funding is expected to facilitate the creation of approximately 800 jobs.

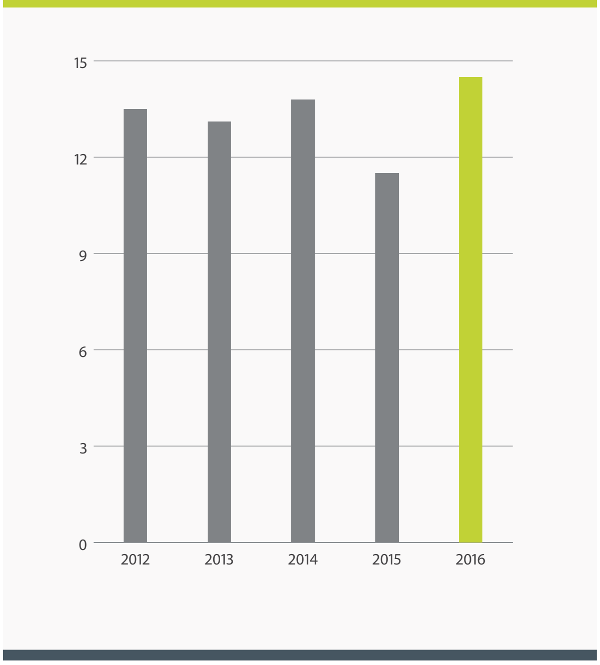
The South African economy remained strained in 2015 due to subdued demand domestically and globally, coupled with persistent supply-side challenges. This resulted in economic growth slowing to 1.3%, the lowest rate since the 2008 recession, with the weakness widespread across the economy.

It is in such conditions that the counter-cyclical role of the IDC comes to the fore. At the same time that the IDC was implementing a new, proactive industrial development strategy, to pre-empt the potential negative impact that these conditions could have on industrial capacity, we reintroduced funding to distressed companies during the year. This funding is aimed at saving jobs at companies that are facing difficulties due to the tough economic conditions.

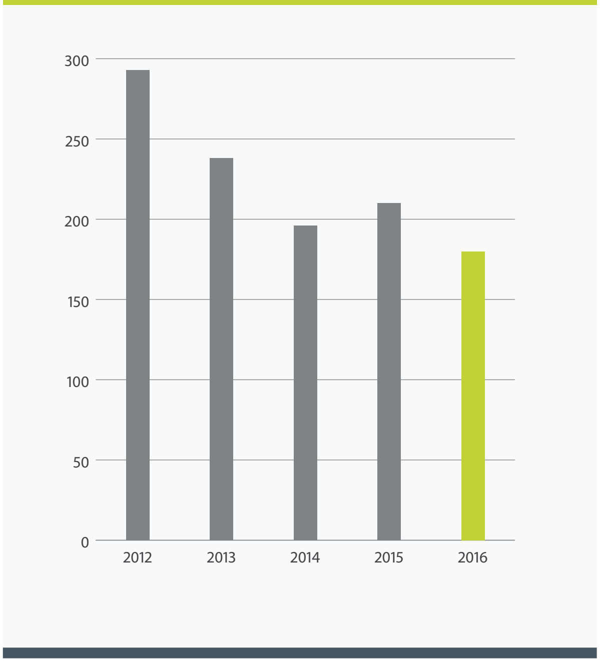
LA The approvals of R14.5 billion (2015: R11.5 billion), recorded in the 2016 financial year, are the highest level the IDC has ever achieved. This represents a year-on-year increase of 26%. A further five transactions, of which four are renewable energy projects and one a coal-fired power project, and together totalling R6.1 billion, were processed during the 2016 financial year, but as the bidding process for these transactions had not been completed, they have not been included in the value of approvals for 2016. Over the five-year period ended 31 March 2016, the IDC's approved funding reached R66.3 billion, 53% higher than the funding approved during the preceding five years.

The number of transactions approved decreased by 14% from 210 in 2015 to 180 for the 2016 financial year.

Value of financing approvals per year 2012 to 2016 (R'billion)

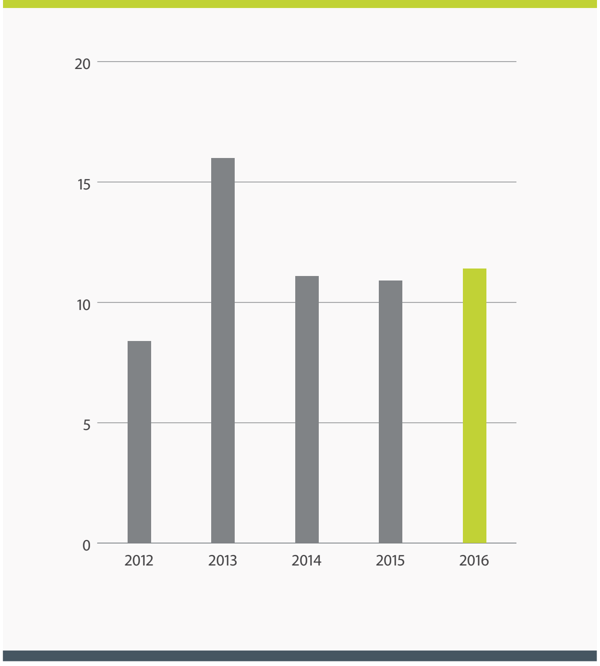


Number of approvals per year 2012 to 2016



Disbursement levels increased from R10.9 billion in 2015 to R11.4 billion for 2016. For the five-year period ended 31 March 2016, disbursements rose to R57.8 billion from R26.0 billion for the period 2007 to 2011 representing nominal growth of 122%.

Disbursements per year 2012 to 2016 (R'billion)



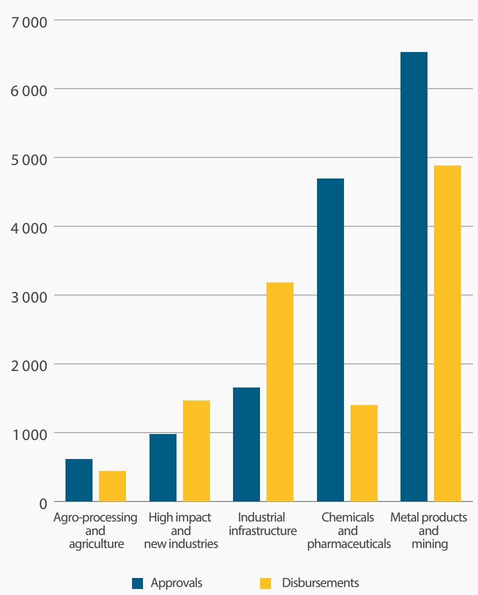
IMPACTING ON INDUSTRIAL DEVELOPMENT (continued)

For the year ended 31 March

	2016	2015	2014
Value of funding transactions approved (R'billion)	LA 14.5	11.5	13.8
Number of funding transactions approved	180	210	196

Of the R14.5 billion, R6.5 billion was approved for businesses operating in the manufacturing of metal products and mining (45% of total), R4.7 billion (32%) for entities operating in the chemicals and pharmaceutical space and R1.7 billion (11%) for industrial infrastructure projects. The remaining R1.6 billion was approved for businesses operating in agro-processing and agriculture (R614 million) and the High Impact and New Industries (R980 million) areas.

Funding approvals and disbursements per value chain (R'million)



METAL PRODUCTS AND MINING

Throughout the year under review, manufacturing activity remained constrained by weak demand conditions, both locally and in key export markets, as well as by rising operational costs and infrastructure-related challenges, including poor security of electricity supply. The interplay of these challenges reflected in the fall in business confidence in the first quarter of the calendar year 2016. The metal products and mining industries contributed 11.5% towards South Africa's GDP in 2014 and their employment accounted for 9.3% of all formal non-agricultural employment in Q4 2015. The importance of this value chain in South Africa's economy is one of the main reasons why it was selected as an area for the IDC to focus its proactive industry development efforts.

The IDC's strategies in this value chain focus on creating competitive downstream industries, such as machinery and transport equipment, supported by inputs from the basic metals and mining industries. In addition, the mining industry has linkages to several other downstream manufacturing industries and can have a positive impact on the development of communities if approached in a more sustainable way.

To that end, the largest portion of funding approved, 45%, was for basic metals, metal products and mining. Although we support companies operating throughout this value chain, including in primary activities such as mining, our ultimate objective is to support the downstream industry to beneficiate and add value to South African mineral resources. R1.5 billion of the approvals were in support of basic iron and steel facilities. This included ongoing support for Scaw Metals as well as funding that was approved for Evraz Highveld Steel and Vanadium in an attempt to assist the company with a turnaround strategy. Unfortunately, the company has ceased operations and jobs could not be saved, although we are still working closely with the company's business rescue practitioner to find a solution for the company.

R241 million was approved for a steel mill in Gauteng to ramp up the production of its steel bar manufacturing capacity by 144 000 tonnes per annum. To assist the entry of black industrialists in the downstream industry, R137 million was approved for the acquisition of a large bore-spiral pipe manufacturing operation.

Three companies had their funding approved for the manufacture of engineered medium-steel products, pressure vessels and gas cylinders. Total funding for the three amounted to R270 million and, as these are labour-intensive processes, the funding is expected to create some 1 397 job opportunities.

R550 million was funded in support of Bell Equipment to bolster their efforts to export to North American markets. Bell Equipment is a South African company with 60 years' experience in the manufacture and distribution of materials-handling equipment. We have built a strong partnership with Bell over a number of years and are supporting their growth strategy.

Three transactions were approved for funding in the basic metals environment – R250 million and R600 million for platinum and copper respectively, and another for care and maintenance activities to preserve assets in the chrome mining sector.

The automotive and transport equipment industry was supported with funding approvals totaling R959 million, of which R145 million was approved for a new laser blanking line to promote the localisation of blanking services in the automotive sector. R195 million was approved for the manufacture of rolling stock and the localisation of train wheel forging in South Africa, with R74 million approved for new plant and equipment for the manufacture of components and the supply of services to the automotive industry, as part of the IDC's import replacement strategy and to facilitate linkages to the government's industrial infrastructure programme.

In further efforts to improve transport infrastructure, R170 million was approved for an innovative system to transport 100 000 tonnes of chrome ore per month via an aerial ropeway and bucket system. Previously, it was transported by road.

Advanced manufacturing also received a capital injection with funding approved for two aviation companies. The first received R50 million and will acquire the right to use intellectual property to set up a manufacturing plant locally, while the second, with R141 million, will be setting up a new plant to manufacture a South African-developed patrol aircraft.

Trading and operational conditions remained extremely challenging in the mining sector. Very low commodity prices and faltering growth in volume demand, particularly from China, continued to weigh heavily on the sector's performance. However, the Rand's weakness provided a degree of cushioning to local producers on the income side, while the expenditure side benefited from the impact of low oil prices on operating costs.

CASE STUDY

PALABORA COPPER

One of the key objectives of the IDC is to maintain and increase industrial capacity by proactively supporting the modernisation of production facilities. The investment in Palabora Copper seeks to achieve precisely this objective.

The technology powering the smelter complex at Palabora Copper was installed in 1956, long before the introduction of the Air Quality Act, leaving the smelting technology currently in use environmentally unfriendly.

The IDC funding is therefore aimed at rehabilitating and retrofitting the company's smelter complex, with the objective of ensuring that existing copper rod production in the country is maintained, and thereby assisting in halting the de-industrialisation of the economy. The retrofitting will replace the current furnace with a double-sided blown furnace for smelting copper concentrate and modifying material charging and the off gas systems as well as the acid plant.

This investment will prevent possible decommissioning of the smelting complex with the result that the local beneficiation of copper concentrate will continue. Retrofitting the smelter with new technology will thus not only sustain Palabora Copper's operations, but will also enable the company to meet industry-accepted emission standards.

An important outcome of the IDC investment will be the saving of 1 000 jobs including those of contractor workers, and with the sustaining of operations in the company's manufacturing plants, the South African copper wire industry will not find it necessary to import copper rods.

Most importantly, however, the facility will continue to contribute to the social and economic stability of the local community in which it operates.

IDC's support to Palabora Copper will not only help to boost SA's copper production capacity, but will also save 1 000 jobs that could have been shed as a result of the company closing its old smelting plant.

IMPACTING ON INDUSTRIAL DEVELOPMENT (continued)

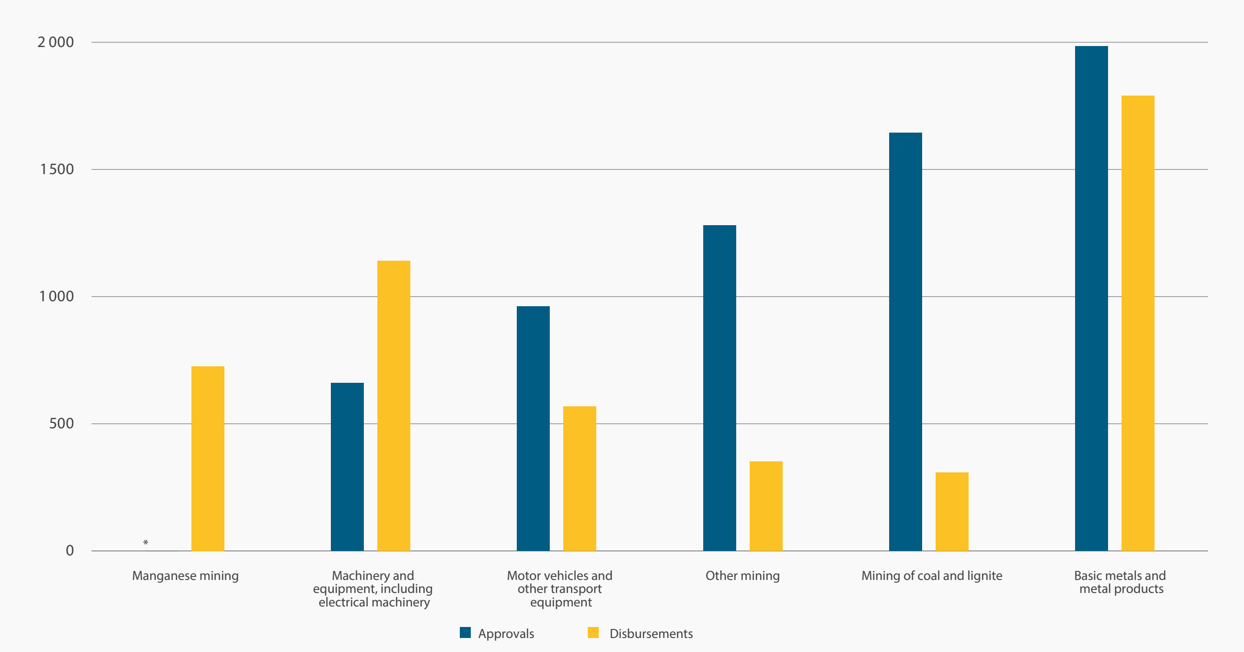
Following low productivity in 2014, signs of recovery were evident in 2015. Mining production rebounded as a result of strong recovery in terms of a 46% rise in the outputs of the platinum group metals (PGMs) segment. This translated in the overall mining output expanding by 3.3%. Manganese and chrome ore outputs also increased strongly. In contrast, there was a contraction in output volumes in a number of other mining sub-sectors, including iron ore, gold, coal, copper and other metallic minerals. Fixed investment contracted in real terms and the mining sector reported substantial job losses during the year. As a result, part of our efforts and focus for the 2016 financial year centred on assisting those clients in distress and developing solutions to alleviate their situations. Consequently, funding approvals for the year increased from R2.5 billion in 2015 to R2.7 billion in 2016, representing an 8.8% increase.

In line with the IDC strategy to support the thermal coal industry as an important component of South Africa's energy industry, 62% of approvals for the mining sector went into the coal mining sub-sector. One of the large South African-based resources groups required restructuring of its existing facilities as well as additional funding of R1.5 billion to assist in increasing the current capacity of their three mines by 14.6 million tonnes per annum. An emerging mining company in Mpumalanga, with a plan to recover saleable coal from the Van Dijksdrif coal discard dump, received funding support of R215 million. The recovered coal will benefit, among others, Eskom and the City of Tshwane in alleviating coal supply constraints.

The remaining 6% approved in the mining sector, approximately R170 million, went towards the development of a new bulk tailing re-treatment plant to recover both metallurgical and chemical grade chrome ore concentrates from waste streams generated by platinum producers.

Disbursements to eight mining companies amounted to nearly R1.3 billion, with 67% of this value, R852 million, being disbursed for basic metal mining companies in manganese and chrome, R308 million for coal and R94 million for diamond mining.

Funding approvals and disbursements in the mining and metals industries value chain (R'miliion)



* *There were no approvals in the financial year*

CHEMICALS AND PHARMACEUTICALS

The petroleum, chemicals, pharmaceuticals and downstream plastics industries contributed 3.2% to the South African economy in 2014 and employed just over 140 000 people in the final quarter of 2015. In this value chain, the IDC aims to improve the global competitiveness of the sectors, with basic chemicals industries playing an important role in the development of other downstream manufacturing industries. In downstream chemicals industries, the IDC's focus is on the development of the pharmaceuticals and other consumer products sectors.

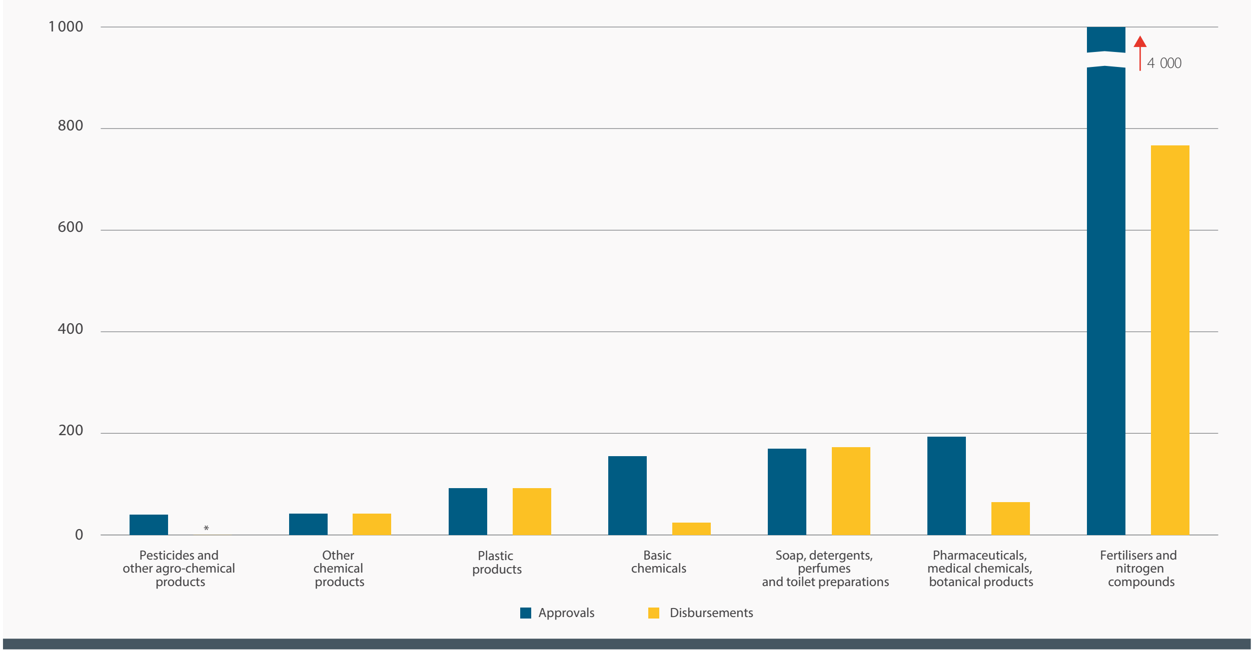
Of the R4.7 billion approved in these sectors, 85% was for the fertiliser sector to maintain and upgrade existing capacity at our subsidiary, Foskor.

The South African home and personal care industry accounts for an estimated 1.4% of manufacturing output and R3.4 billion in annual sales, employing about 31 000 people of whom 10 000 are directly employed in the manufacturing value chain. The opportunity for import replacement is significant as the industry is much larger, at an estimated R23 billion in retail sales, when calculated to include imported finished products. However, the local personal and home care contract manufacturing industry, which manufactures face wash, toothpaste, perfume and detergents, is facing difficulties. To that end, funding of R158 million for a key player in the value chain was approved to ensure adequate support and the development of the value chain.

A working capital facility of R16.1 million was approved for the expansion of an automotive lubricants manufacturing plant. South Africa is a net importer of lubricant finished goods and boosting local manufacture will ease reliance on imports.

An entity that supplies gas to hospitals received R71 million in support. We continued to implement our strategy of supporting the radio-pharmaceuticals industry, with R175 million approved towards the commercial production of Molybdenum-100 isotopes, and R40 million for an innovative technology in the production of "green" biocides, which kill infectious and harmful organisms such as bacteria, fungi, viruses and microbes.

Funding approvals and disbursements in the chemicals and pharmaceuticals value chain (R'million)



* *There were no disbursements made in the financial year*

CASE STUDY

MOLYBDOS

The IDC partnered with technology supplier Klydon (Pty) Ltd and Maono Molybdos (Pty) Ltd to establish a highly advanced molybdenum isotope separation plant, currently under construction.

The molybdenum isotope product will be used to produce a technetium radiotracer for medical imaging, mostly used for cardiovascular applications, and to detect cancer and infection. Technetium scanning is used for more than 80% of all nuclear medical imaging world wide.

This is a Fourth Industrial Revolution development that will transform the global industry. It will solve numerous problems being encountered by the existing nuclear reactor-based route to produce radiotracers. Nuclear medicine is undeveloped in the developing world, largely because of the high cost and unavailability of radio-pharmaceuticals, and this initiative is ideally placed to address these challenges.

The molybdenum isotope product will be used to produce a technetium radiotracer for medical imaging.

AGRO-PROCESSING AND AGRICULTURE

Agro-processing and agriculture remains one of the largest employers in the country with 1.3 million people employed in the formal and informal sectors, as at the end of 2015. IDC's focus on agro-processing is designed to stimulate demand for primary agricultural products and, in doing so, develop rural areas and increase employment levels.

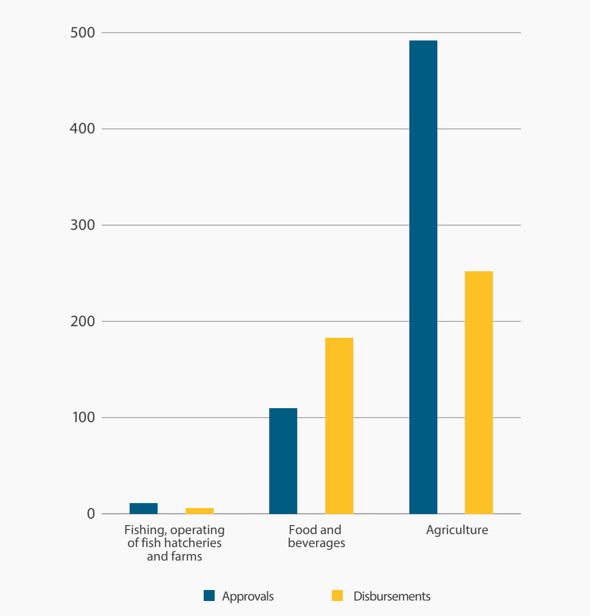
Having faced the worst drought in more than a century, the agricultural sector saw output declining by 8.4% in 2015, the largest annual fall in agricultural production since 1995. The impact of such adverse developments in this important sector of the economy was felt by numerous suppliers of goods and services, with downstream producers also affected, and the sugar cane, maize and wheat-producing segments the hardest hit. The severity of the drought took a particularly heavy toll on rural communities and the country's poor due to cutbacks in farming employment coupled with surging food prices.

The food and beverage sector's manufacturing output declined by 1.5% year-on-year, primarily in the meat, fish, fruit, dairy and beverages sub-sectors. This is indicative of softening consumer demand in the face of rising food prices and reduced disposable income. This impacted on the IDC's activity in the industry and the Corporation approved 19 transactions totaling R614 million, including R250 million to the Land and Agricultural Development Bank of South Africa, towards drought relief. We provided a sugar mill in KwaZulu-Natal with support through funding of R14 million to its outgrowers to plant about 700 hectares of new and fallow sugar cane fields, thereby contributing to the sustainability of the mill. A R22 million drought facility was also approved for the mill.

Due to its labour-intensive nature, IDC aims to increase production in horticulture as a means of increasing jobs. We will achieve this through transactions such as the one supporting the expansion of soft citrus (mandarin) farming operations by 556 hectares, near Ashton in the Western Cape. We also supported citrus farming in the Northern Cape through a R22 million approval to an existing investment to enable it to maintain operational efficiencies.

In addition, we funded two entities involved in the cultivation of blueberries in Tzaneen, Limpopo and Stutterheim, Eastern Cape, and provided funding for the growing of pecan nuts in the Northern Cape. The establishment of manufacturing facilities for the supply of various processed cheese substitutes to food manufacturers, the food service industry and pizza companies was supported with R20 million in IDC funding. Other entities supported with funding relate to agro-processing, forestry and marine aquaculture.

Funding approvals and disbursements in the agro-processing and agriculture value chain (R'million)



INDUSTRIAL INFRASTRUCTURE

The IDC's activities in the infrastructure sector are aimed at those projects that enable the Corporation's priority value chains and new industries and also, more broadly, to unlock the country's industrial development potential.

The 2016 financial year saw further investments supporting the Renewable Energy Independent Power Producers Procurement Programme (REIPPPP), with three approvals for smaller 5MW Photovoltaic PV solar installations. Funding for these smaller installations totalled R178 million. The energy constraints faced by the country gave impetus to a multitude of solutions being explored to maintain operational efficiencies. Such solutions include funding of R257 million for a waste heat recovery plant in Kimberley to co-generate 6MW of electricity, set to replace 30% of the manufacturing plant's energy requirements. A further R101 million was provided for the installation of a 1.8MW fuel cell at a platinum refinery, and R3 million apiece was apportioned for a 105kW combined heat power plant and an anaerobic digester to harvest methane gas from manure.

Continued support for larger-scale projects included the acquisition of shares whereby a broad-based black youth-owned company acquired a 10% stake, at R360 million, in a 100MW thermal concentrated solar plant.

Fuel storage facilities in the Eastern Cape were funded with R96.9 million and will enable, at capacity, the on-selling of 63 million litres of fuel per day, while a coal export terminal with an over-riding objective of unlocking opportunities for the export market to the junior coal mining sector received approval for R115 million.

The need to support infrastructure development in the rest of Africa resulted in R170 million being approved for a gas pressure reducing station in Chokwe, Mozambique, to bring a 40MW gas power plant online.

CASE STUDY

TSHEDZA MINING RESOURCES

Mining is not only key to government's economic and social transformation objectives but is also a critical driver of growth for its medium and long-term job-creation targets. The industry employs 496 000 people directly and 1.4 million indirectly, contributing about R292 billion to the country's GDP.

Against the backdrop of challenges confronting the industry, including the drop in commodity prices and rising input costs, the IDC continues to be a significant funder to the industry, particularly black mining firms.

Our partnership with Tshedza Mining – a mining company majority owned by Ichor Coal – is well on track to creating new black industrialists. In 2015, Tshedza Mining signed a 15-year coal supply and off-take agreement with Eskom for its newly developed Manungu Colliery (also known as Eloff Colliery), in Delmas, Mpumalanga. Tshedza will be one of the top-four suppliers to Kusile Power Plant once it becomes operational, supplying between 15% and 20% of the total coal requirement.

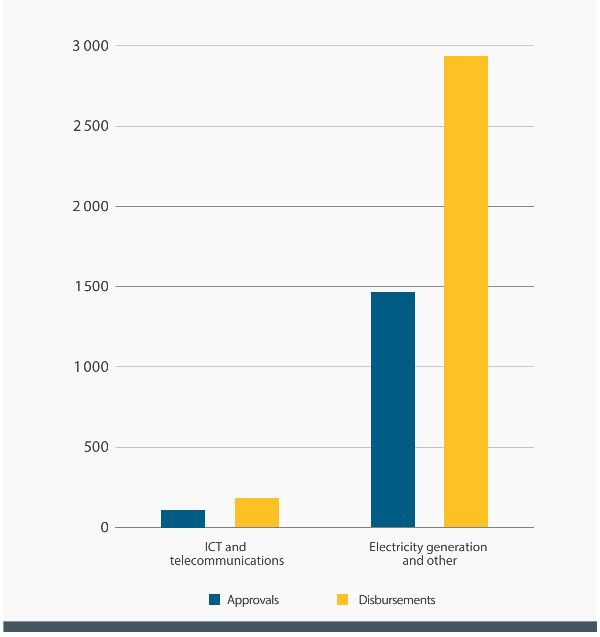
IDC funding of R210 million was used for completion of the mine development including a weighbridge and other infrastructure required to bring the mine to production, and for working capital which helped finance the mine's operating costs for the three months preceding first coal production and sales.

The company now has 325 employees and intends to increase its workforce to 403 on achieving full production in 2018. Of particular significance to the IDC is that funding to Tshedza Mining complements the Corporation's objectives of accelerating economic transformation and increasing the number of black industrialists.

The Manungu Colliery in Delmas, Mpumalanga, part-owned by Tshedza Mining, employs more than 300 people. IDC funding will enable the company to expand and ramp up production in the next three years. Above, coal is loaded for shipment to the treatment plant.

IMPACTING ON INDUSTRIAL DEVELOPMENT (continued)

Funding approvals and disbursements in industrial infrastructure (R'million)



HIGH IMPACT INDUSTRIES

The High Impact Industries sector encompasses manufacturing industries not covered in the priority value chains identified by the IDC. New Industries are those industries that are currently non-existent, or very small in South Africa, but have the potential to grow and employ significant numbers of people in the future. Here, we play a proactive role.

For industries falling under High Impact, which include Tourism, ICT, Clothing and Textiles, Media and Motion Pictures, and Heavy and Light Manufacturing of, for example, furniture, IDC's approach is primarily to fund projects developed and packaged by entrepreneurs with little involvement in early-stage project development.

The focus for the clothing and textiles industries during the year under review was to continue supporting existing clients, provide funding to new applicants, and participate in industry-wide cluster activities and initiatives. Although there is an overall improvement in the industry, especially in terms of increased demand for locally manufactured products, the industry continues to face challenges. The weakening of the Rand adversely impacted manufacturers who rely on imported raw materials, mostly fabrics. On a positive note, the trend towards "fast fashion" means that retailers have a preference for locally manufactured goods over imported products, given the quicker turnaround times. Fashion conscious consumers that follow global trends want modern designs soon after they appear on international catwalks – not a season later. This has resulted in a shift in buying patterns with major retailers sourcing locally.

Approved funding of R554 million went to 31 companies during the 2016 financial year, with R365 million disbursed by year end. Almost half the approved value went into the weaving sub-sector and some to companies in the Cut, Make and Trim (CMT) environment. Pure CMT businesses received 33% of the total funding approved with the balance going into the footwear, spinning and dyeing sub-sectors.

The primary focus of our newly formed Heavy Manufacturing unit is the efficient processing of developmentally impactful transactions in response to applications for funding within the industrial sectors served. These include sawmilling and wood products, the manufacturing of pulp, paper and cardboard, rubber products, glass and glass products, ceramics, cement, concrete and other cement products, stone cutting and shaping, and the recycling of all non-metal goods.

Funding to the value of R545 million was provided to new and existing business partners during the year, with R413 million disbursed. Of this, R32 million went to a paper product manufacturer, and further expansionary funding was provided to a previously funded paper mill that exceeded expectations on both turnover and net profit. A further R127 million was disbursed to a tissue manufacturer that currently produces single-ply toilet paper from recycled material. The manufacturer required funding to diversify manufacturing capabilities with a two-ply range and a new converting plant which will convert both recycled and virgin paper to toilet paper. Two buy-outs to support black industrialists, a R141 million transaction in the paper and packaging sector and R150 million for a company manufacturing reinforced concrete railway sleepers, were approved.

Despite participation in the tourism sector being capital intensive, the sector has high job-creation impact and remains an important focus area for the IDC. The tough economic conditions have, however, forced the corporate market to reduce their travel budgets, and this has led to some establishments shedding jobs to ensure sustainability. Conversely, the depreciation of the Rand bodes well for the sector as it makes South Africa cheaper for foreign tourists and thus, an attractive destination.

The revision of SA immigration regulations has restored confidence in the stability of the sector, although a lack of transformation remains a key challenge. The Tourism Charter, which was promulgated in November 2015, requires black and women ownership of 30% and 15%, respectively. However, the high development costs for new establishments present a high barrier to entry, rendering it difficult for black entrepreneurs to enter the sector because of a lack of equity to invest in such projects. There are ongoing discussions with the National Department of Tourism (NDT) to explore ways in which financial assistance and support could be offered to qualifying entities.

Five transactions with a value of R222 million were approved to support the tourism industry, with 223 jobs created. A private game reserve experiencing capacity limitations in attempting to host larger conferences at their facilities received funding, with R17 million approved for an additional 24 rooms which are set to alleviate this constraint.

Expansionary funding to the value of R62 million for a hotel dating back to 1958 will be used to completely overhaul the rooms and conference facilities, allowing for the reconfiguration of 47 cottages into 55 rooms, as well as the addition of 35 new garden cottages. In supporting the need for local tourist attractions, we approved R1.3 million for the development of a toboggan track near Sabie, Mpumalanga.

CASE STUDY

K9 PETFOODS

The IDC has significantly increased levels of funding to women-owned and empowered businesses, indicating an increasing shift to supporting women's role towards economic and social transformation.

Having identified an opportunity within the sphere of pet food production, K9 – a women-owned and empowered pet food manufacturer – approached the IDC for funding to enable its acquisition of plant machinery to extend its product offering in the fast growing pet food market.

Established in 1996, the company produces frozen pet food from leased premises in Killarney Gardens, Cape Town. As part of its growth plans, the company has since secured an exclusive contract to manufacture wet pet food in the form of chunks in gravy, for Woolworths and other retailers.

The most significant attributes of this transaction include:

- Given the IDC's objectives in facilitating import replacement, the project would support government's initiatives in the replacement of pet food currently imported by Woolworths
- Woolworths, in line with its development initiatives, has entered into a five-year procurement contract with K9 in the supply of its wet pet food range
- It creates an opportunity to facilitate innovative technology in that K9's re-sealable tub packaging (designed for Woolworths) will have first-mover advantage in the local pet food market
- Apart from the IDC, both Woolworths and the dti's Black Industrialist Scheme will provide funding towards the establishment of the plant in mitigating financial risk

In essence, the IDC remains committed to ensuring the successful implementation of this project which will ultimately benefit the surrounding communities as well as provide significant development impact in terms of creating at least 25 new jobs.

Cape Town-based pet food manufacturer K9 is one of the beneficiaries of the IDC's increased funding and support towards women-led businesses. IDC funding will assist the company to acquire plant machinery enabling it to extend its product offering in the fast-growing pet food market.

IMPACTING ON INDUSTRIAL DEVELOPMENT (continued)

The South African furniture industry is under threat from increased international competition as a result of lack of investment in upgrades of machinery and equipment, investment design skills and research and development. Given the labour intensity of the sector and job creation opportunities, the IDC is pursuing development of the industry, especially in light of the designation of certain furniture products for government procurement. Of the transactions approved, one was for a youth-owned business.

The IDC's focus on ICT largely revolves around the manufacturing of radio, television and communication equipment, a key driver of localisation. The sector is largely driven by procurement from government for products such as smart meters, set-top boxes and tablets for e-learning. For these products, local manufacturing content is a requisite and this presents opportunities for emerging entrepreneurs to enter the sector. The bulk of raw materials used in the manufacturing processes are, however, imported which makes the sector susceptible to foreign exchange losses. On the ICT services side, the sector lends itself well to the participation of youth who have a predisposition towards coding and software development.

Approvals of R204 million went to existing 100% black-owned companies in ICT services. Of the three transactions that supported black industrialists, two of these are fully owned by women.

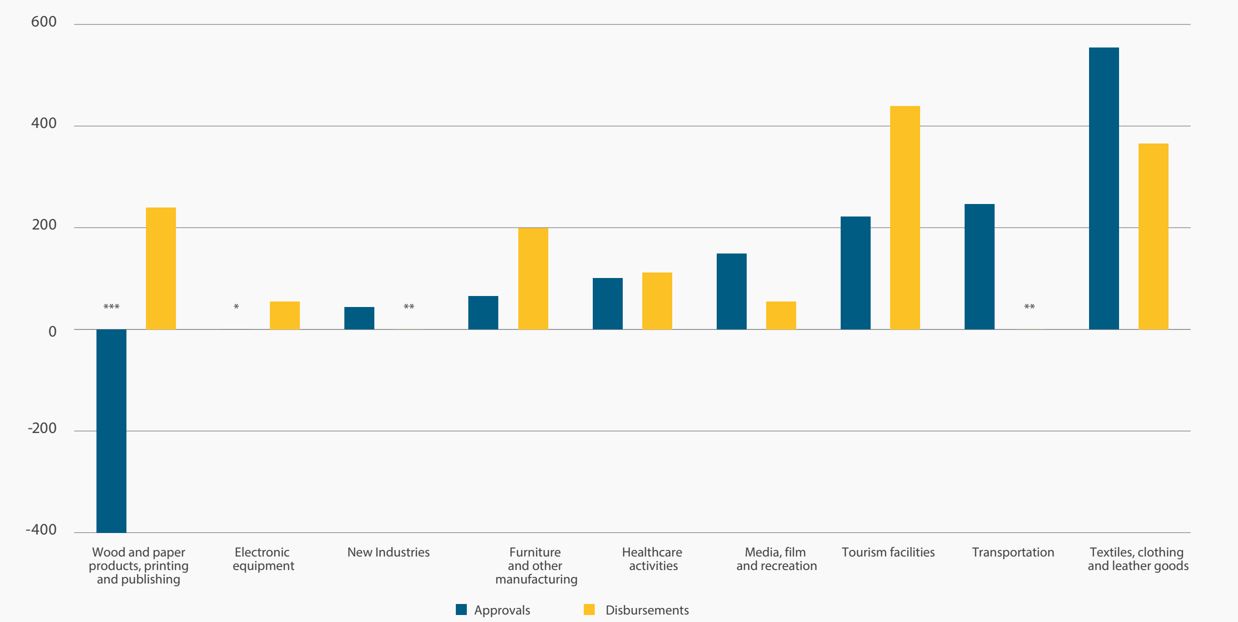
Still within light manufacturing, one transaction, in support of a black female industrialist, was approved for the jewellery sector. There has not been any uptake on the R1 billion Gold Loan Schemes approved in 2014 due mainly to the criteria of the schemes not being in line with the requirements of the manufacturers. Wholesale funding, to a refinery, for on-lending to manufacturers is being explored to enable access to funding.

In continuing our support to the local film industry, we disbursed R71 million, as a co-funder, for a number of features:

- Four 15-minute short films aimed at the 2016 Cannes Directors' Fortnight opening day, were combined into a feature-length film by our emerging South African directors
- Various romantic comedies and a comedy drama feature film about a journey of self-discovery
- A courtroom drama
- A six-part television mini-series based on the life of President Nelson Mandela

To expand the capacity for South African content in the media sector, R181 million was approved for the development of a television studio in Johannesburg.

Funding approvals and disbursements for High Impact areas and New Industries (R'million)



* *There were no approvals in the financial year*

** *There were no disbursements made in the financial year*

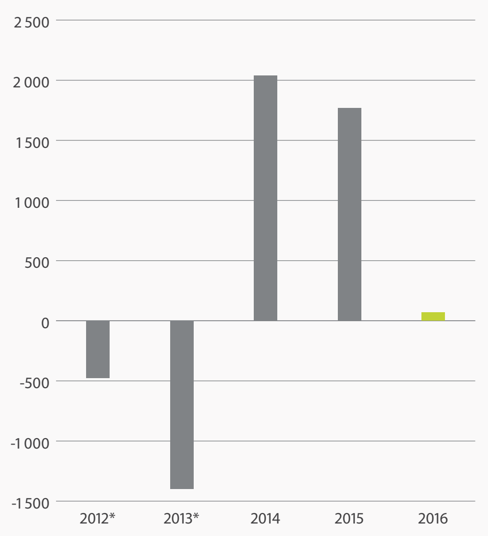
*** *Cancellations of funding for projects in this sector exceeded approvals*

REST OF AFRICA

For the year under review, new funding approvals for projects in the rest of Africa were much lower than in the previous year with gross approvals of R255 million (R70 million after cancellations). The approvals were directed at four projects – two in Mozambique and one each in Nigeria and Zambia, to support forestry development, power generation, ICT and the basic chemicals industries.

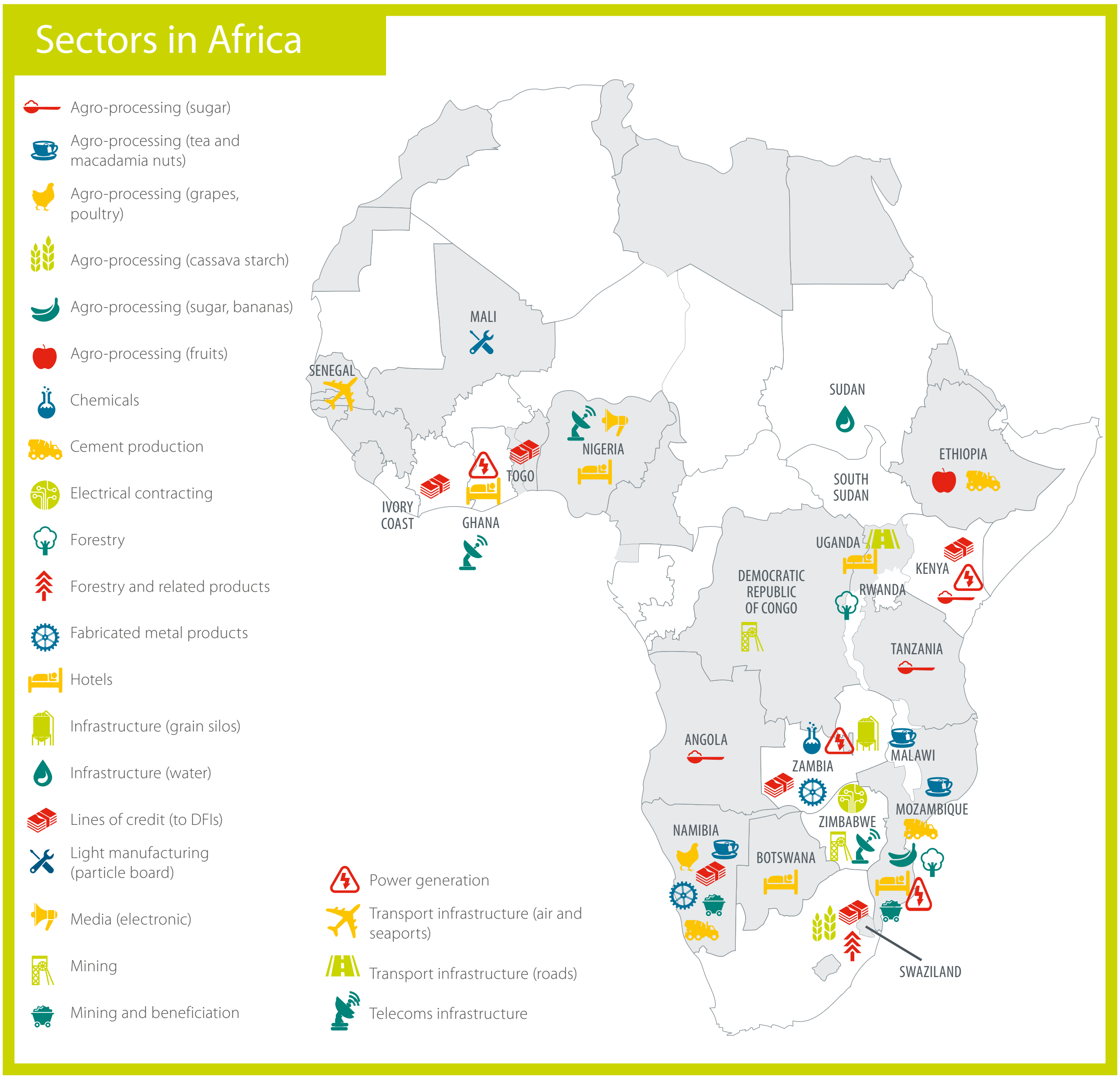
Disbursements into the rest of Africa amounted to R106 million, benefiting mining operations in the North Kivu province of the Democratic Republic of Congo. Our approach to funding projects in the rest of Africa changed in 2012. Where we fund projects in the region, we ensure the flow of benefits to South Africa. These include direct benefits such as exports from South Africa and other benefits such as the strengthening of regional value chains that will contribute to the development of South African industries. This approach, we believe will be more beneficial for both South African companies and host countries as it supports our industrial development objectives and furthers the regional integration agenda.

Approvals in the rest of Africa: 2012 to 2016 (R'million)



* *In 2012 and 2013, cancellations for projects in the rest of Africa exceeded approvals*

The IDC's rest of Africa footprint at March 2016



GROWING AND PRESERVING JOBS

At 26.6%, unemployment in South Africa poses a challenge to the country and it has been exacerbated by the impact of the current slow growth cycle which has hampered the ability of the economy to create and retain employment opportunities for an expanding labour force. A priority for the IDC has therefore been to facilitate employment creation as well as to preserve existing jobs through its financing activities. Against this background, the number of jobs expected to be created and saved through IDC funding stood at 15 272 in the year under review. The Corporation is targeting the creation and saving of 20 000 jobs in the year ahead, with this figure set to rise to a possible 66 000 over the three-year period to 2019.

REGIONAL EQUITY

The promotion of regional equity is a key strategic objective of the Corporation and a number of interventions have been designed to facilitate development in less developed rural areas.

We have a network of regional and satellite offices across the country providing potential and existing clients with access to staff and services in those areas. Efforts at reaching out to remote communities are bolstered by an arrangement of sharing office spaces with our subsidiary, sefa, and other DFIs.

In line with economic activity, the bulk of gross transactions continues to emanate from the most industrialised provinces being, Gauteng (34%), Western Cape (23%) and KwaZulu-Natal (14%), with 29% of transactions being concluded in the other six provinces.

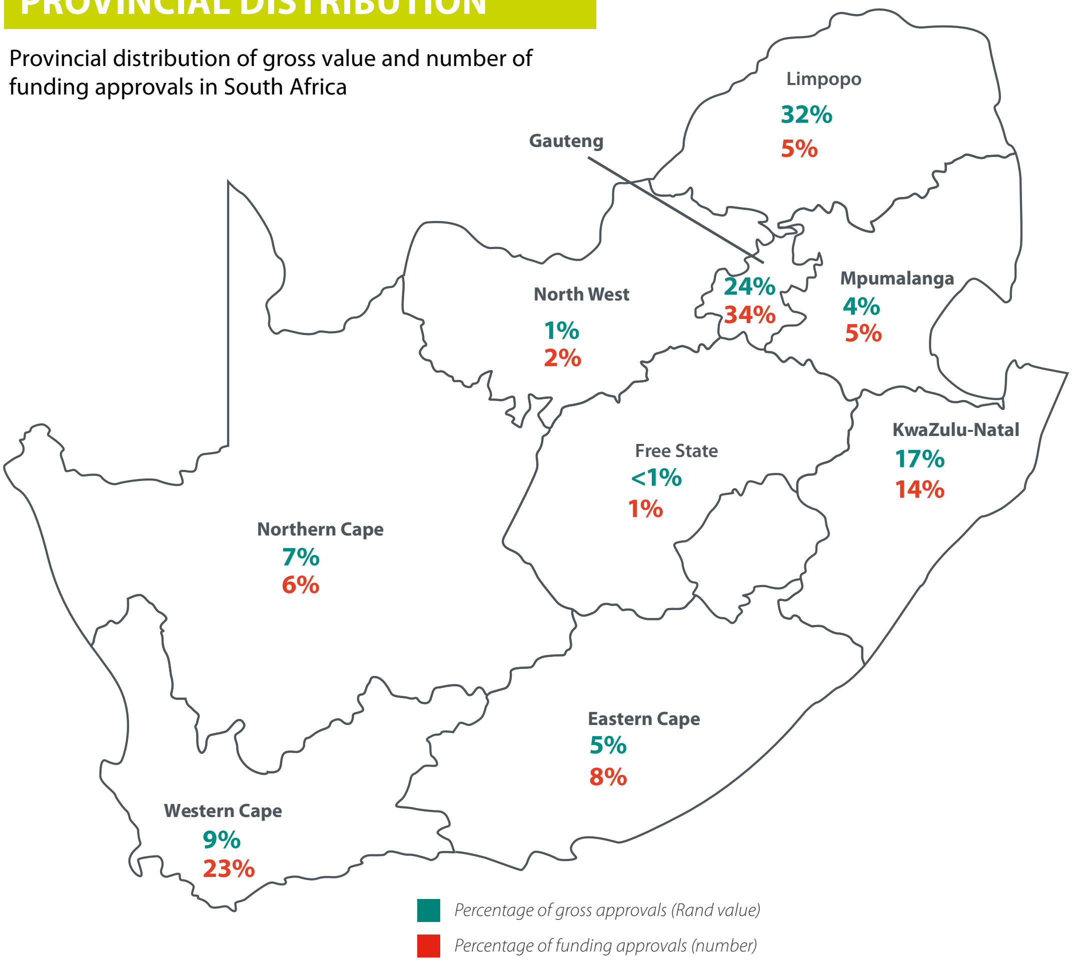
In respect of the distribution of gross value of funding, Limpopo accounted for a significant share at 32%, as a result of investments in the fertiliser and nitrogen compounds and mining sectors. Gauteng received 24% and KwaZulu-Natal 17%.

Rural development remains a critical challenge and we recognise the need to integrate the rural economy into the mainstream economy. Accordingly, we have been proactively identifying opportunities that have the potential to impact significantly on rural communities while avoiding duplicating the activities and mandates of other role players present in those communities.

IDC funding for activities in rural areas has totalled R31 billion for the past 20 years, with an estimated 104 000 cumulative jobs either saved or created. Despite significant IDC intervention in most rural areas, the severe drought experienced across the country in 2015 had a severe impact on rural enterprises and development. LA

PROVINCIAL DISTRIBUTION

Provincial distribution of gross value and number of funding approvals in South Africa



ENTERPRISE DEVELOPMENT AND TRANSFORMATION

SMALL AND MEDIUM ENTERPRISES

Over the last 20 years, more than 70% of the number and 18% of the value of IDC funding approvals went to small and medium enterprises (SMEs).

The IDC is keen to ensure the participation of SMEs in critical sectors of the economy which have long been dominated by very large players. In addition to the work of its subsidiary, sefa, and in line with this commitment, approvals in this area increased from R2.0 billion in 2015 to R2.2 billion in 2016 in 98 SME transactions.

BLACK ECONOMIC EMPOWERMENT

The IDC assists black businesses in establishing, growing and/or diversifying their businesses. The IDC also ensures that it is at the forefront of policy developments such as the Revised B-BBEE Codes and the new Black Industrialist Framework to ensure that its funding activities are in line with evolving national policies.

As the development finance institution with the largest BEE book nationally, we have, over the years, seen encouraging achievements on a number of transformation indicators including youth, women, black industrialists, B-BBEE, SMEs and jobs. During the reporting period, we approved 76 transactions valued at R4.9 billion for black-empowered businesses with black shareholdings in excess of 25% (excluding funding to subsidiaries). This accounted for 35.7% of the total value of all funding approvals, in turn accounting for 7 010 jobs that are expected to be created and saved in the year under review.

We have undertaken to lead by example through our implementation of the B-BBEE Codes, and the IDC is currently certified as a Level 2 contributor. In addition, we take a broad view on empowerment and encourage our business partners to embrace the objectives and spirit of the pillars of the Codes, insisting not only their compliance but also on a commitment towards developing and implementing a plan of action that will ultimately see them achieving at least a Level 4 under the Codes.

BLACK INDUSTRIALISTS

Manufacturing is critical to the country's key developmental objectives of industrialisation, skills development, job creation, localisation and supplier development.

The Black Industrialists programme is intended to promote the participation of black entrepreneurs in key sectors of the economy. The IDC supports black industrialists by providing them with funding at favourable lending rates. We have adjusted our pricing model, making it easier for them to obtain a greater pricing benefit. Special pricing has been made available and includes a discount of 150 basis points (1.5%) based on the IDC's risk pricing approach, and an additional discount of 200 basis points (2%) for meeting other developmental objectives such as jobs to be created. Other key developmental outcomes such as impact in under-developed regions also contribute towards discounted pricing.

In addition to financial support, we provide business support with several proactive initiatives aimed at either identifying new, or further developing already active, black industrialists. Accordingly, we have seen a significant increase in the number and value of businesses falling within this category. R2.9 billion (up from R2 billion) was approved for 56 black industrialists and supporting the creation of 2 263 new jobs.

CASE STUDY

GREENABLE

Changing lives of disabled individuals through a sustainable model that provides income opportunities while actively contributing to saving our environment.

GreenABLE, an IDC-supported non-profit organisation, is a facility that provides sustainable business opportunities for people living with disabilities.

GreenABLE has been in operation since 1 June 2011. It hosts a recycling solution for the dismantling, cleaning and sorting of empty printer cartridges and redundant printers into their recyclable components. In the process, the organisation facilitates employment, skills development and workplace integration opportunities for previously disadvantaged persons living with disabilities, of whom 89% are women and 63% youth. Participation in these income-generating projects is enabled through incubation facilities. The facility, therefore, enhances skills levels while furthering the green economy goals of South Africa. GreenABLE's goals and objectives are premised on six pillars, namely: job creation, skills development, employment, collaborative partnerships, sustainability and environmental stewardship. The IDC provided grant funding of R2.9 million for the purchase of equipment and transportation vehicles.

Employees at GreenABLE repackage cartridges in readiness for recycling.

The IDC is working towards a target value of R23 billion for transactions aimed at benefiting black industrialists over the five years to 2020.

YOUTH ENTREPRENEURS

Youth unemployment is one of the biggest challenges facing the country. The IDC recognises the extent of this challenge and has proactively been promoting initiatives that seek to encourage youth participation in job-creation initiatives and entrepreneurship.

Some of the challenges we face relating to youth funding include undeveloped balance sheets, limited skills and capacity, and inadequate access to information and opportunities. In recognising the imperative to help youth overcome these challenges and grow their businesses, we appointed "Youth Specialists" to drive and enhance our youth focus, during the year under review. This has resulted in changes to the Gro-E Youth Scheme, introduction of a Youth Pipeline Development Programme and a more robust Business Support Programme. In addition, adjustments were made to the IDC systems, processes and products that facilitate youth enterprise development.

During the reporting period, R970 million was approved for 19 transactions with youth shareholdings of more than 25%. This is a marked increase from the previous year's performance when R159 million was approved for 11 transactions. The Corporation is targeting R4.5 billion for the funding of youth-empowered businesses for the five years to 2020.

WOMEN EMPOWERMENT

The empowerment of women is important to the IDC. Efforts to provide support to female entrepreneurs have resulted in significant improvements.

The IDC has significantly increased levels of funding for women-empowered deals, indicating an increasing shift to women in larger businesses.

During the year under review, the IDC introduced specific targets for the funding of women, aimed at increasing the funding support for women-empowered enterprises. This has had an immediate impact with approximately R1.2 billion being approved against a target of R600 million. This is a significant improvement compared to the R756 million approved in the previous year.

It is anticipated that the IDC will have funded women-empowered businesses to the value of R4.5 billion over the five years to 2020.

COMMUNITY EMPOWERMENT AND SOCIO-ECONOMIC DEVELOPMENT

The Corporation remains actively involved in numerous regional development activities that include assisting local authorities and provincial governments in formulating their development strategies as well as participating directly in various spatial development initiatives. Over the years, through our grant funding for the establishment and running of development agencies, we crowded in nearly R2 billion across 32 agencies, mainly in rural areas and townships. Thus, on average, each rand provided to an agency by the IDC had a nine-fold leverage effect. The programme has since ended, with resources allocated to other spatial interventions, however, some commitments to these agencies still exist. In the past financial year, we approved three transactions amounting to R16 million. LA

Social enterprises are businesses with social missions which, through their lines of business, tackle social and environmental problems, and improve the lives of often the most vulnerable people and communities. Through our Social Enterprise Fund, we have supported various social enterprises across the country. The IDC has as its partner in this programme, the Government of Flanders, which has provided €4 million in funding over three years to facilitate the growth of this sector.

During this reporting period, four social enterprises – a youth-owned waste collection and recycling business and three small farmer development enterprises – were funded to the value of R15 million. LA Also, one of the enterprises supported by the IDC, The Clothing Bank, recently won the 2016 Schwab Foundation's International Social Entrepreneur of the Year award. The Schwab Foundation is part of the World Economic Forum.

Our Spatial Intervention Fund, which aims to address the socio-economic and developmental needs of targeted, largely marginalised, areas through public, private and community partnerships, has yielded many innovative and impactful initiatives. Four projects – a small farmer support programme, an inclusive business with supplier linkages into major retailers, an employee-ownership initiative and a township youth support programme – were funded to the value of approximately R18 million. LA

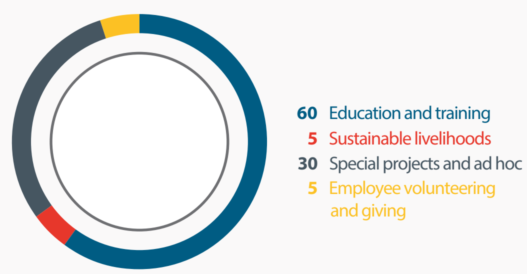
Regarding workers, and community trusts, the IDC has funded 22 local community trusts to an amount of R2.6 billion, and the communities are set to receive dividends of approximately R10.3 billion over a period of 20 years. We also provided expert advice and assisted with capacity-building for bidders under the Department of Energy's renewable energy programme, specifically with regard to the inclusion of community participation in their business plans in line with bid requirements. The number of workers and community trusts registered has gradually increased as the programme has been rolled out.

CORPORATE SOCIAL INVESTMENT (CSI)

The Corporate Social Investment (CSI) programme of the IDC supports initiatives with the goal of contributing towards the improvement of the socio-economic conditions of people in disadvantaged communities, focusing on education and entrepreneurship.

During 2016 our initiatives were implemented according to focus areas as indicated below.

IDC CSI percentage spend per focus area

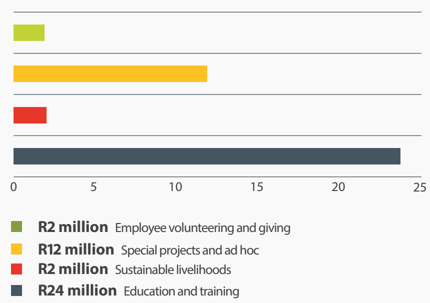


Education and training are at the core of the IDC's CSI programme. Support in this area is aligned to government's priorities as outlined in Chapter 9 of the National Development Plan. Through these investments, the IDC affirms the government's principle that education and training are critical for South Africa to meet its long-term socio-economic developmental goals.

In terms of sustainable livelihoods, our CSI programme also supports micro/survivalist enterprises that seek to alleviate poverty, create jobs and develop youth with appropriate skills to increase their chances of employment. This aligns well with, and complements, our developmental mandate.

A total of R39 million was spent in support of 26 initiatives. The distribution of funds is illustrated below.

IDC CSI spend (R'million)



Given that education is at the heart of the IDC's CSI programme, it is allocated the largest proportion of the budget. About 85% of the education budget went to supporting interventions in the IDC's 30 adopted schools, while 8% went towards the support for Technical Vocational Education and Training (TVET colleges). This sector is central to efforts to improve skills development for the economy. Government has identified TVET colleges as preferred training providers for scarce skills training programmes such as for artisans and in engineering sciences. Going forward, support for this sector will increase to at least 15% of the education portfolio going forward.

SUPPORTING SKILLS DEVELOPMENT IN OUR COMMUNITIES

We continued supporting youth development through various programmes. The number of participants on our Graduate Development Programme increased to 40 (2015: 30) and the graduates were placed across all the IDC offices nationally. The main objective of this programme was to expose graduates to practical work experience and equip them with the required skills in preparing for the world of work.

Our Chartered Accountant Learnership programme remained stable with 12 trainees at different levels of the three-year programme. During the period under review, we also introduced a learnership programme for people with disabilities. A total of 30 young people with disabilities were enrolled on an NQF Level 3 Contact Centre and Business Process Outsourcing Learnership. The learners successfully concluded their learnerships and have been absorbed into various organisations.

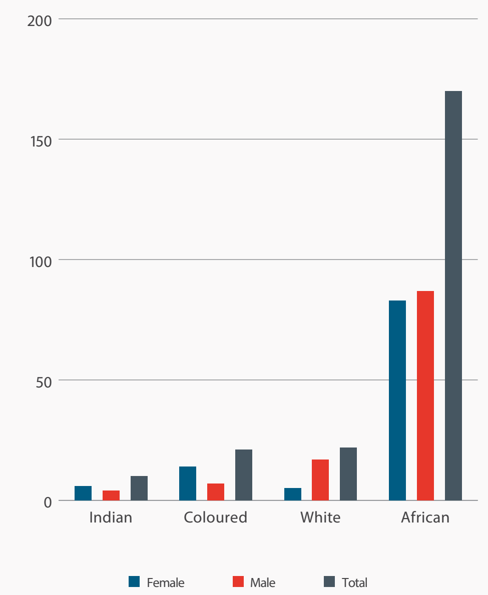
Our partnership with Scaw Metals has seen us support 30 young people on an apprenticeship programme in various trades. This programme started in 2014 and will continue until 2018.

The IDC's external bursary programme supports talented students from previously disadvantaged backgrounds who cannot afford tertiary education fees.

In the 2015 academic year, we supported 223 students. These beneficiaries' fields of study are aligned with core IDC operation areas and also constitute those areas that have been identified as scarce and critical for the country. These include accounting and engineering, among others. At the end of the 2015 academic year, 57 bursars had successfully completed their studies. A total of 134 students passed and progressed to the next level of study and 72 new students are being supported.

The following graph is a representation by race and gender of the external bursary recipients.

Number of external bursary recipients by race and gender – 2016



ENVIRONMENTAL SUSTAINABILITY

The IDC has developed an Environmental and Social Framework which ensures consistent and systematic consideration of environmental and social components of all project investments. The IDC is, therefore, committed to supporting projects that are environmentally and socially sustainable.

We conduct environmental and social due diligences for new clients and monitor high-risk clients. The Environmental and Social Risk Rating (ESRR) is used as follows:

- ESRR 1: Excellent
- ESRR 2: Good
- ESRR 3: Poor
- ESRR 4: Unacceptable

Of the clients monitored during the year under review and through continuous engagement with them, we were able on average to improve their ESRR from "poor" to "good". There were two clients who scored an ESRR that was, at 4, unacceptable and the IDC is currently working with the authorities to rectify their non-compliance.

LA Regarding material subsidiaries' environmental impact, during this financial year a gap analysis was conducted on Foskor and Scaw's carbon footprint data management and reporting systems and processes, to identify the extent to which these material subsidiaries are ready for independent assurance.

Foskor has subsequently developed an action plan to address non-compliance issues raised during the assessment carried out by the authorities. However, Foskor will not be able to meet the new emission standards which are proposed for compliance by 2020. For Foskor to meet the new emission standards, capital investment on new emission infrastructure would have to be considered.

The IDC strives to ensure that it always operates in an environmentally and socially acceptable manner, as a responsible organisation, when carrying out its business. Provisions for closure and rehabilitation are made at a Group level, according to the specific requirements of its subsidiaries. Consequently, for the period under review, costs for the treatment of the contaminated land at African Chrome and the waste dump rehabilitation at the Columbus Joint Venture were covered by IDC and amounted to approximately R78 million. We also committed R21 million to the waste management plan at the Middelburg contamination dump. The rehabilitation programme has now been completed and a final report will be submitted to the Department of Environmental Affairs. We also continue to monitor and implement recommendations by the Department of Environmental Affairs at Scaw Metals and have provided funding to install new equipment to enable the company to comply with environmental requirements regarding air pollution.

IDC management continues with the journey to enhance the adequacy and accuracy of environmental rehabilitation provisioning across the Group to ensure that environmental stewardship is upheld by entities over which it has influence.

HEALTH AND SAFETY

The IDC values the health and safety of its employees, clients, contractors and subsidiary employees.

In compliance with Occupational Health and Safety Act, 1993 (as amended), and as a responsible organisation, the IDC continues to focus on the provision of a safe and risk-free business environment for its employees, contractors, subsidiaries, business partners and visitors.

Our commitment to health and safety is driven by our executive management, assisted by more than 40 members serving on various health and safety committees. These committees were established to strengthen and enforce compliance, conduct regular site inspections and assist in cases of emergency. The Health and Safety Committee meets on a quarterly basis and minutes of the proceedings are recorded and retained. In terms of reporting, in addition to incidents at the IDC itself, the IDC is mandated to report incidents at subsidiaries, although only where it has a shareholding of more than 50%. No reportable work-related fatalities or occupational diseases were recorded in the year under review, and during the same period, only one lost-time incident was noted at the IDC Head Office, when an employee slipped and fell on a wet floor.

We have reviewed the role and composition of our health and safety committees and have reduced the number of subcommittees of the Occupational Health and Safety Committee to one. The new subcommittee will incorporate the responsibilities of the Fire Marshal and First Aid sub-committees in addition to focusing on a management of emergency preparedness and response programme.

CARBON FOOTPRINT

The IDC has voluntarily participated in the Carbon Disclosure Project (CDP) since 2013, measuring and reporting on its carbon emissions in line with the Greenhouse Gas Protocol guidelines, the ISO 14064 (parts 1 to 3) and the Inter-governmental Panel for Climate Change (IPCC) guidelines. We have based our organisational carbon footprint determination on the standard carbon management pillars: plan, communicate, measure, reduce and offset. The emission factors utilised in the calculation were obtained from published and credible data sources and referenced accordingly. The emission factor for electricity was obtained from the Eskom website.

The historical reporting and assurance of the IDC's greenhouse gas (GHG) emissions performance have been based on the GHG emissions of the head office operations. Over the years, the IDC committed to widening the sustainability reporting and assurance boundaries for material subsidiaries. As such, energy and carbon footprint performance data have been disclosed for the material subsidiaries in the IDC's Integrated Report. LA

It is the IDC's commitment to deepen the carbon footprint assurance for material contributors across the Group in order to promote environmental sustainability. The emission intensities of subsidiaries are product-based and are reported separately at subsidiary level. During the period under review, the IDC's Scope 1 emissions contributed only 7% to its total emissions, Scope 2, 52% and Scope 3, 41%. The addition of Scope 1 and 2 emissions from IDC's subsidiaries to the IDC's Scope 1 and 2 emissions count has a considerable impact with emission levels ballooning from 6 667tCO_2e to 1 298 301tCO_2e.

CASE STUDY

FUEL FROM THE SUN

As one of the early adopters of renewable energy in Sub-Saharan Africa, South Africa has embraced a considerable amount of clean energy infrastructure.

The transition to a low-carbon economy and the potential for job creation opportunities has led to IDC investment in excess of R14.5 billion over the last five years, in support of both government and private sector-led renewable energy projects.

In support of green energy infrastructure, the IDC, in partnership with the United Nations Industrial Development Organisation (UNIDO), the South African National Energy Development Institute (SANEDI) and the City of Johannesburg, recently built the first solar charging station for electric vehicles in Africa. Totally clean and highly efficient, this is considered the future of transport energy.

The charging station, which is based at the IDC head office in Sandton, Johannesburg, comprises 8kW of solar panels that convert sunlight into electricity, 60kWh of batteries that store the energy, and four car parking bays with chargers.

Though open to the public, this facility enables IDC employees who have electric vehicles to charge their vehicles without payment, in the process contributing to government initiatives aimed at reducing carbon emmissions. Even more encouraging is the fact that this facility is in line with the City of Johannesburg's initiatives to bolster and accelerate the adoption of greener and more accessible public transport.

In addition, the IDC, using Green Fund lines in partnership with leading European and international development banks, such as AfD, KfW and USAid, continues to support the roll-out of solar power infrastructure, including green transport initiatives.

An aerial view of the electric charging station built at the IDC head office in Sandton, Johannesburg. In partnership with stakeholders, IDC continues to support the roll-out of infrastructure and initiatives supporting green transport.

Consumption of electricity by IDC amounted to 20 484GJ (see table below). The energy data of clients are not disclosed in the table below.

The IDC energy consumption data

Activity data	2015/16 Energy (GJ)	2014/15 Energy (GJ)	Base year 2013/14 Energy (GJ)	Energy intensity	
				Per area 25 220m^2	Per employee 825
Diesel (for vehicles)	429	363	327	0.02	0.51
Petrol	315	645	685	0.01	0.37
Stationary fuel (diesel for generator)	4 598	130	124	0.13	5.42
Jet fuel	7 823	4 170	3 397	0.31	9.21
Electricity	20 484	20 091	21 755	0.81	24.13
Total	33 649*	25 399	26 287	1.28	39.64

* *Increase in material consumption resulting from diesel and jet fuel*

The IDC's total energy consumption has increased by 24% relative to the base year. Such substantial changes in energy consumption are attributable to the frequent internal use of the jet (due to its added external travel use), and increased use in stationary fuel to power an onsite generator during load shedding. However, electricity consumption has decreased marginally by 6% relative to the base year (resultant: an increase in diesel generator fuel use is thought to have been offset by a decrease in electricity).

Reducing and offsetting

Our subsidiaries are investigating measures to introduce energy-efficient or energy-saving measures that will positively impact the Group's carbon footprint.

Carbon tax implications

The South African government is currently deliberating the Carbon Tax Bill which the IDC will be expected to comply with in its business dealings once it has been promulgated as an Act. The carbon tax starts at R120 per tonne of CO_2e, increasing at 10% per year, limited to Scope 1 emissions and with basic free allowance for businesses across certain sectors to the amount of 60% of their annual Scope 1 emissions. An emission benchmark per unit of output will be defined for each sector. Though the IDC carbon footprint is insignificant relative to that of its major operational subsidiaries, the IDC will be eligible for carbon tax, through its subsidiaries, on its Scope 1 emissions.

The IDC is a member of, and an active participant in the The United Nations Environmental Programme for Financial Institutions (UNEPFI).

Water and drought

The IDC is also impacted by the drought affecting the country, with KwaZulu-Natal, Limpopo, North West, Free State and the Northern Cape the worst hit provinces.

50% of our investments are located in drought-stricken areas with half of those in areas declared as disaster zones. This affected primary activities that use significant amounts of water, such as agriculture and mining.

We are currently working on initiatives to assist clients that have been affected by drought, and have identified clients who would benefit from water-efficiency applications in their operations. We have signed a Memorandum of Understanding (MoU) with the National Cleaner Production Centre (NCPC) to undertake these assessments.

The NCPC will be conducting water-efficiency assessments on the IDC's behalf in various sectors so as to reduce water consumption and provide implementation plans for more significant savings.

STAKEHOLDER MANAGEMENT

Our stakeholders fall into three categories: our people, our clients, and others. They affect and influence the Corporation in various ways. Engagement with our stakeholders is critical in helping us in the development of our strategies, and in the implementation of processes that ultimately help us to deliver on our mandate.

Some of our key stakeholders

Economic Development Department (shareholder representative) National, provincial and local government departments	Board of directors	Employees	Communities, NGOs and academic institutions
Subsidiaries and associates	General public	Media	Clients/customers
Co-investors, co-funders and funders of the IDC	Industry bodies, associations and business chambers	State-owned companies (SOCs)	Ratings agencies and regulatory bodies

We continuously engage our stakeholders by establishing and maintaining good lines of communication between them and ourselves. Managing stakeholder relations is fundamental to our corporate strategy and is a planned and deliberate process.

STAKEHOLDER STRATEGY AND PLAN

Ongoing collaboration with and engagement of stakeholders is imperative, as our success and theirs are interdependent. We rely on these partnerships in order to effectively fulfil our mandate of accelerating industrial development and facilitating job creation.

From a process point of view, a corporate stakeholder strategy was developed both to guide our engagement and to ensure consistency in the way that we engage with our stakeholders. This strategy defines stakeholder categories, identifies key stakeholders and their interests and involvement, and determines issues on which the Corporation should engage them. The implementation plan also outlines the mode and frequency of interactions for each stakeholder and determines the IDC representatives responsible and accountable for each stakeholder.

SBUs, departments and regions have stakeholder management strategies and plans that are part of their annual business plans. These are reviewed annually and as and when required.

OUR PEOPLE

Given our mandate, and as a leader in industrial development finance, we recognise the need for an appropriate skills set that is driven by a high-performance culture. This is critical in helping us to deliver on our mandate to serve industries, business partners, stakeholders and, more broadly, the South African economy.

In facilitating competitive industrialisation it is necessary for us to have competitive and capable resources to deliver on our strategic intent. We do this through a number of key strategic pillars:

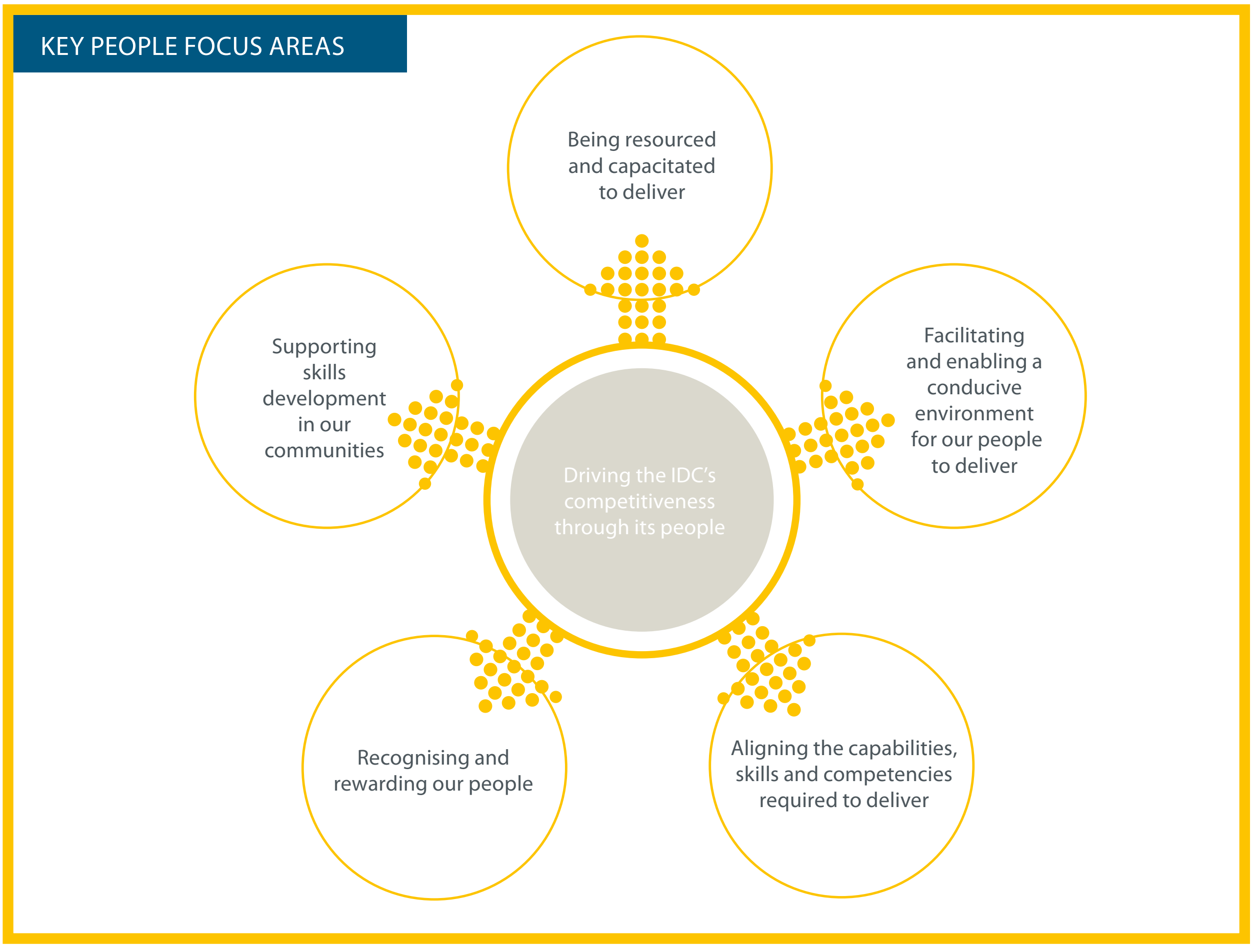
- Capacitation;
- Ensuring an enabling working environment for our people to thrive;
- Providing the necessary development and growth opportunities;
- Supporting broader skills development in our country; and
- Ensuring customer-centric values-based service delivery to internal and external stakeholders.

Project Evolve necessitated the focus on ensuring effective and efficient capacitation to prepare the organisation for future challenges. The ultimate objective is to enable the efficient and optimum utilisation of resources ensuring that the Corporation does more with available resources.

IDC employees in their working environment at our Sandton headquarters.

BUILDING STRONG PARTNERSHIPS (continued)

This report will focus on the key areas in the diagram below.



BEING RESOURCED AND CAPACITATED TO DELIVER

Our staff remain the key driver of our strategy, with diversity enabling us to maintain a competitive edge in delivering to a diverse market.

LA During the year under review, our staff complement increased marginally by 3% to 848 employees (2015: 825). Of the 848 employees, 831 were full-time permanent employees and 17 were on three-year fixed-term contracts. Twelve of these were trainee accountants on a chartered accountant learnership and six were supporting the Presidential Infrastructure Coordinating Unit. Of the 17 fixed-term contractors 41% were female and 59% male. Furthermore, 94% of the fixed-term contract employees were from designated groups, and the services of 5% temporary contractors were used. On the assumption that economic activity will increase significantly, we project a staff complement not greater than 930 employees by the end of the 2017 financial year. A comprehensive breakdown of staffing numbers by level is provided on our website in section 5 of the Integrated Report.

LA We continuously strive to ensure that our staff profile is representative of the broader society. Our overall equity representation increased by 1% to 91% (2015: 90%). Gender diversity is an imperative and, reflecting this, 53% of all employees are female and 47% male, a ratio that has remained constant since the previous reporting period. The number of people with disabilities decreased slightly by 0.2% to 1.5% compared to the previous year.

KEY PEOPLE FOCUS AREAS

Staff profile by equity and gender: Number of employees – March 2016 LA

Gender	African	Coloured	Indian	White	Grand total
Female	306	40	38	65	**449**
Male	257	28	33	81	**399**
Total	**563**	**68**	**71**	**146**	**848**
%	**67**	**8**	**8**	**17**	**100**

The IDC five-year employment equity plan was concluded at the end of March 2016. A new three-year plan has been approved and will continue to focus on enhancing diversity and representivity, not only overall, but also in areas where we lag behind the economically active population figures. A detailed breakdown of our planned and actual numerical targets for employment equity is available on our website in section 5 of the Integrated Report.

We firmly believe that a healthy generational age mix within the organisation stimulates new and divergent thinking and enables us to capitalise on the tacit and explicit knowledge, skills and experience among our employees. As at the end of March 2016, 49% (2015: 52%) of employees were younger than 40 years of age, a further 49% were between 40 and 60 years of age (2015: 46%) and 2% were 60 years or older (2015: 2%). LA

LA

A NATIONAL FOOTPRINT

Our regional staff complement represents 7.1% of our staff population (2015: 6.8%), and our national footprint ensures that we respond to the specific business needs and opportunities in all regions. As at the end of March 2016, we employed 60 staff in regional offices compared to 56 in the previous year. This increase was due mainly to extending our presence to outlying areas in a number of provinces. A detailed breakdown by region is provided on our website in section 5 of the Integrated Report.

ATTRACTING AND RETAINING TALENT TO DELIVER OUR MANDATE

We strive to be recognised as an employer of choice, and one that creates value in the work lives of current and future employees.

During the reporting period, we were recognised as a top employer through the Corporate Research Foundation (CRF) employer accreditation process. This independent audit assesses employers on planned people practices in place, as well as on the consistency and application of those practices in the workplace. In the year ahead, we will continue to focus on improving those areas where we fall short in our people practices and will also aim for reaccreditation in the financial year.

Given the competing jobs market, our talent is highly sought after in the market place. This has resulted in natural attrition which we are consistently managing to ensure that we keep it within a reasonable limit.

In as much as skilled and talented people want to join the IDC, attracting and retaining the best skills set from sectors and industries with more flexible remuneration practices remains a challenge, specifically with regard to senior staff with critical and scarce skills. Our overall staff turnover has decreased quite significantly by 5.1 percentage points to 5.6% for the year under review. (2015: 10.7%). This reduction can be attributed to potentially fewer opportunities in the current economic climate, but could also be as a result of our having bedded down our strategic realignment process, as this may have resulted in uncertainty among staff in the previous financial year. A detailed synopsis of staff movements and turnover for the last three financial years is available on our website in section 5 of the Integrated Report.

In the specialist/expertise management and executive positions where the majority of critical roles exist, we experienced a reduction in turnover to 7.7% (2015: 9.7%). The challenge remains, though, to manage and retain talented employees in these categories. Encouragingly, our turnover levels compare favourably with industry norms where the average market turnover for State-owned enterprises was 12.7%, and 17.1% for Financial Services for the period 1 January to 31 December 2015. According to the Remchannel Survey conducted by PWC in 2015, the overall labour turnover was 22.6% – a figure higher than the 18.2% reported in March 2015. Losing skilled talent, particularly at the senior level, could impact significantly on our ability to serve our stakeholders and successfully transition and drive the strategically realigned intent of the Corporation. (To read more about our strategy, please see under *Our strategy* on page 22.)

To attract and retain talented individuals, we strive to provide an enabling and supportive environment for our staff.

FACILITATING AN ENABLING AND SUPPORTIVE ENVIRONMENT

In order to embed the strategic realignment process, we needed to ensure all staff were "on-board" and committed to our strategic focus. In support of the change journey, our employees were capacitated through change management workshops to equip them with the required skills to adapt to and embrace the changes brought about by Project Evolve. This capacitation was further supported through the appointment of internal change advocates, the facilitation of team enablement and strategic alignment sessions, and executive and leadership coaching necessary to drive the leadership engagement and behaviours required to support the business.

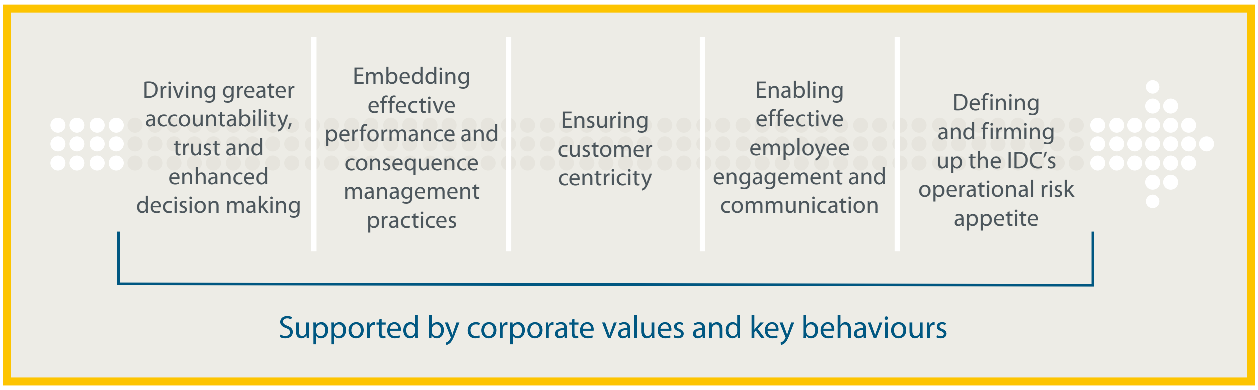
In addition, we compiled and approved a change index measure to ascertain the success and impact of the change journey.

Through our change advocate network, we will continue to remain close to the change impacts happening "on the ground" so we can respond accordingly.

As the IDC gradually adopted Project Evolve, initial analysis indicated that, in order to realise the new strategic intent successfully, we needed to minimise the gaps between the current culture and the desired corporate culture. In order to ensure that we drive towards the desired culture, we conducted a diagnostic culture survey using the Barrett's Culture Values Assessment (CVA) tool. 63% of our staff members participated, and results were shared at corporate and divisional levels. While these results revealed the positive aspects of our culture that support the Corporation, they also demonstrated those limiting behaviours which, if not addressed, may compromise the achievement of our business objectives.

In addition to this initiative, we also undertook facilitated leadership sessions to determine the priority culture shifts that need to be addressed and these interventions, as indicated below, will be a focus in the next financial year.

Priority corporate culture shifts



ENSURING APPROPRIATE EMPLOYEE CONDUCT

Managing employee conduct in a dynamic and professional environment as a responsible employer requires firm and decisive action, and the year under review saw a total of 13 internal disciplinary matters being managed and resolved. Through the employee grievance process, employees have the right to report any incidents of discrimination, and these are addressed through our formal process and policy. In addition, the employment equity forum reviews our people practices to highlight any potential areas of discrimination. During the period under review, no incidents of discrimination were recorded. We resolved four formal grievances about employee practices and no grievances remained unresolved from the previous financial year. The IDC operates within the provisions of all relevant labour legislation including the provision of minimum notice periods regarding operational changes should these arise.

EMPLOYEE WELLNESS

Our employee wellness initiatives aim to educate employees about the importance of identifying, preventing, managing and resolving wellness matters to ensure continued and sustained productivity.

Independent Counselling and Advisory Services (ICAS) Southern Africa and Discovery Health are our partners in giving effect to our Employee Wellness Programme, and employees and their immediate family members have access to voluntary counselling and support as may be required. Our employees also participate in the annual Wellness Day where they can interact with healthcare professionals for a detailed lifestyle audit to enhance their personal awareness and understanding of health-related matters.

We provide voluntary testing for HIV/Aids to all our employees and annual medical screenings to encourage all employees over the age of 40 to adopt a healthy and productive lifestyle and proactively manage their health risks. Participation by eligible employees in this initiative has grown by 4% year-on-year (2015: 68%). IDC employees also have access to "retire fit" training to plan effectively for retirement. Our wellness support partner, ICAS Southern Africa counsels and advises those preparing for retirement, while an appointed financial adviser advises about financial management for retirement.

LA BUILDING SKILLS AND CAPABILITIES

The IDC recognises the need to have the right people with appropriate skills to help us deliver on our mandate. Against this background, we identified a set of capabilities to support the implementation of Project Evolve. These are aspects at which we need to excel in order to drive our strategy and high performance. The identified capabilities which will be prioritised for development purposes are reflected below.

CORE CAPABILITIES

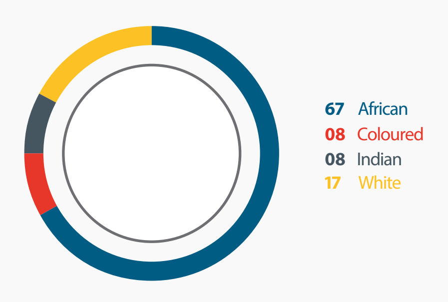
We implemented several interventions to build and enhance the skill sets of our people. These include leadership development, core operational skills training, functional and behavioural training and academic training through staff bursaries. A new initiative aimed at knowledge harvesting was introduced in support of the new business focus and operational structure. Successes and failures were recorded through our Lessons Learnt portal which can be accessed by all employees. New mini-sites on our intranet, SharePoint, were also designed and rolled out to all business units and departments and we envisage further support for the desired levels of communication in the business.

While we continue to ensure that our employees are adequately skilled and capacitated, our focus on the year ahead will be on building the required leadership competencies and supporting behaviours, and on embedding a customer-centric culture.

The number of employees trained during the year under review increased to 673 (2015: 593). The graphs below reflect by race and gender the number of employees trained, as well as the equity percentage split.

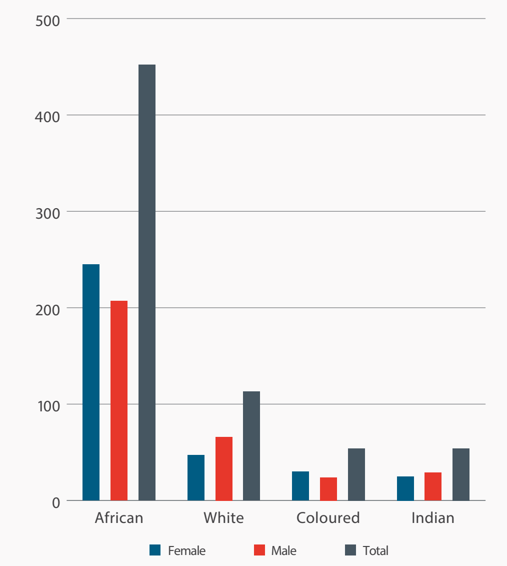
LA

Percentage of employees trained, by race



Total number of employees trained, by race and gender

LA



The tables below are an indication of the time spent in training segmented by gender and employee band.

Training investment for employees

LA

Female (347)	S Band	A Band	P Band	M Band	E Band	Total
Total in days	4	126	251	155	6	542
Average hours per employee category	32.0	10.0	13.1	13.9	16.0	12.5

LA

Male (326)	S Band	A Band	P Band	M Band	E Band	Total
Total in days	9	26	194	287	1	517
Average hours per employee category	12.0	9.5	12.2	13.5	8.0	12.7

The total staff cost during the year under review was approximately R1 billion. The training expenditure as a percentage of staff costs increased to 2% (2015: R903 million, 0.6%). A comparative summary of investment in staff training is available on our website in section 5 of the Integrated Report.

RECOGNISING AND REWARDING THE PERFORMANCE OF OUR PEOPLE

Since our employees are integral to achieving our corporate objectives, we strive to keep them engaged, motivated and appreciated and we endeavour to attract and retain high-calibre, high-performing individuals who subscribe to the values and culture of the organisation.

Performance management and development are key enablers in establishing and reinforcing employee behaviours and outputs that will help achieve our business goals and objectives. This requires continuous formal and informal feedback as part of an ongoing performance improvement process.

The Corporation's remuneration philosophy is designed to ensure that employees are remunerated fairly, equitably and consistently based on individual performance, market remuneration trends and relative value of each position within the business. The principle of performance-based remuneration is one of the cornerstones of the remuneration policy and it is underpinned by sound governance principles which are reviewed periodically to drive alignment with changes in remuneration trends and practices.

The remuneration policy was changed during the course of the financial year to enhance the focus of the IDC on its core development and sustainability imperatives, and to affirm the incentive principle that bonuses should only be paid for exceeding objectives and not merely for meeting them.

On the new short-term incentive (STI), bonuses are paid for exceeding objectives. In order to remain market-competitive, so that the IDC can attract and retain talent of requisite calibre, a portion of the on-target STI that was payable in terms of the previous policy has been incorporated into base pay by means of a once-off increase in the annual guaranteed pay (AGP) and the introduction of a non-pensionable allowance (NPA).

The Board and Shareholder has directed that the performance management system should reward increased efforts and sustainable successes and that incentives should only be payable for exceptional performance. In addition, targets for certain strategic indicators will have to be met for incentives to be considered, in particular those indicators related to jobs, disbursements and impairments.

The NPA is only payable to employees with acceptable performance ratings in terms of the Corporation's performance management system. While the overall impact of these changes is the reduction of the on-target remuneration, especially for senior employees, there is enhanced guaranteed pay for employees that meet performance expectations. The value of the package in the case of exceptional performance remains the same as before so as to encourage and reward excellence.

The new long-term incentive (LTI) is based on performance against the IDC's long-term objectives as per the development and sustainability index (DSI). In line with emerging local and international trends, the award will now vest in three years and be paid over three years from year of vesting. The amounts for the subsequent two years will be paid provided the DSI does not drop below the target performance level in any of the years. The allocation of awards is discretionary and the Board has the authority to change or withdraw the awards. The Board also has the discretion to withdraw a vested incentive on the basis of a material event occurring.

The new policy was introduced with effect from 1 April 2015, and as a transitional measure to support effective implementation, a once-off increased non-pensionable allowance was paid. The allowance will revert to target in the 2017 financial year. In addition, the amount that would have been payable in 2016 under the previous LTI policy will be paid over three years, with the second and third amounts paid at the discretion of the Board.

The STI is aligned to recognise and reward performance which exceeds expectations, in terms of short-term corporate indicators, as well as team and individual performance indicators. The on-target STI amounts have been aligned to that of other State-owned entities as provided for by the remuneration guidelines for State-owned entities.

In respect of the new LTI, the overall on-target incentive over the three-year vesting cycle has been aligned with the remuneration guidelines for State-owned entities.

In recognising our people, the IDC Star Awards function was held in November 2015 to pay tribute to our "Star" performers as identified and nominated by fellow employees. Understanding that teams are also critical to business success, we recognise teams that have made a difference to various aspects of the IDC and furthered our mission in a positive way.

In addition, we maintain our tailored recognition programme e-Wards, which shows our appreciation for staff who go the extra mile to serve our clients, both internally and externally. This platform has grown approximately 38% over the last reporting period and remains a positive means for staff to recognise their colleagues.

OUR CUSTOMERS

INVESTING IN CUSTOMER SERVICE, ENHANCING RELATIONSHIPS

Customer service is integral to the IDC's operations in ensuring that the Corporation achieves high levels of customer satisfaction. We strive to provide excellent service so that the customers' experience of interacting with the IDC becomes a pleasant and value-adding one. To that end, prompt responses, efficiency and quality are among the goals that we have set for all our interactions with our customers.

In line with our proactive approach and taking the lead in industrial development, we aim to provide our clients with quality products and services. This includes ensuring that we are accessible to do business with, and also that we are continuously working on improving our turn around times.

PROMOTING CUSTOMER-CENTRIC BEHAVIOUR

In 2015, we developed a Service Charter that provides a framework on how to deliver on the IDC mandate through enhanced interaction with our customers and adherence to service delivery standards. This includes the steps that we will take when our service fails to meet clients' expectations.

In the period under review, the Charter was implemented and communicated internally through a customer service campaign aimed at acknowledging staff members who rendered sterling service.

In line with putting the customer first, the added bonus of the customer service campaign was that it showcased employees who received compliments from clients for offering excellent service.

SERVICE EXCELLENCE

While still in its infancy, the communication of the Charter has ensured that the focus on service excellence is a top priority and has highlighted the aim of making the client experience seamless and consistent throughout the Corporation's value chain, and at all touch points.

Encouragingly, we have noted a renewed commitment and passion for customer service from staff who are now going the extra mile to delight customers. The campaign has gone a long way towards embedding the core elements of the Service Charter, while showcasing people who, on a daily basis uphold excellent customer service.

We have a good base from which to launch customer service initiatives. A Culture Values Assessment that was conducted among staff members during the period under review, showed that customer-centricity was one of the desired behaviours. In this regard, a customer-centricity workstream has been established to promote the focus on service excellence.

COMPLIMENTS

In the period under review, we received 84 compliments that can be grouped into the following themes:

- Excellent interaction with clients;
- Ensuring that clients understand IDC products;
- Providing solutions;
- Professionalism;
- Timeous feedback to clients;
- Responding to customer queries promptly and effectively; and
- Providing advice and expertise in line with funding needs of clients.

COMPLAINTS

75 complaints were received. These mainly centred on turnaround times, the reasons for applications being declined and lack of communication/updates during the application process.

SEGMENTATION AND BUSINESS DEVELOPMENT

During the period under review, we intensified our business development efforts. One of the initiatives in this regard was the development of a customer segmentation approach that allows for alignment between the Corporation's objectives and client needs through a targeted, differentiated service and product offering.

The approach provides for a win-win scenario where we are in a better position to achieve maximum development impact while enhancing interaction with clients and potential clients, leading to increased client satisfaction. The desired goal is to add value to clients, bring about sector and market development, and to bring about a consistent, differentiated experience. The focus for the next financial year will be the implementation of the customer segmentation initiative to complement as well as improve our business acquisition and retention efforts.

CUSTOMER FEEDBACK

Customer feedback is part of our customer experience strategy to assist us in improving our service levels at every touch-point. In this respect, we conduct satisfaction surveys to measure service performance, and identify service issues and remedial actions.

We have consolidated our intelligence gathering activities to avoid survey fatigue, and a regional stakeholder survey, which we reported on in the past financial year, has thus been included in the short-term survey.

SHORT-TERM CUSTOMER SATISFACTION SURVEY

This study is aimed at determining service levels among clients and potential clients who recently interacted with us. This has allowed us, where applicable, to implement corrective actions with speed and thereby address service issues that might have arisen during the interactions.

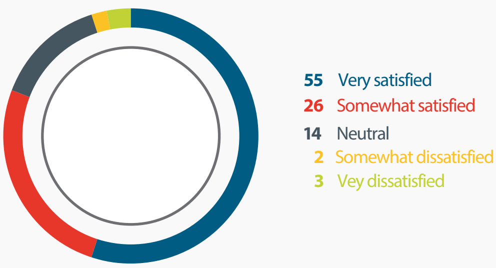
The results from the 904 respondents who participated in the short-term customer satisfaction surveys during the period under review are reflected in the survey findings below.

Respondents per region

Region	Share of respondents (%)
Eastern Cape	8
Free State	3
Gauteng	42
KwaZulu-Natal	13
Limpopo	7
Mpumalanga	4
North West	6
Northern Cape	3
Western Cape	13
Rest of Africa	1

CUSTOMER SATISFACTION WITH SERVICE DELIVERY

Overall service (%)

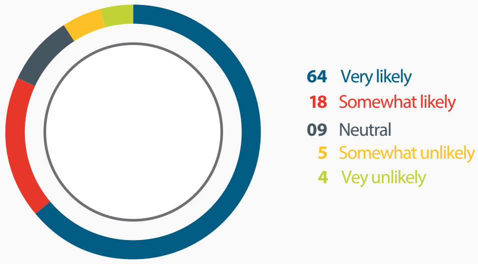


The majority of respondents (81%) are satisfied with our service offering. This is a notable improvement from last year's results which pegged the percentage of satisfied clients at 73%.

CUSTOMER WILLINGNESS TO RECOMMEND THE IDC

The number of respondents who are willing to recommend the IDC to business partners and associates has remained constant at 82%. Of significance is that respondents whose applications were declined indicated that they would recommend us as they were advised timeously of the reasons for our decision. This indicates that quick feedback remains a key driver of satisfaction, regardless of its content.

Recommending the IDC (%)



OPPORTUNITIES FOR IMPROVEMENT IN IDC SERVICE DELIVERY

We are pleased to note that the number of respondents who reported that they are satisfied has increased significantly, from 25% in the last financial year to 47%. Although there has been an increase in the percentage of clients highlighting turnaround times as an area for improvement, fewer respondents have cited communication, information requirements and staff expertise as issues that need attention.

Improving service (%)

Ethical business practice is essential for the long-term performance and sustainability of IDC's business and to protect and enhance the key achievements, challenges and continuing focus area interests of our stakeholders.

Compliance with legislation and the application of best practice principles are integral to the IDC. To ensure that effective governance and the highest standards of ethics are maintained, we strive to foster a culture within the organisation that is based on fairness, transparency and accountability. We believe that in addition to being compliance-driven, ethical behaviour should be underpinned by a culture of ethics. We are guided by and comply with the Corporation's enabling act, the Industrial Development Corporation Act 22 of 1940 (IDC Act), the Public Finance Management Act 1 of 1999 (PFMA), the Treasury Regulations, Companies Act 71 of 2008 and the principles of good corporate governance as contained in the King Report on Corporate Governance for South Africa 2009 (King III). A table setting out IDC's compliance with King III appears on our website in section 5 of the Integrated Report.

KEY GOVERNANCE INITIATIVES FOR THE YEAR

In 2015, the IDC undertook a strategy prioritisation exercise, Project Evolve, designed to increase the impact of the Corporation. The exercise also sought to enhance the Corporation's operating model and internal systems and processes. To that end, a number of corporate governance initiatives were undertaken, which are summarised in the table below.

Updated Board Charter	The Board Charter was updated to facilitate implementation of the Project Evolve initiative.
Revised Delegation of Authority Matrix	The Delegation of Authority Matrix was revised and simplified in order to ensure the efficient and optimal use of senior management's time.
Corporate Governance Assessments of Investee Companies	The assessment of the level of corporate governance application by our investee companies has been escalated with 50 companies having been assessed as at 31 March 2016.
Directors' training	An IDC-customised directors' training course was developed and implemented.
BEE Training	Training sessions on the amended BEE Codes of Good Practice and their importance for IDC investee companies were provided to our nominee directors.
Ethics Awareness Training	Ethics awareness training sessions were provided to employees to strengthen our culture of ethical behaviour.

Our programme of corporate governance assessments of investee companies has shown that the application of corporate governance practices by our investee companies in general, and by start-up and entrepreneurial businesses in particular, are below the required standard. Corporate governance of our investee companies was accordingly our main focus area from a corporate governance perspective during the year under review, and it will remain a major focus area during the coming year.

To improve our clients' understanding of sound corporate governance practices, we developed a customised nominee directors' training course which places a special emphasis on three elements:

- Directors' fiduciary duties and acting in the best interests of the company
- An awareness of the IDC's objectives
- Practical implications of being a director

A total of six training sessions of two days each were held, and they were highly rated by all 132 employees who attended the sessions.

An increased focus will be placed on corporate governance assessments of investee companies during the coming year, and we will continue to provide directors' training.

BOARD OF DIRECTORS

COMPOSITION

The IDC's Board is constituted to ensure the wide range of skills and knowledge necessary to meet the Corporation's strategic objectives.

The size of the Board is determined by the IDC Act, which permits a minimum of five and a maximum of 15 directors to be appointed by the shareholder. A unitary Board structure is applied, with the majority being independent non-executive directors. As at 31 March 2016, the Board comprised one executive and 10 non-executive members and a gender composition of six female and five male directors. The positions of Chairperson and Chief Executive Officer are separately held to ensure a clear separation of responsibilities. The Chairperson of the IDC Board is an independent non-executive director, in line with the recommendations of King III.

The IDC Board's ultimate responsibility is to maintain oversight of performance, while providing strategic direction to the Corporation. The Board accounts to the shareholder and is responsible for formulating strategic objectives and key policies, major plans of action, a risk policy, annual budgets and business plans. It ensures that the shareholder's performance objectives are achieved through performance monitoring systems and reporting.

All new directors participate in a formal induction process coordinated by the Company Secretary. The induction process includes briefings on financials, strategic, operational and risk management policies and processes, governance framework, culture and values, and key developments at the IDC and in the sectors and environments in which the IDC operates.

Directors have complete access to senior management through the Chairperson, CEO or Company Secretary at any time. In addition to regular presentations by senior management at Board meetings, directors may seek briefings from senior management on specific matters.

CHANGES TO THE BOARD

All non-executive directors of the IDC Board retired at our Annual General Meeting on 23 March 2016. The reappointment of the following directors was accepted and approved until the next Annual General Meeting: Ms Busisiwe Mabuza, Mr Brian Dames, Ms Philisiwe Mthethwa, Ms Lael Bethlehem, Mr Bobby Godsell, Dr Sizeka Magwentshu-Rensburg, Ms Nomavuso Mnxasana, Ms Noluthando Orleyn, Mr Brian Molefe and Mr Nimrod Zalk.

Two new Board members were appointed with effect from 1 April 2016, namely Ms Matshepo More, Chief Financial Officer of the Public Investment Corporation, and Mr André Kriel, General Secretary of the Southern African Clothing and Textile Worker's Union.

The Minister for Economic Development announced the reappointment of Ms Busisiwe Mabuza as the Chairperson of the IDC Board, and he thanked Mr Zwelinzima Vavi, whose term ended at the end of February 2016, for his contribution to the Corporation.

BOARD CHARTER

The Board has a charter which sets out its responsibilities, including the adoption of strategic plans, the development of a clear definition of materiality, the monitoring of operational performance and management and the determination of policy processes to ensure the integrity of the Corporation's risk management and internal controls, communication policy, and director selection, orientation and evaluations.

The Board Charter was revised during the year under review in order to facilitate the implementation of the Project Evolve recommendations and spell out its impact on the way that Board members are expected to perform their duties. Particulars of the revisions are summarised as follows:

- The terms of reference of the various Board Committees have been updated, and terms of reference of the newly constituted Social and Ethics Committee have been added
- Delegation of authority by the Board to certain committees, with reference to powers to borrow or issue guarantees, indemnities or securities, or to enter into transactions that bind the Corporation to future financial commitments in terms of the PFMA, have been clarified

ETHICS AND MANAGING DIRECTORS' CONFLICTS OF INTERESTS

The Board, subsidiary directors and executive management are required to disclose any potential conflicts of interest at regular meetings and, as and when necessary, to the Company Secretary. This is done in line with the guidance provided by section 75(4) of the Companies Act and in accordance with the IDC's Guidelines on Conflict of Interest. Such declarations occur at each Board meeting, including meetings of the Board committees whose responsibility it is to consider transactions. Transactions that place a Board member in a potential conflict of interest are submitted to the Social and Ethics Committee for deliberation and, thereafter, to the Board for final decision.

Further particulars of the IDC's Code of Ethics and Business Conduct, Conflict of Interests Policy, Gifts Policy, and other ethics-related matters are available on our website in section 5 of the Integrated Report.

COMPANY SECRETARY

The Company Secretary plays a pivotal role in the corporate governance of the Corporation. The Company Secretary is responsible to the Board for, *inter alia*, acting as a central source of information and advice to the Board on matters of ethics, adherence to good corporate governance principles, and compliance with procedures and applicable statutes and regulations.

The Company Secretary is not a director of the Corporation and acts independently from it, maintaining an arm's length relationship with the Board. In line with good governance practice, the appointment and removal of the Company Secretary is a matter for the Board.

The current Company Secretary, Mr Bassy Makwane, discharges a dual role in that he is also the General Counsel of the Corporation.

GOVERNANCE FRAMEWORK

STRUCTURE

All members of Board Committees are non-executive directors. The various Board committees were revised at our Annual General Meeting on 23 March 2016. An indication of the current committee membership is provided as part of the information on the Board of directors on pages 12 to 15. The IDC's Board structure including the committee membership as it applied during the reporting period is depicted in the diagram below.

IDC BOARD

Responsible for the performance of the Corporation while retaining full and effective control

Board Investment Committee	Board Human Capital and Nominations Committee	Board Audit Committee	Board Risk and Sustainability Committee	Social and Ethics Committee
Considers transactions mandated to it by the Board and reviews related party transactions. Particulars of approval thresholds are provided in the diagram on page 57.	Develops compensation policies, plans and performance goals	Monitors the adequacy of financial controls and reporting	Governs risk and ensures responsible stewardship of sustainability	Promotes the ideals of corporate fairness and transparency, assists the Board in vetting funding applications, projects and any matter in which a director of the IDC has an interest
Dr Sizeka Magwentshu-Rensburg (Chairperson) Ms Lael Bethlehem Mr Brian Molefe Ms Philisiwe Mthethwa Mr Nimrod Zalk Ms Thandi Orleyn	***Brian Dames (Chairperson)*** Ms Busi Mabuza Mr Zwelinzima Vavi* Mr Bobby Godsell Ms Thandi Orleyn	***Nomavuso Mnxasana (Chairperson)*** Dr Sizeka Magwentshu-Rensburg Mr Bobby Godsell Mr Brian Molefe	***Lael Bethlehem (Chairperson)*** Mr Brian Dames Mr Zwelinzima Vavi* Ms Nomavuso Mnxasana Ms Philisiwe Mthethwa	***Philisiwe Mthethwa (Chairperson)*** Ms Thandi Orleyn Mr Nimrod Zalk Mr Zwelinzima Vavi*

* *Member of respective committee until 29 February 2016*

Further particulars of the mandate of each Board Committee and of the work done by the committees during the year under review, are provided on our website in section 5 of the Integrated Report.

REMUNERATION REPORT

The Human Capital and Remunerations Committee plays an advisory role regarding the remuneration of IDC Non-executive directors. The directors are remunerated for the meetings they attend at rates approved by the shareholder. No performance-based remuneration or retainer fees are paid to directors. Senior management and other employees are paid market-related salaries as well as through the IDC short and long-term incentive schemes, based on performance and the achievement of specific set targets.

During the reporting period, IDC directors were remunerated as follows.

Name of director	2016 R'000	2015 R'000
Ms BA Mabuza	690	532
Ms LI Bethlehem*	301	486
Mr BA Dames	322	299
Mr RM Godsell	178	259
Dr SM Magwentshu-Rensburg	326	335
Ms NP Mnxasana	441	–
Mr B Molefe**	64	–
Ms PM Mthethwa	304	351
Ms ND Orleyn	340	
Mr ZJ Vavi	288	158
Mr NE Zalk***	–	–

* *Ms LI Bethlehem's fees are paid directly to her employer, HCI.*

** *Mr B Molefe did not derive any financial benefit from services rendered to the IDC. His fees were paid directly to the Transnet Foundation.*

*** *Mr NE Zalk is employed by the Department of Trade and Industry (dti) and directors' fees are not paid for services rendered to the IDC.*

Further particulars regarding the remuneration of directors and senior managers are provided in note 33 to the Annual Financial Statements, on pages 143 to 145 in section 4 of this Integrated Report.

The IDC's remuneration philosophy is covered in detail on page 53 of this report.

DELEGATED LEVEL OF AUTHORITY

While the Board has the authority to delegate powers to executive management and Board committees, it remains accountable to the shareholder. A delegation of authority is in place, which is updated on a regular basis, and was extensively revised during the year under review as part of a concerted effort to ensure the efficient use of senior management's time. The major changes to the Delegation of Authority Matrix include:

- The introduction of a Post-Investment Committee to deal with certain post-investment matters, instead of submitting them to the committees that granted the original investment approval;
- The Divisional Executives' burden of dealing with requests and/or memos has been reduced by ensuring that those matters which can be adequately dealt with by Departmental Heads and Managers are allocated appropriately; and
- The number of signatories has been reduced and this will limit decision-making to those who are accountable. This will avoid delays and reduce inefficiencies.

DELEGATION OF CREDIT APPROVAL

As depicted in the diagram alongside, specific powers and authority have been delegated to those Board and executive committees responsible for credit approvals. Each of these committees has a clearly defined mandate outlined in written terms of reference. The management of day-to-day operations is delegated by the Board to the Chief Executive Officer (CEO), who is assisted by the Executive Management Committee (EXCO) and its subcommittees.

Board	• Considers transactions where the transaction is R1.5 billion or more or counterparty exposure is R7 billion and above • The investment is of a strategic nature • There might be a conflict of interest through an IDC director's involvement in a transaction (after taking advice from the Social and Ethics Committee, Board Investment Committee (BIC) and/or EXCO Credit) • Deviation from any policy relating to a finance transaction (where Board approval is required) • Counterparty limits of above R7 billion per counterparty at cumulative market value (including undrawn commitments)
Board Investment Committee	• Considers transactions where the IDC's transaction exposure (new money plus old if within a rolling 12-month period) is R250 million or more but less than R1.5 billion and the counterparty exposure is from R1 billion up to R7 billion • Also reviews related party transactions involving members of the IDC Board and transactions where the transaction/counterparty limits are breached, but recommends to the Board for approval • Decides on whether a finance transaction is of a strategic nature, in which case the transaction will be reviewed by the BIC, but recommends to the Board for approval • A sector and/or regional limit is breached
Special Credit Committee	• Considers transactions where the IDC's transaction exposure (new money plus old if within a rolling 12-month period) is R25 million or more but less than R250 million and the counterparty exposure is below R1 billion • Considers additions/changes to the delinquent register • Considers related party transactions involving members of the IDC Board irrespective of the quantum of the application but recommends to the Social and Ethics Committee and/or BIC and Board for review/approval
Credit Committee	• Considers transactions where the IDC's transaction exposure (new money plus old if within a rolling 12-month period) is less than R25 million and the counterparty exposure is below R250 million

COMPLIANCE

Some of the important pieces of legislation that influence the IDC's business activities include the PFMA, the IDC Act, the Financial Intelligence Centre Act and the Promotion of Access to Information Act.

The past financial year was the first that our Compliance and Regulatory Affairs Department, which was established with effect from 1 April 2015 as part of the implementation of the Project Evolve recommendations, was in operation. Prior to this, compliance operated as a function within the IDC's legal department.

In line with the King III recommendations, a risk-based approach has been adopted that will serve as the cornerstone of compliance roll-out in the organisation.

The department commenced its activities with the approval, by the IDC Board, of a Compliance Policy in addition to various other policies, procedures and operational systems. A process of compliance awareness training to IDC employees was embarked on, and the Compliance Department will continue to forge ties with internal and external stakeholders during the current year. There were no contraventions, penalties, sanctions or fines imposed on the IDC due to non-compliance with regulatory requirements.

We recognise our accountability to our clients and we are committed to protecting the confidentiality of their information as required by relevant applicable regulatory requirements.

INTERNAL AUDIT FUNCTION

THE ROLE OF INTERNAL AUDIT (IA)

The primary objective of IA is to provide independent, objective assurance to the Board that the IDC's governance processes and its management of risk and systems of internal control are adequate and effective in mitigating the most significant risks that threaten the achievement of the Group's objectives. Ultimately in so doing, this improves the control culture of the Corporation.

IA is responsible for developing a three-year rolling audit plan, approved by the Board and Audit Committee (BAC) using a risk-based methodology. The IDC's internal control framework mirrors that set out by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). Under the COSO ERM Framework, risks are categorised into strategic, operational, financial reporting, and legal/regulatory risk categories.

In addition to the normal audit activities, IA is also responsible for the performance of fraud, corruption and related irregular behaviour investigations as well as facilitation of the development and revision of systems and procedures throughout the Corporation.

KEY FOCUS AREAS FOR THE PAST YEAR: AUDIT AND FORENSICS

IA has performed over 83 assignments during the year under review, comprising both IA reviews and forensic investigations – a number similar to that of the previous financial year.
An analysis of the results of these assignments has led IA to the conclusion that the IDC's control environment is adequate and operating as intended, with the exception of persistent risks in relation to external fraud and, in particular, the misapplication and misappropriation of funds disbursed by the IDC to clients.

FRAUD PREVENTION

BACKGROUND

In its basic form, corporate fraud and corruption prevention entails never condoning fraud or corruption of any kind, providing fraud and corruption awareness and prevention training for employees, ensuring strong internal controls, and limiting exposure to fraud and corruption through a robust detection, investigation and prevention programme. These interventions inform the pillars upon which the IDC corporate fraud and corruption prevention strategy is built.

The IDC takes a holistic view of fraud and corruption prevention, realising that fraud and corruption penetrates to the very soul of a corporation and that an empowered employee is the key to a successful fraud and corruption prevention programme. To this end the IDC maintains:

- A robust fraud prevention policy, plan and response plan
- An anonymous reporting hotline through the independently managed "Tip Offs" service
- A well-developed and properly communicated Code of Ethics and Business Conduct, which includes a conflict of interest policy and an accompanying procedure for the declaration of interest
- Regular fraud and anti-corruption education and awareness road shows throughout the Corporation, including the regional offices, focusing on recent cases, legislative developments and red flag awareness
- The distribution of Financial Crime Awareness pamphlets to clients and other stakeholders, with a distinct anti-corruption message
- Fraud and anti-corruption awareness training during the on-boarding training of new employees
- Targeted additional training to specific SBUs and departmental heads with a high exposure to fraudulent activities
- The naming and shaming of employees found guilty at disciplinary hearings for having been involved in instances of irregular behaviour or activities
- The placing of those who have participated in acts of fraud and corruption, either internally or externally, on the IDC Delinquency Register

In accordance with the IDC Fraud and Corruption Prevention Policy, all requests for forensic investigations, from whatever reporting channel, have to be approved for investigation by the CEO, with the noting of the General Counsel. The policy, however, gives the Board the final authority to sanction and approve investigation if they are of the view that the CEO or senior management might be implicated. The outcomes of forensic investigations are presented to the IDC Executive Committee and the IDC Board Audit Committee which is responsible for the approval of the recommendations contained therein.

CHALLENGES, ACTIVITIES AND INITIATIVES DURING THE YEAR

Challenges	Internal Audit response to this
Inherent challenges pertaining to clients' cooperation during forensic investigations	Working with the IDC legal department to enforce the IDC's rights to access client information during investigations
Long lead time in finalising investigations	Management, communication and education of stakeholders with regards to challenges and expectations
Global and local adverse economic climate which may result in increased incidents of fraud and corruption	Ongoing fraud awareness messages through various platforms including the IDC website to educate the public on fraud activities

During the year under review, the fraud awareness training sessions conducted by IA continued to be the main tool in mitigating incidents of financial crime by IDC employees. In addition to this, the IDC posted a message on its website to make the public aware that fraudsters are going to great lengths to mislead members of the public into believing that they are dealing with IDC officials.

Furthermore, the continued communication of the IDC Code of Ethics and Business Conduct is also designed to mitigate incidents of financial crime by IDC employees.

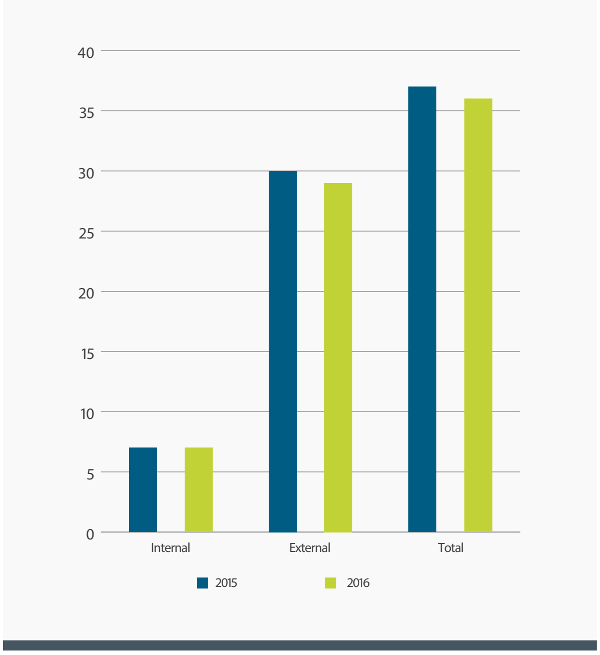
The communication on matters investigated to IDC employees during training sessions further reinforces the IDC's zero-tolerance stance towards financial crime as well as sending out the message that any incident will be detected and dealt with. IA has extended the communication to our clients by distributing a Financial Crimes Awareness Brochure to educate them on fraud-related matters as well as the implications of being a party to them.

Over the past financial year management has restructured the post-investment management environment to focus on key activities such as client visits and improvements in the funding review process. The strong internal control environment, coupled with the tone adopted at the top, is testament to management's commitment to curtailing unsavoury practices.

Although progress has been made in dealing with fraud, we remain concerned by the extent of the fraud and corruption-related matters being reported. Despite our communicating a zero-tolerance approach towards fraud and related untoward behaviour, clients continue to test preventative controls in all manner of ways in the hope that a lack of integrity within the system may allow for irregular gains to accrue to them. Poor ethical decision-making by clients remains a constant trend.

While incidents of untoward activity by clients persist, they are being identified earlier and the number of matters reported for investigation has marginally dropped from the previous financial year, as can be seen in the graph alongside. Total investigations for the year were 22 of which 16 were client-related. Efforts to engage employees and clients on fraud education and awareness training during the year appear to have contributed to this decrease. LA

Number of matters reported for investigation



LA IA also assesses key operational areas for corruption risks. This resulted in 11 out of 16 (69%) of such high risk areas being assessed during 2016. High risk areas include all operational units (12 SBU's), Financial Management department, Procurement, Human Capital and Post-Investment Management department. During this risk identification process, the significant risks identified were fed back into IA's fraud and corruption training activities.

LA The anti-corruption and anti-fraud training material was distributed in the form of a leaflet to all IDC employees and 46% of IDC's clients. 43 sessions were held with 425 out of 957 employees (44%) receiving communication on anti-corruption and anti-fraud. The 957 employees comprised of 848 permanent employees, 106 interns and three consultants. 316 out of 957 employees (33%) received face-to-face training on anti-corruption and anti-fraud. A further 178 employees attended more than one presentation during a fraud awareness week held during the year with 109 employees (11%) attending only one presentation. 100% of governing bodies (Executive members) received communication regarding anti-corruption policy and procedure, with 50% receiving training thereon. During 2016, the following significant risks were noted during the investigations:

LA
- Duplicate invoicing
- Cancelling invoices after payment received
- Falsified contract
- Misappropriation of funds
- Use of alternate bank account instead of joint bank account
- Falsified invoicing
- Related party transactions
- Falsified IDC documentation/letters
- Use of fictitious IDC email address
- Receiving benefit to act or omit to act in an unlawful manner

We maintain a zero-tolerance stance with regard to all instances of fraud and corruption, and we regard this as non-negotiable. Promoting high ethical standards and combatting corruption throughout our sphere of influence is an important aspect of our drive to deliver social value through our core activities as a developmental institution.

RISK MANAGEMENT FRAMEWORK

The IDC's ERM Framework is based on the principles embodied in the PFMA, the Public Sector Risk Management Framework published by National Treasury, the Enterprise Risk Management Framework published by COSO of the Treadway Commission, the International Guideline on Risk Management (ISO 31000) and King III.

The principles outlined in our ERM framework are incorporated into risk management-related policies and procedures that support it. The objective of this framework is to embed a uniform approach to ERM at the IDC and to ensure that all risks that could affect the achievement of our objectives with respect to people, reputation, business processes and systems, and financial and environmental performance, are identified, assessed and treated appropriately and at an acceptable level.

ANNUAL RISK ASSESSMENT

An assessment of risks faced by the IDC is undertaken annually. This process provides the identification, measurement and management of the critical risks (see page 60) that we may face so that we are able to formulate appropriate risk strategies and action plans.

THE IDC'S RISK ASSESSMENT PROCESS

The components of the IDC's risk assessment process are illustrated in the diagram on page 60 and are explained below.

ESTABLISHING THE RISK ASSESSMENT CONTEXT

This aspect provides perspective and assists with understanding the nature of the impact of the risk on the business, including the critical strategic, financial, governance, operational and IT governance risks we face.

RISK ASSESSMENT

The risk assessment process enables management to gain an understanding not only of the probability that a risk may materialise but also its impact on the Corporation. The risk assessment methodology provides management with a portfolio view of risks (i.e. a "risk profile"). The risk assessment process is broken down into the following phases:

- Risk identification – the process of considering the causes and sources of the risk, and its positive and negative consequences
- Risk analysis – the process of considering the risk's potential positive and/or negative consequences, and the probability of those consequences occuring
- Risk evaluation – the process which compares the risks against risk evaluation criteria, resulting in a map of risk priorities

Risk treatment

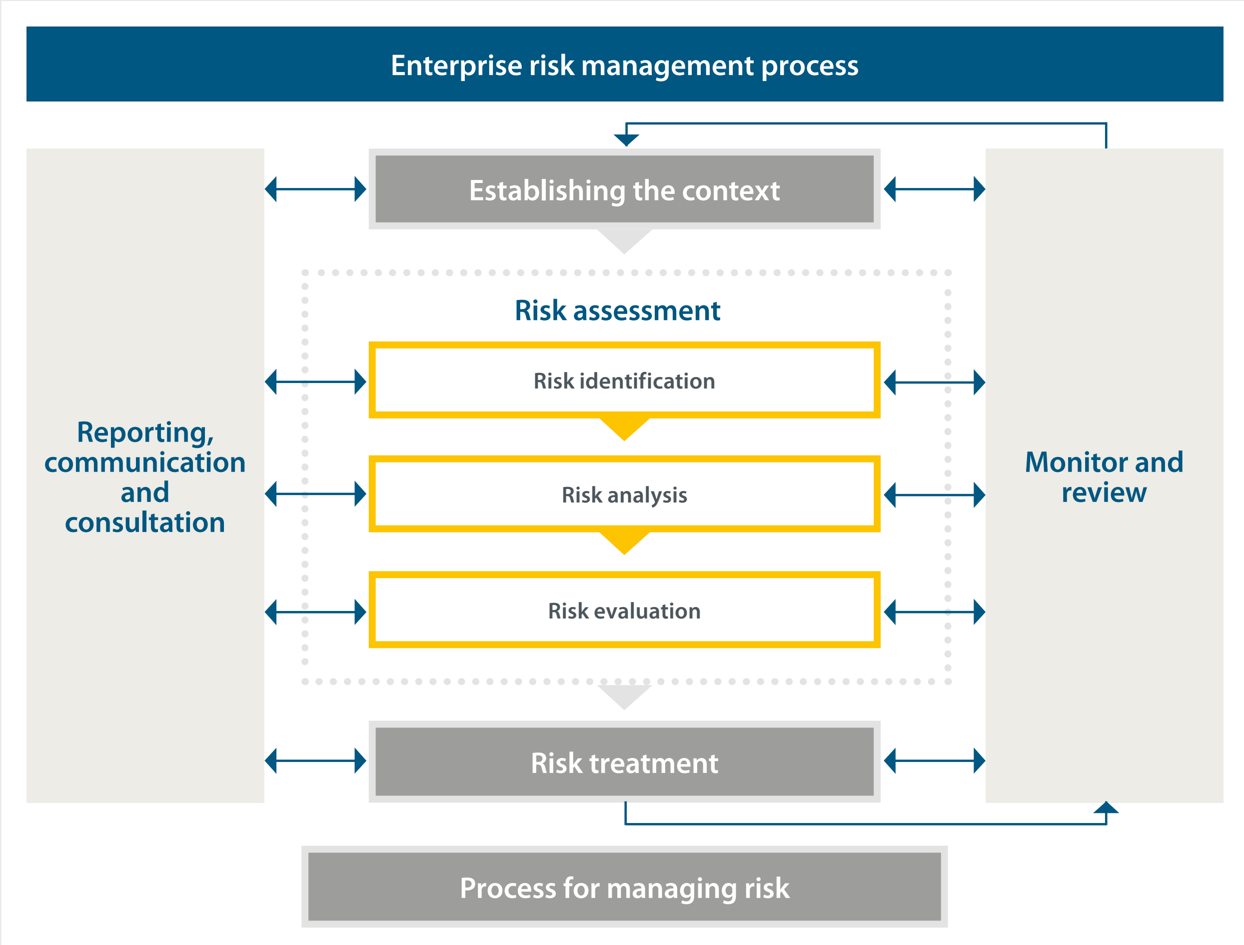
The objective of risk treatment is to determine how the IDC should respond to events and associated risks. The IDC's risk response strategies can broadly be categorised as follows:

- **Terminate:** eliminate, redesign, avoid or substitute the threat
- **Transfer:** where possible and advantageous move the threat to another party
- **Treat (further):** mitigate or control the threat by implementing additional measures to reduce the likelihood and/or consequence before the threat materialises
- **Tolerate:** retain the threat after careful consideration of its consequences for a predefined duration

Risk reporting and escalation

It is important to keep the Board, executive management, the Board Risk and Sustainability Committee and the Board Audit Committee abreast of key risks and the actions resulting from risk management activities. This component of the framework outlines the process for reporting risk management information to these governance entities on a consistent and timely basis.

The IDC's risk assessment process



Monitor and review

Monitoring refers to the consistent application of the ERM Framework across the Corporation, the effectiveness of the ERM policies and procedures, as well as the identification of weaknesses demanding corrective action.

Communication and consultation

Effective communication and consultation increase the awareness of the Risk Management Programme. Awareness campaigns, training and education sessions, and newsletters were widely disseminated to employees throughout the Corporation.

ERM

Our risk assessment process identified the following as the major risks that could have a material impact on us achieving our objectives.

Risk name	Risk description	Consequence	Risk mitigation
Macro-economic conditions	The risk of macro-economic conditions impacting the IDC's business, including weak domestic and or export demand and overall fixed investment activity	Downgrading of the IDC's credit rating resulting in increased borrowing costs	This risk is managed by the IDC's Research and Information Department, which conducts regular analysis of economic, political and legal events and reports each potential implication and internal interventions to EXCO and the Board
Proactive new business generation	The inability to proactively source new business	Inability to implement new strategy and failure to deliver on mandate	Proactive industry development strategies
Delivery and execution	The risk of the Corporation failing to deliver and execute on stakeholder expectations	Could lead to adverse reputation and complaints from stakeholders	This risk is mitigated, among other things, by a robust Customer Relationship Management (CRM) Programme
Business continuity risk	Adverse events that impact the organisation's ability to operate or resume operations, following a major business disruption	Complete business interruption	This risk is allayed by having the necessary business continuity plans in place and ongoing Disaster Recovery Plan testing
Credit risk	The risk resulting from non-payment by the IDC's business partners and non-recoverability of investments	Increasing impairments and write-offs	This risk is managed through quarterly Investment Monitoring Committee meetings, which ensures that appropriate intervention strategies are in place to monitor the risk
Winning organisational culture	The risk of culture, behaviour, values and change in mind-set not being aligned to deliver on mandate or strategy	Poor customer focus and low staff morale	This risk is mitigated by conducting cultural awareness sessions and constant employee engagement
Ethical conduct and behaviour	Consists of all forms of internally and externally conducted theft or fraudulent activities including unethical business practices and behaviour	Could result in financial losses to the IDC as well as reputational damage	This risk is alleviated by fraud and ethics awareness training as well as the activities of the Governance and Ethics Committee, among others
Legal and regulatory compliance	This is the risk of the IDC not meeting its legal and regulatory requirements across the various industries and countries of operation	Potential litigation	Some of the key controls in place to mitigate this risk include the Legal Department's systems and procedures as well as the Compliance Manual and policies
Alignment of IDC processes and infrastructure to strategy	The risk of non-alignment of IDC processes and infrastructure to strategy	Poor performance and non-achievement of strategic objectives	This risk is managed by existing documented processes and a review of systems and procedures in line with the Project Evolve strategy
Financial sustainability	The risk that the IDC's financial strength can be impacted by funding availability, concentration risk, income dependence and portfolio and investment performance	Could result in the IDC failing to meet its mandate and in turn its development objectives	This risk is managed by adopting a prudent borrowing policy and the quarterly analysis of the IDC's listed investments, amongst others
Human capital capacity	The risk of not having adequate human capital resources to deliver on IDC strategy	Could result in the IDC not being able to execute its mandate	This risk is mitigated by retention strategies, i.e. competitive remuneration packages, performance bonuses and personal development programmes

COMMITTED TO GOOD GOVERNANCE (continued)

Risk name	Risk description	Consequence	Risk mitigation
Stakeholder expectations risk	The risk of the IDC not responding to stakeholder needs	Could lead to loss of stakeholder support	This risk is mitigated by stakeholder engagement as well as presentations to the relevant Parliamentary Portfolio Committees on IDC strategy
Dependence on an enabling environment	The risk that factors in the external environment impact the IDC's ability to do business	Could lead to IDC investments not achieving budgets	This risk is primarily mitigated by economic analysis and forecasting
Subsidiary delivery and performance risk	The viability of subsidiaries and their ability to deliver effectively	Could result in a financial loss for the IDC	This risk is mitigated through monitoring by Board representation
Shareholder representative loses confidence in the IDC's ability to achieve mandate	The Economic Development Department may lose confidence and credibility in the IDC	Should this risk materialise, it could lead to government policies not being implemented	This risk is allayed mainly by receiving ministerial input in IDC strategy sessions and the approval of the corporate plan
Insufficient participation by black industrialists in the economy	The risk of IDC's inability to implement government strategy regarding black industrialists	Should this risk materialise, it could perpetuate inequality in the South African economy	This risk is mitigated by the Black Industrialist Programme of the IDC, including a corporate target for funding to black industrialists
Carbon taxes paid by the IDC's subsidiaries and associates	The risk of the high impact of the cost of carbon taxes payable by IDC subsidiaries and associates	Could result in reduced dividends due to the IDC	This risk is mitigated by the introduction of energy-efficient measures at the IDC as well as at subsidiaries' and associates' buildings
The maturity of the IDC's Risk Management Architecture	A lack of a proper three lines of defence framework	Could lead to red-tape (bureaucracy within the Corporation) and slow delivery to clients	This risk is mitigated by combined assurance by the independent Internal Audit, Risk Management and Compliance Departments
Volatility in listed share portfolio	The value of the IDC's listed investments declining	Involves the decline of the IDC's capital and reserves and could have an adverse impact on the IDC's rating	This risk is alleviated chiefly by monitoring and reporting of the listed share portfolio by the Post-Investment Management Department and by initiatives to diversify the portfolio
Electricity supply	This is the risk facing the IDC's investments as a result of unreliable electricity supply	Could result in slow economic growth and loss of output due to forced production stoppages which could adversely impact the IDC book	There is no control over this risk, but actions to mitigate its effects can be considered including funding provided by the IDC for renewable energy investments
Industrial action	Labour market volatility at investee companies	Could result in loss of production and income for investee companies	This risk is mitigated principally by labour relations training for staff at investee companies and active workplace forums

The IDC continuously scans the environment for emerging risks and the following were identified as new risks that will be added to the risk register:

- The risk of potential credit rating downgrades on SA's sovereign credit rating
- The risk of water security/drought impacting IDC clients/investments
- IT security risk – the risk of unauthorised access to information could lead to information being compromised
- Commodity price risk
- Monitoring of safety risks by mining clients
- The risk of regulatory fines levied against clients in foreign jurisdictions
- Debt and equity pricing

OPERATIONAL RISK MANAGEMENT

Given the changing risk landscape and adoption of the new Evolve strategy, Risk and Control Self-Assessments (RCSAs) of all departments were reviewed.

RCSAs are a key components of the operational Risk Management Framework and enable a dynamic and iterative process for identifying and assessing key operational risks and controls. Mitigating actions were also put in place to proactively address and control identified deficiencies.

Another key focus area for the operational risk team during the year under review was the implementation of the Loss Data Collection (LDC) policy. LDC provides an overview of the operational risk environment in terms of the risks that are actually materialising (losses incurred) and the adequacy of controls. In realising the LDC policy, operational losses and near-miss events are identified and analysed. Action plans are then developed to address control weaknesses and prevent further losses from recurring.

BUSINESS CONTINUITY MANAGEMENT (BCM)

During the year under review, BCM plans were developed and will be ready for testing in the coming financial year. The Business Continuity Management Forum is responsible for our BCM programme, and BCM awareness sessions were conducted to further embed a culture focused on business continuity.

CREDIT RISK PROFILE

The level of impairments has increased from R10.2 billion in March 2015 to R11.8 billion as at 31 March 2016, with impairments on equity investments accounting for approximately 73% of the total impairments raised. The impairment charge to the income statement this year was R3.6 billion, compared to the prior year charge of R1.8 billion.

The ratio of impairments, as a percentage of the portfolio at cost, increased from 16.7% in March 2015 to 16.9% as at 31 March 2016. Over the period 2012 to 2016, the IDC impairment levels are aligned to our risk appetite, and our developmental role in filling the market gap and facilitating funding mechanisms to sectors and businesses that are deemed to be riskier for mainstream commercial banks. The trend also reflects our renewed focus on funding early-stage projects and start-up operations.

The increase in impairments in the current financial year was attributed to the adverse macro-economic environment and the protracted slump in commodity prices. The impact of the weakening Rand, interest rate hikes and the drought also had a negative impact on some of our exposures. In response to the higher risk of the IDC book, we have embarked on various initiatives to contain any further increases in impairments. We are confident that these interventions will be effective in curbing the growth in impairments.

The IDC has a robust credit and investment risk management process which encompasses, among other things:

- A robust due diligence process that is performed by an interdisciplinary team of financial, technical, marketing, and legal specialists
- A credit risk assessment process that is independent of the due diligence and business generating team
- Executive credit approval committees that include external experts
- Internal monitoring committee meetings to monitor remedial actions and make certain that they are timeously undertaken in order to ensure an improvement in the quality of the book
- Our Post-Investment Management department – responsible for managing the portfolio during the life of each transaction
- The monitoring of country risk exposure and the reporting of this to the Board by the Risk Management Department

Non-performing loans (NPLs) are defined as total capital outstanding (excluding commitments) for facilities with capital repayments in arrears of more than 90 days. Capital at Risk (CaR) is defined as the total capital outstanding (excluding commitments) for facilities with capital repayments of more than 60 days in arrears. As at 31 March 2016, approximately R5.7 billion (2015: R5.4 billion) was classified as non-performing loans and R5.9 billion was classified as CaR (2015: R5.8 billion).

The biggest contributors to both NPLs and CaR in this financial year were clients and business units that were impacted by the slump in the commodity prices. As a result of interventions to contain an increase in the non-performing book, the workout and restructuring book remained fairly static at approximately R10.5 billion (2015: R10.6 billion).

The various interventions outlined here, and our efforts to improve our collections rate, are expected to lower the loans that have been categorised as non-performing.

INTERNAL RATING AND PRICING MODELS

We have developed new rating and pricing models which are aligned to our risk profile and portfolio. The output of the rating model will be used as an input into the pricing solution and will also be used for portfolio monitoring. The pricing tool will be used to price all deals.

VALUE OF THE NEW MODELS TO THE IDC

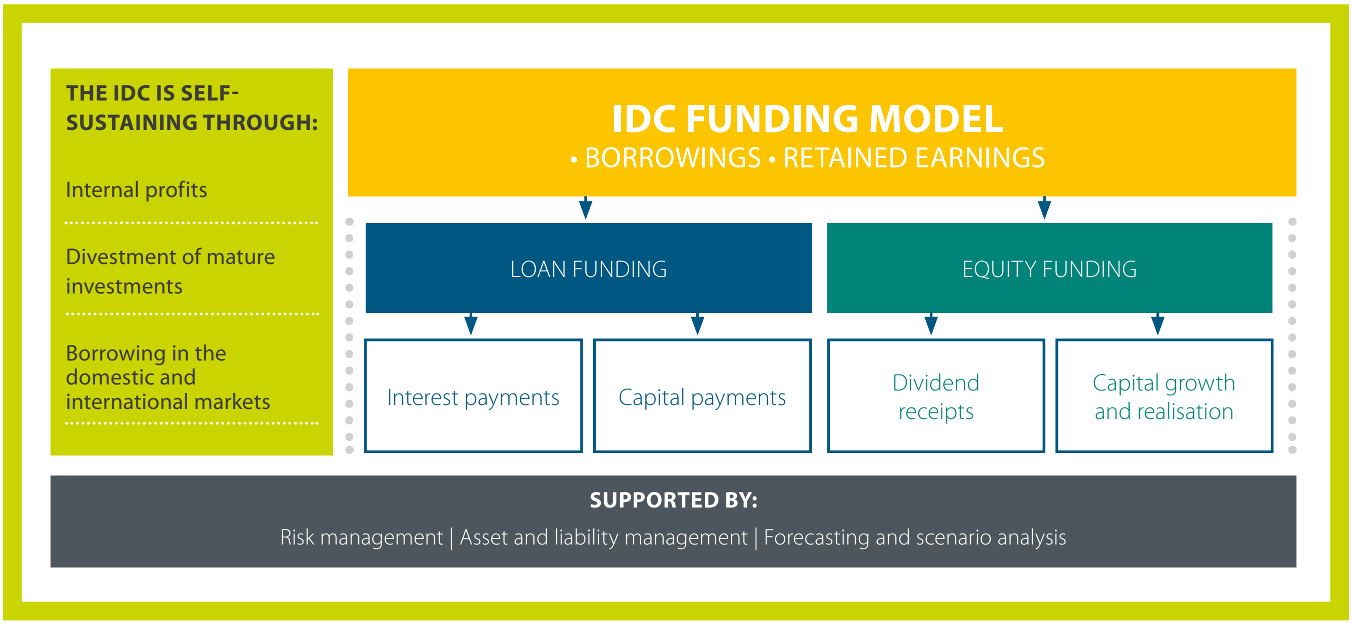
In addition to providing transparency and the possibility of analysing the trade-off between risk costs, development impact and financial performance, the new models also allow management to have appropriate discussions concerning such trade-offs.

The new models provide a good foundation for better decisions in managing the overall portfolio in terms of our objectives, including our development goals.

Improved transparency will also provide the basis for appropriate discussions around performance measurements on both a deal and portfolio level in relation to our mandates.

We expect to introduce our new models during 2017.

IMPACT ON FINANCIAL SUSTAINABILITY



The IDC is a going concern. Due to the current state of the economy we expect profitability to be under pressure in the short to medium term. Our efforts to ensure sustainable development in the South African economy require that the Corporation remains financially sustainable.

We have sufficient liquidity to meet our current obligations and are confident that, for the foreseeable future, we can raise enough funding through a combination of new debt and internally-generated funds (profits, repayments on existing facilities or equity divestments) to invest in new advances into the economy.

Managing impairments, however, is key to ensuring our financial sustainability. We have implemented and will continue to implement initiatives to ensure that impairments remain within acceptable levels.

The Board has emphasised that in order to implement the 2017 to 2019 corporate plan, and all the approved initiatives to continue our operations, we will need to remain a going concern and financially sustainable.

As a result, we regard financial sustainability as a material matter.

Five-year financial overview – extract from the Company's Annual Financial Statements

Figures in Rand million	2016	2015	2014	2013	2012
Statement of financial position					
Cash and cash equivalents	6 183	7 714	7 250	8 043	7 117
Loans and advances	23 451	21 760	20 298	18 297	15 070
Investments	91 430	94 198	108 943	98 437	93 565
Property, plant and equipment	166	129	120	121	110
Other assets	1 195	1 348	994	865	356
Total assets	122 425	125 149	137 605	125 763	116 218
Capital and reserves	78 000	84 860	99 869	90 909	89 065
Other financial liabilities	38 987	33 566	29 017	25 655	17 814
Other liabilities	5 348	6 723	8 719	9 199	9 339
Total equity and liabilities	122 425	125 149	137 605	125 763	116 218
Statement of comprehensive income					
Operating profit/(loss)	152	1 718	1 953	1 704	2 228
Income from equity-accounted investments	–	3	2	(1)	(6)
Profit before taxation	152	1 721	1 955	1 703	2 222
Taxation	25	(54)	(551)	(183)	(29)
Profit/(loss) for the year	177	1 667	1 404	1 520	2 193

Five-year financial overview – extract from the Group's Annual Financial Statements

Figures in Rand million	2016	2015	2014	2013	2012
Statement of financial position					
Cash and cash equivalents	6 865	8 257	7 877	9 009	7 825
Loans and advances	23 928	22 412	20 818	18 666	15 978
Investments	71 586	73 114	92 337	84 116	80 231
Property, plant and equipment	10 626	9 921	9 012	7 913	4 772
Other assets	8 343	8 585	8 549	7 181	3 424
Total assets	121 348	122 289	138 593	126 885	112 230
Capital and reserves	84 717	89 797	106 769	96 766	91 862
Non-controlling interest	102	125	215	174	331
Other financial liabilities	27 984	24 005	21 350	19 025	9 923
Other liabilities	8 545	8 362	10 259	10 920	10 114
Total equity and liabilities	121 348	122 289	138 593	126 885	112 230
Statement of comprehensive income					
Operating profit/(loss)	(494)	1 011	2 513	2 447	3 412
Income from equity-accounted investments	557	656	(310)	(466)	(2)
Profit before taxation	63	1 667	2 203	1 981	3 410
Taxation	160	(14)	(560)	(3)	(107)
Profit/(loss) for the year	223	1 653	1 643	1 978	3 303

REVIEW OF FINANCIAL PERFORMANCE

The 2016 financial year was a challenging one for the global economy, South Africa and the IDC Group. Most subsidiaries and associated companies are feeling the strain of the unfavourable economic environment. The Group made a consolidated profit of R223 million compared to a profit of R1.7 billion in 2015.

REVENUE

Group Revenue for the year has decreased by 1% to R19.4 billion from R19.6 billion in 2015.

Scaw's performance has continued to deteriorate during the current year. Full year revenue of R5.7 billion from Scaw is 10% lower than the previous financial year (R6.3 billion) due to continuing difficult trading conditions within the steel sector and slower growth in China (the largest consumer of steel), the increasing cost of electricity, and low spending by the mining sector due to falling commodity prices and subdued growth in the local economy.

Management has initiated several interventions aimed at improving performance. Some of these are:

- improving of efficiency through process reviews;
- focusing on core business and selling non-core assets;
- restructuring of the company balance sheet;
- a proposed further reduction of the workforce, which the company is currently discussing with labour unions, and
- a repositioning of the company as the main exporter to the African continent.

Substantial cost savings are expected from these initiatives, with more benefits expected to flow from the Strategic Equity Partner implementation.

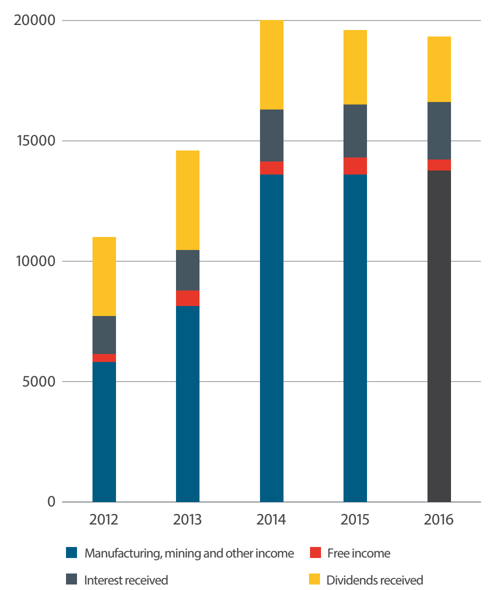
Revenue from Foskor is up by 11% from the previous year to R5.9 billion, mainly due to the favourable impact on selling prices of the Rand/US Dollar exchange rate.

Interest income of R2.4 billion is 7% above that of the previous year due to an increase in loans and advances during the year and a higher interest rate environment for the IDC Company.

Dividends received are 12% lower compared to the previous financial year. Kumba Iron Ore Limited did not declare any dividends during the period as a result of the extended depressed iron ore prices, compared to a dividend of R969 million declared in 2015.

The negative impact this had on dividend income was partially offset by a dividend *in specie* of R684 million received from BHP Billiton upon the demerger of South32 Limited. On 19 August 2015, BHP Billiton announced a plan to unbundle its non-core portfolio (aluminium, coal, manganese, nickel, silver and lead assets) into South32, a global metals and mining company formed specifically for that purpose. Shareholders have retained their BHP Billiton shareholding and received an *in specie* distribution of shares in South32 on a pro rata 1:1 basis, for no consideration.

Group revenue: 2012 to 2016 (R'million)



IMPACT ON FINANCIAL SUSTAINABILITY (continued)

OPERATING PROFIT/(LOSS)

The operating loss for the year is R494 million (2015: R1 billion profit) mainly due to an increase in impairments and a decrease in dividends as indicated on the previous page.

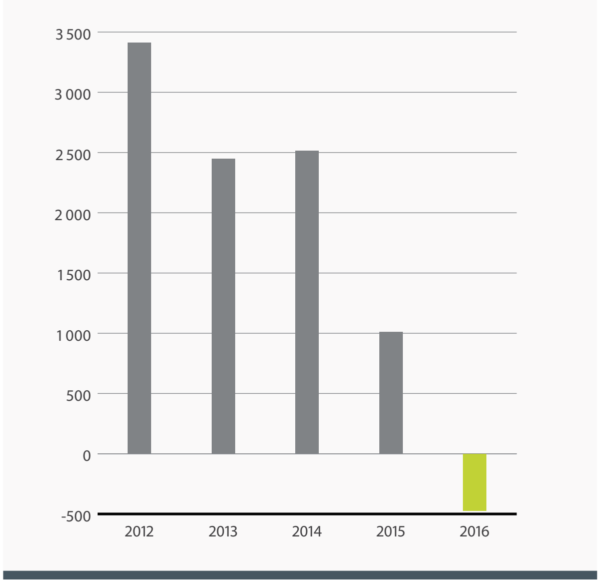
Impairments for the Group significantly increased by R1.6 billion, from R1.5 billion to R3.2 billion, still reflecting the difficult trading conditions persisting in the South African economy. The main reasons for the increase in impairments in the current financial year were the adverse macro-economic environment and the protracted commodities prices slump. The impact of the weakening Rand, interest rate hikes and the drought also had a negative impact on some exposures. The Company has embarked on various initiatives to contain any further increases in impairments, and we are confident that these interventions will be effective in curbing the growth in impairments, and allow us to continue to play our counter-cyclical role in the economy.

Financing costs have decreased by 6% to R1.3 billion due to exchange rate gains, as a result of the weakening of the Rand during the year. Operating expenses (excluding impairments) marginally increased by 3% from R4.4 billion to R4.5 billion. This is mainly due to cost-efficiency initiatives. We made a capital profit of R453 million from the disposal of certain listed and unlisted investments during the year compared to R640 million in the previous year.

During 2015 we received R406 million from the South African government to fund the Small Enterprise Finance Agency (sefa) (2015: R284 million).

The Export Credit Insurance Corporation of South Africa Limited (ECIC) operates an interest make-up scheme, through which compensation is made to participating lenders for interest rate risk, liquidity risk, basis risk and credit risk assumed in the funding of ECIC-insured export credit loans. This scheme is implemented by the South African government to promote the export of South African goods and services. We received R41 million from the scheme during the past financial year (2015: R39 million).

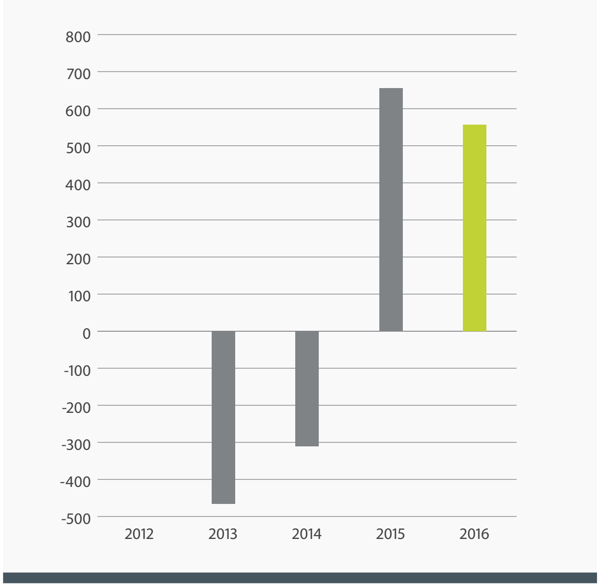
Operating profit/(loss): 2012 to 2016 (R'million)



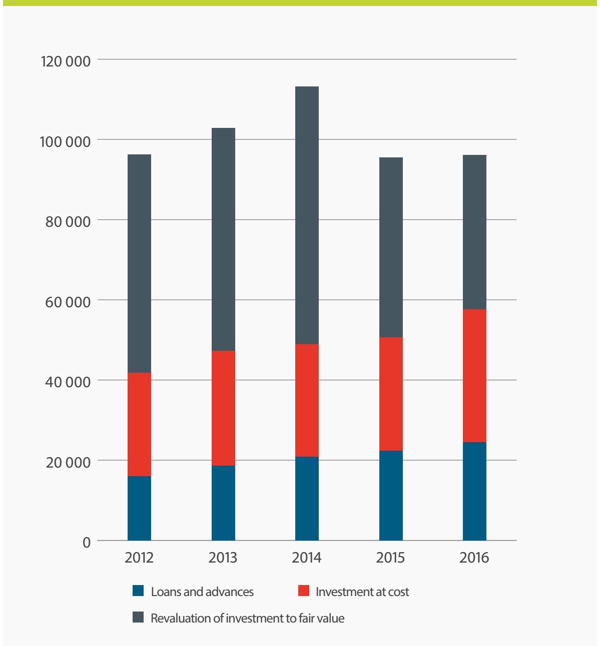
INCOME FROM EQUITY-ACCOUNTED INVESTMENTS

With the Group's share of profits standing at R557 million, our equity-accounted investments have shown a slight decline in performance during the reporting period, compared to a profit of R656 million in 2015. The continued positive impact is encouraging, given the protracted pressure on commodity prices.

Income/(losses) from equity accounted investments: 2012 to 2016 (R'million)



Loan, advances and investments: 2012 to 2016 (R'million)



LOANS, ADVANCES AND INVESTMENTS

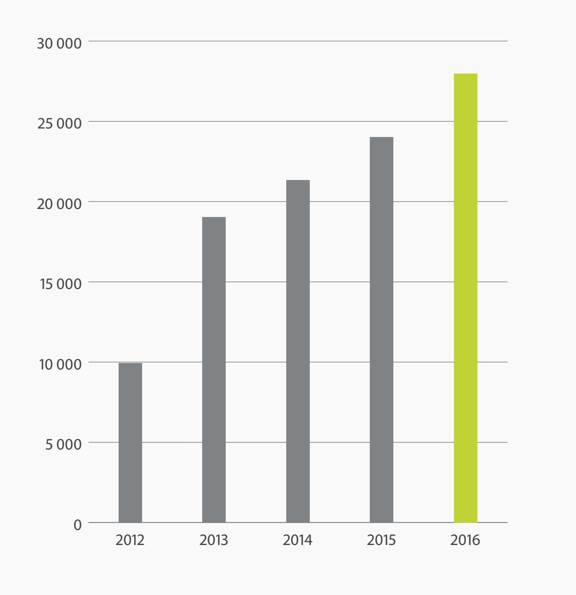
We have advanced R11.4 billion in new loans, advances and investments during the year, up from R10.9 billion in 2015. This resulted in loans and advances growing to R23.9 billion (net of repayments) from R22.4 billion and investments increasing from R28.2 billion to R33 billion (net of disposals and preference share redemptions).

The revaluation of investments to fair value decreased from R44.9 billion to R38.6 billion, mainly due to the decrease in the value of listed equities following downward trends in the oil, platinum, manganese, steel and iron ore prices.

The largest declines in market values were as a result of our BHP Billiton, Kumba Iron Ore and Mozal investments, all affected by the commodities slump. We are committed to diversifying our portfolio over the medium term in order to minimise the risk of concentration towards commodities, and to invest in a diverse portfolio with more stable growth prospects.

BORROWINGS

Borrowings: 2012 to 2016 (R'million)



The growth in our borrowings portfolio was aligned with our strategy to fund growth in the loans and advances book predominantly from borrowings. Borrowings for the year grew to R28 billion from R24 billion in 2015.

During the past financial year, we continued with our public bond issuances under the IDC Domestic Medium-Term Note (DMTN) programme. This resulted in additional issuances of R1.5 billion in May 2015 and R2 billion in November 2015. Investors responded positively to these issuances, with the bonds 2.3 times and 2.1 times over subscribed respectively.

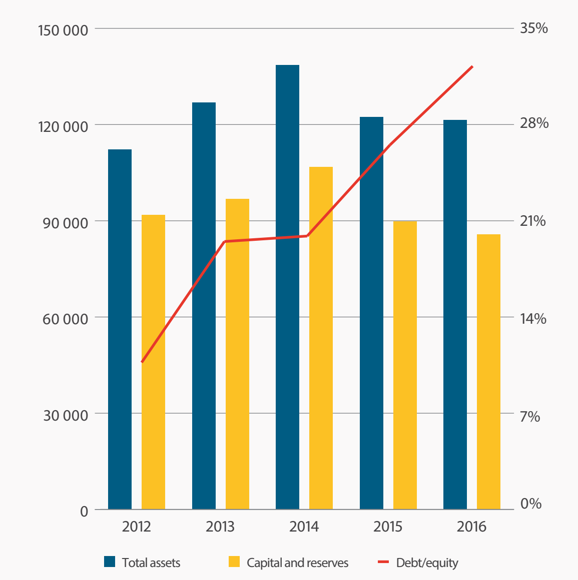
The demand and pricing of the bond issuances reflected investors' confidence in the Corporation's creditworthiness and financial standing. We will continue our bond issuance programme as part of our funding sources diversification strategy. This strategy will also be informed by the local and international market conditions, pricing and available liquidity in these financial markets. Traditional sources – both local and international commercial banks and Development Financial Institutions (DFIs) – will also be explored as part of our funding sources. The DFIs with which we have bilateral agreements are Kreditanstaltfür Wiederaufbau (KfW) Development Bank, African Development Bank (ADB), Agence Française de Développement (AfD)/Proparco, European Investment Bank (EIB), China Development Bank (CDB) and China Construction Bank (CCB).

The private placement bonds we issued to the Public Investment Corporation (PIC) for green initiatives and the Unemployment Insurance Fund (UIF) for creating and sustaining permanent jobs, continue to be tapped. Cumulatively, R4 billion has been utilised under the PIC bond. Our debt funding activity during the year included R7.8 billion sourced from public bonds, private placements, commercial banks and DFIs, with repayments of R3.2 billion. We continue to meet our financial obligations emanating from these funding sources while maintaining excellent relationships with our lenders and investors.

TOTAL ASSETS, CAPITAL AND RESERVES AND DEBT/EQUITY

Total assets declined from R122.3 billion in 2015 to R121.3 billion during the review period mainly as a result of the decrease in the fair value of BHP Billiton and Kumba Iron Ore Limited, largely due to lower iron ore prices. Our borrowings have grown in line with the growth in loans and advances. Higher debt levels and lower reserves increased the debt/equity ratio from 27% in 2015 to 33% in 2016.

Total assets, capital and reserves (R'million) and the debt/equity ratio: 2012 to 2016

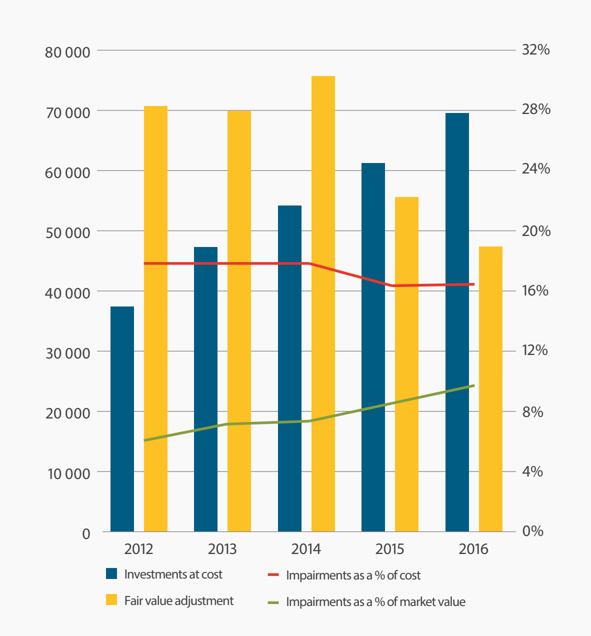


IMPAIRMENTS (IDC COMPANY)

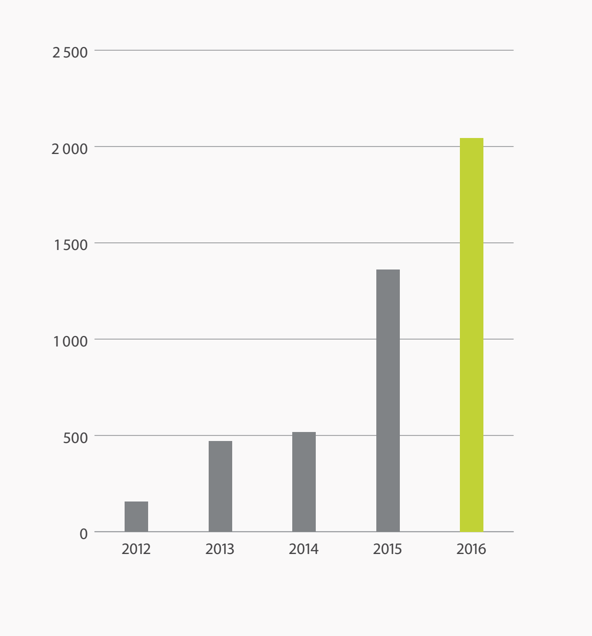
The impairments level has increased steadily over the past five years in value terms, from R6.8 billion in 2012 to R11.8 billion in 2016. A 15% increase occurred in cumulative impairments between the 2015 and 2016 financial years. As a ratio of the total outstanding financing book at cost, however, impairment levels increased marginally from 16.7% in the previous year to 16.9% during the period under review. Impairment levels for the portfolio at market values increased from 8.8% to 10.1%. The impairment level remains within the threshold of 20% as set by the Board.

IMPACT ON FINANCIAL SUSTAINABILITY (continued)

Portfolio value (R'million) and impairments



Write-offs (R'million)



The increasing impairment levels, although aligned with our risk appetite and our role in supporting high-risk sectors and businesses, remain largely unattractive to commercial financiers. The impairment charge to the income statement of R3.6 billion for the year ended 31 March 2016 was 99% higher than the charge reported at financial year end in 2015.

Key factors that contributed to the rising impairments included the decline in commodity prices and deterioration in trading conditions. Many of our clients experienced challenges in their operating environments. Globally, the mining industry faced serious challenges due to steep slides in commodity prices and a longer-than-anticipated recovery period.

Prospects of recovery in the local mining and metals sectors were hampered by protracted labour unrest and a challenging regulatory environment. Our role as a development financier was to stimulate business growth with new funding and restructuring and to minimise the impact of job losses on society.

We compiled a comprehensive list of impairment initiatives to mitigate the rising trend of impairments. This was approved by the Board's Risk and Sustainability Committee and implemented during the 2016 financial year.

The Executive Management and Board Risk and Sustainability Committees receive reports on impairments and credit risk measures quarterly.

WRITE-OFFS (IDC COMPANY)

The IDC writes off investments only after, *inter alia*, viable turnaround and restructuring options have been fully exhausted and the exposure is regarded as unrecoverable.

During the year under review, R2.1 billion was written off (2015: R1.3 billion), an increase of 57% over the previous year.

The Media (52%) and Textiles (16%) SBUs accounted for 68% of the write-offs, for reasons relating mainly to some business partners' poor management and market penetration, as well as fraud and the mismanagement of funds.

Written-off exposures have a low probability of recovery, while in some instances we recoup already written-off amounts. The trend in write-offs over the past five years is illustrated in the following chart.

ASSET AND LIABILITY MANAGEMENT

LIQUIDITY RISK

Liquidity risk refers to the inability of the Group to meet its obligations promptly for all maturing liabilities, or the increase in financing assets, including commitments and any other financial obligations (funding liquidity risk), or to do so on materially disadvantageous terms (market liquidity risk).

Liquidity risk is governed by the Asset and Liability Management Policy. The Asset and Liability Committee (ALCO) provides the objective oversight and makes delegated decisions related to liquidity risk exposures.

Sources of liquidity risk include:

- Unpredicted accelerated drawdowns on approved financing or call-ups of guarantee obligations
- The inability to roll and/or access new funding
- The unforeseen inability to collect what is contractually due to the Group
- Liquidity stress at subsidiaries and/or other SOEs
- A recall without due notice of on-balance sheet funds managed by the Group on behalf of third-parties
- A breach of covenant(s), resulting in the forced maturity of borrowing(s)
- An inability to liquidate assets in a timely manner with minimal risk of capital losses

The Corporate Treasury manages liquidity on a day-to-day basis within Board-approved treasury limits to ensure that:

- Sufficient, readily-available liquidity to meet probable operational cash flow requirements for a rolling three-month period is available at all times, and
- Excess liquidity is minimised to limit the consequential drag on profitability.

Liquidity coverage ratios aim to ensure that suitable levels of unencumbered high-quality liquid assets are held to protect against unexpected, yet plausible, liquidity stress events. Two separate liquidity stresses are considered. Firstly, an acute three-month liquidity stress that impacts strongly on both funding and market liquidity, and secondly, a protracted 12-month liquidity stress with a moderate effect on both funding and market liquidity. Approved high-quality liquid assets include cash, near-cash, committed facilities, as well as a portion of the Group's listed equity investments after applying forced-sale discounts.

MARKET RISK

Market risk is the risk that the value of a financial position or portfolio will decline due to adverse movements in market rates. In respect of market risk, the Group is exposed to interest rate risk, exchange rate risk and equity price risk. Market risk is governed by the Asset and Liability Management Policy and ALCO provides the objective oversight and makes delegated decisions related to market risk exposures.

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates may cause a reduction in our future net interest income and/or economic value of our shareholders' equity. Our interest rate risk is a function of our interest-bearing assets and liabilities.

The primary sources of interest rate risk include:
- Repricing risk, as a result of interest-bearing assets and liabilities that reprice within different periods. This includes the endowment effect due to an overall quantum difference between interest-bearing assets and liabilities.
- Basis risk, as a result of the imperfect correlation between interest rate changes (spread volatility) on interest-bearing assets and liabilities that reprice within the same period.
- Yield curve risk, as a result of unanticipated yield curve shifts.
- Optionality, as a result of embedded options in assets (ie prepayment) and liabilities (i.e. early settlement), which may be exercised based on interest rate considerations.

The sensitivity to interest rate shocks and/or changes in interest-bearing balances is measured by means of earnings and economic value approaches. The former quantifies the impact on net interest income over the next 12 months, while the latter gauges the impact on the fair market value of assets, liabilities and equity.

EXCHANGE RATE RISK

Exchange rate risk is the risk that adverse changes in exchange rates may cause a reduction in our future earnings and/or our shareholders' equity.

In the normal course of business, we are exposed to exchange rate risk through our trade finance book and exposure to investments in the rest of Africa. The risk is divided into:
- Translation risk, which refers to the exchange rate risk associated with the consolidation of offshore assets and liabilities, or the financial statements of foreign subsidiaries for financial reporting purposes.
- Transaction risk, which arises where we have cash flows/transactions (i.e. a monetary asset or liability, off-balance sheet commitment or forecast exposure) denominated in foreign currencies whose values are subject to unanticipated changes in exchange rates.

Any open (unhedged) position in a particular currency gives rise to exchange rate risk. Open positions can be short (we need to buy foreign currency to close the position) or long (we need to sell foreign currency to close the position), with the net open foreign currency position referring to the sum of all open positions (spot and forward) in a particular currency. For purposes of hedging, net open foreign currency positions are segmented into the following components:
- All exposures related to foreign currency-denominated lending and borrowing
- All foreign currency-denominated payables in the form of operating and capital expenditure, as well as foreign currency denominated receivables in the form of dividends and fees

EQUITY PRICE RISK

Equity price risk is the risk that adverse movements in equity prices may cause a reduction in the value of the Group's investments in listed and/or unlisted equity investments and therefore includes future earnings and/or the value of shareholders' equity.

Sources of equity price risk include:
- Systematic risk or volatility in relation to the market as a whole
- Unsystematic risk or company-specific risk factors

The investment portfolio's beta is used as an indication of systematic, non-diversifiable risk. Due to the long-term nature of our investments, unsystematic risk is managed through diversification.

Sensitivity analyses were performed on our equity portfolio to determine the possible effect on the fair value should a range of variables change, such as cash flow, earnings and net asset values. These assumptions were built into the applicable valuation models.

Our Asset and Liability Management and Risk Management practices, together with regular scenario planning, assist management in ensuring that this objective is achieved.

FUTURE PERFORMANCE

We expect 2017 to be another challenging year as a result of modest growth locally and globally.

Profitability could be impacted significantly in the year ahead due mainly to lower dividend income forecasts. Despite the decline in total assets, our balance sheet remains strong and we intend growing it further during the next five years, with advances of between R77 billion and R94 billion in total over that period. This will be funded from borrowings of between R69 billion and R84 billion and disposal of investments, with the balance funded through internally generated funds. Gearing levels are expected to increase over the next few years, in line with the strategy to utilise more debt funding.

Value added statement (IDC Company)

Figures in Rand million	2016	2015
Value created		
Net interest income	1 779	1 411
Impairment losses on loans advances and investments	(3 644)	(1 827)
Other income from lending activities	786	1 055
Other investment income	1 886	2 668
Operating expenditure and project feasibility expenses	(91)	(515)
	716	2 792
Value allocated		
Benefits to employees	937	931
Social spending in communities	87	150
To government as taxation and dividends	(25)	96
Taxation (including deferred tax)	(25)	46
Dividends to shareholders	–	50
Value reinvested in operations	(283)	1 615
Transfer (from)/to reserves (retained earnings)	(307)	1 597
Depreciation and amortisation	24	18
	716	2 792

CONFIRMATION OF ACCURACY AND FAIR PRESENTATION

INTEGRATED REPORT FOR THE 2016 FINANCIAL YEAR END

I hereby acknowledge that the Integrated Report of the Industrial Development Corporation of South Africa Limited (the IDC) has been submitted to the Auditor-General for auditing in terms section 55(1)(c) of the PFMA.

I acknowledge my responsibility for the accuracy of the accounting records and the fair presentation of the financial statements and confirm, to the best of my knowledge, the following:

ANNUAL FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). All amounts and information in the Integrated Report are consistent with the financial statements submitted to the auditors for audit purposes.

PERFORMANCE INFORMATION

The performance information fairly reflects the operations, and actual output against planned targets for performance indicators as per the Corporate Plan of the IDC for the financial year ended 31 March 2016. The performance information has been reported on in accordance with the requirements of the guidelines on annual reports as issued by National Treasury. A system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of performance information.

HUMAN RESOURCE MANAGEMENT

The human resource information contained in the respective tables in the integrated report, fairly reflects the information of the IDC for the financial year ended 31 March 2016.

IN RESPECT OF MATERIAL ISSUES

The Integrated Report is complete, accurate and free from any omissions.

MG Qhena
Chief Executive Officer

30 June 2016

BA Mabuza
Chairperson of the Board

30 June 2016

TO THE DIRECTORS OF INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA

We have undertaken a limited assurance engagement on selected performance information, as described below, and presented in the 2016 Integrated Report of Industrial Development Corporation of South Africa Limited (IDC) for the year ended 31 March 2016 (the Report), as well as in the supplementary online information in Section 5: Corporate Governance and Procurement, available on the IDC website, at www@idc.co.za (the supplementary online information). This engagement was conducted by a multidisciplinary team of sustainable development and assurance specialists with relevant experience in integrated and sustainability reporting..

SUBJECT MATTER

We are required to provide limited assurance on the following selected performance information, marked with a 'LA' symbol on the relevant pages in the Report and the supplementary online information. The selected performance information described below has been prepared in accordance with the Global Reporting Initiative Sustainability Reporting (GRI G4) Guidelines supported by IDC's specific guidelines and IDC's own internal guidelines (the IDC reporting criteria).

Material matter	Key performance indicators	Unit of measurement	Reference page number	Boundary
Impacting on industrial development	Value of funding provided – approved with signed agreement	Rand-value	4, 29 to 30 of the report	IDC only
	Value of funding approved and disbursed under special schemes including drought relief and distressed funding	Rand-value	Supplementary online information in Section 5	IDC only
	Value of funding flow to communities, number of trusts, spatial interventions and social enterprises funded and value spend	Rand-value	42 of the report	IDC only
Contributing to socio-economic development	Value and impact of funding in rural areas	Rand-value and text claim	40 of the report	IDC only
	Gap analysis on environmental performance data, specifically relating to Scope 1 and Scope 2 Greenhouse gas emissions at the material subsidiaries (Foskor and Scaw) to observe if the control environment is sound to prevent any material misstatements on the reported data as well as approach adopted to managing and mitigating the impacts. This will therefore include understanding if there are strategies and risk management processes in place to elevate environmental issues.	Text claim	44 of the report	Foskor and Scaw
Building strong partnerships	Turnaround time on non-complex transactions (from start of due diligence to delivery of agreement to client)	Number	80 to 81 of the report	IDC only
	Training spend (average training spent per employee)	Rand value	Supplementary online information in Section 5	IDC only
	LA1: Total number and rates of new employee hires and employee turnover by age group, gender, and region	Number and percentage	Supplementary online information in Section 5	IDC only
	LA9: Average hours of training per year per employee by gender, and employee category	Number	51 of the report	IDC only
	LA10: Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Text claim	50 of the report	IDC only
	LA12: Staff complement and profile: breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Number and percentage	48 to 49 of the report Supplementary online information in Section 5	IDC only
Committed to good governance	**SO3:** Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Number and percentage	59 of the report	IDC only
	SO4: Communication and training on anti-corruption policies and procedures	Number and text claim	58 to 59 of the report	IDC only

DIRECTORS' RESPONSIBILITIES

The directors are responsible for the selection, preparation and presentation of the selected performance information in accordance with the IDC reporting criteria. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to IDC's performance and for the design, implementation and maintenance of internal controls relevant to the preparation of the Report and supplementary online information that is free from material misstatement, whether due to fraud or error.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and all other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA) that is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

KPMG Services Proprietary Limited and SizweNtsalubaGobodo Incorporated apply the International Standard on Quality Control 1, and accordingly maintain comprehensive systems of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

INDEPENDENT ASSURANCE PROVIDERS' LIMITED ASSURANCE REPORT ON SELECTED PERFORMANCE INFORMATION (continued)

OUR RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the selected performance information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected performance information is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (revised) involves assessing the suitability in the circumstances of IDC's use of its reporting criteria as the basis of preparation for the selected performance information, assessing the risks of material misstatement of the selected performance information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected performance information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures performed were based on our professional judgement and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the performance reporting process;
- Evaluated internal data management controls based on system walkthroughs;
- Inspected selected internally and externally generated documents and records and comprehensive data analyses.
- Recalculated certain performance information.
- Evaluated whether the selected performance information presented in the Report and supplementary online information is consistent with our overall knowledge and experience of the performance of the IDC.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether IDC's selected performance information has been prepared, in all material respects, in accordance with the IDC reporting criteria.

LIMITED ASSURANCE CONCLUSION

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected performance information set out in the subject matter paragraph for the year ended 31 March 2016 is not prepared, in all material respects, in accordance with the IDC reporting criteria.

OTHER MATTERS

IDC intends to publish the Integrated Report for the 31 March 2016 financial year end, consisting of a printed report and additional online disclosures, both of which will be available on the IDC website, at www@idc.co.za. The maintenance and integrity of IDC's website is the responsibility of IDC management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the Report or supplementary online information, or our independent assurance report that may have occurred since the initial date of presentation on the IDC website.

RESTRICTION OF LIABILITY

Our work has been undertaken to enable us to express limited assurance conclusions on the selected performance information to the directors of IDC in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than IDC, for our work, for this report, or for the conclusion we have reached.

KPMG Services Proprietary Limited
Per N Morris
Chartered Accountant (SA)
Registered Auditor
Director

23 August 2016

KPMG Crescent
85 Empire Road
Parktown
Johannesburg, 2193

SizweNtsalubaGobodo Inc.
Registered Auditor

Per D Manana
Chartered Accountant (SA)
Registered Auditor
Director
23 August 2016

SizweNtsalubaGobodo Building
20 Morris Street East
Woodmead
Johannesburg, 2191

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

The Accounting Authority is responsible for the preparation of the IDC's Annual Financial Statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing, and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the Annual Financial Statements.

In my opinion, the financial statements fairly reflect the operations of the IDC for the financial year ended 31 March 2016.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements of the IDC.

The IDC's Annual Financial Statements for the year ended 31 March 2016 have been audited by the external auditors and their report is presented on pages 74 to 75.

The Annual Financial Statements of the IDC set out on pages 83 to 150 have been approved.

MG Qhena
Chief Executive Officer

30 June 2016

REPORT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

INTRODUCTION

We have audited the consolidated and separate financial statements of the Industrial Development Corporation of South Africa Limited and its subsidiaries as set out on pages 84 to 150, which comprise the consolidated and separate statement of financial position as at 31 March 2016, the consolidated and separate statement of comprehensive income, statements of changes in equity and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The Board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with the International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa and for such internal control as the directors 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.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Industrial Development Corporation of South Africa Limited and its subsidiaries as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the Public Audit Act of South Africa and the General Notice issued in terms thereof, we have a responsibility to report findings on the reported performance information against predetermined objectives of selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of our tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

PREDETERMINED OBJECTIVES

We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected objectives presented in the Director's report as set out on pages 79 to 81 of the annual report of the Industrial Development Corporation of South Africa Limited for the year ended 31 March 2016, and reported thereon to the directors/ Accounting Authority:

- Development impact: Expected jobs created/saved on pages 80 to 81.
- Development impact: Actual jobs created/saved on pages 80 to 81.
- Development impact: Value of funding to black industrialists, women and youth on pages 80 to 81.
- Development impact: Funding for transactions for localisation initiatives on pages 80 to 81.
- Financial sustainability and efficiency: Level of impairments on pages 80 to 81.
- Financial sustainability and efficiency: Cost to income ratio on pages 80 to 81.
- Financial sustainability and efficiency: Growth in reserves on pages 80 to 81.
- People: People turnover on pages 80 to 81.
- Subsidiaries: SEFA balanced scorecard on pages 80 to 81.

We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information.

We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not identify any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

ADDITIONAL MATTERS

Although we identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, we draw attention to the following matter:

Achievement of planned targets

Refer to the information in the Director's report on the performance information as set out on pages 79 to 81 of the annual report for information on the achievement of the planned targets for the year.

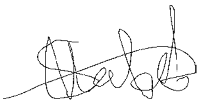
COMPLIANCE WITH LEGISLATION

We performed procedures to obtain evidence that the Industrial Development Corporation of South Africa had complied with applicable legislation regarding financial matters, financial management and other related matters. We did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the Public Audit Act.

INTERNAL CONTROL

We considered internal control relevant to our audit of the financial statements and compliance with legislation, but not for the purpose of expressing an opinion on the effectiveness of internal control. We did not identify any significant deficiencies in internal control.

SizweNtsalubaGobodo Inc.
Registered Auditor

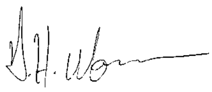


KPMG Inc.
Registered Auditor

Per S Malaba
Chartered Accountant (SA)
Registered Auditor
Director

23 August 2016

KPMG Crescent
85 Empire Road
Parktown
Johannesburg, 2193



Per D Manana
Chartered Accountant (SA)
Registered Auditor
Director

23 August 2016

SizweNtsalubaGobodo
20 Morris Street East
Woodmead
Johannesburg, 2191

Report of the Board Audit Committee in terms of Regulations 27(1)(10)(b) and (c) of the Public Finance Management Act of 1999 (as amended) and requirements of King III Code of Governance

BACKGROUND

The IDC Board Audit Committee (BAC) assists the Board in fulfilling its oversight responsibilities, in particular with regard to evaluation of the adequacy and efficiency of accounting policies, internal controls and financial reporting processes. In addition, the BAC assesses the effectiveness of the Internal Auditors and the independence and effectiveness of the external auditors.

RESPONSIBILITIES, COMPOSITION AND FUNCTIONS OF THE COMMITTEE

The committee's roles and responsibilities include its statutory duties as per the Public Finance Management Act of 1999 (as amended), the requirements of King III Code of Governance, the Companies Act, No 71 of 2008 (as amended) and the responsibilities assigned to it by the Board.

The committee therefore reports that it has adopted appropriate formal terms of reference as approved by the Board, and is satisfied that it has discharged its responsibilities as per the Companies Act, King III and PFMA.

The committee has carried out its functions through the attendance at Audit Committee meetings and discussions with executive management, Internal Audit and external advisers where appropriate.

The BAC consists of four members, all of whom are independent Non-executive directors, and its members are Ms NP Mnxasana (Chairperson), Mr RM Godsell, Dr SM Magwentshu-Rensburg and Mr B Molefe.

The Audit Committee meets at least four times per annum, with authority to convene additional meetings as circumstances require.

The invitees to committee meetings include the two Executive directors, Chief Risk Officer, internal and external auditors, the Head of Financial Management as well as the Head of Information Technology, and any other executives when necessary.

To execute the key functions and discharge the responsibilities outlined in its charter the committee, during the period under review:

- Assisted the Board of directors in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within the Company in the day-to-day management of its business
- Facilitated and promoted communication between the Board, management, the external auditors and internal audit department on matters that are the responsibility of the committee
- Introduced measures that, in the opinion of the committee, may enhance the credibility and objectivity of the financial statements and reports prepared with reference to the affairs of the Company (and the IDC Group)
- Nominated and recommended for appointment as external auditors the Company registered auditors (KPMG Inc, and SNG. KPMG have subcontracted 20% of their portion of the audit to Ngubane & Co.), who, in the opinion of the committee, are independent of the IDC
- Determined the fees to be paid to the external auditors and the auditors' terms of engagement
- Ensured that the appointment of the external auditors complied with the Companies Act and any other legislation relating to the appointment of auditors

INTERNAL CONTROL

The BAC monitored the effectiveness of the IDC's internal controls and compliance with the Enterprise wide Risk Management Framework (ERMF). The emphasis on risk governance is based on three lines of defence and the BAC uses the regular reports received from the three lines of defence (process owners/department heads; Risk & Compliance departments, Management; and Internal Audit department) to evaluate the effectiveness of the internal controls. The ERMF places weight on accountability, responsibility, independence, reporting, communication and transparency, both internally and with all the IDC's key external stakeholders.

No findings have come to the attention of the committee to indicate that any material breakdown in internal controls has occurred during the financial year under review. The committee is of the opinion that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the consolidated Annual Financial Statements, and accountability for assets and liabilities is maintained and that this is based on sound accounting policies, supported by reasonable and prudent judgements and estimates. The BAC is further of the opinion that the internal controls of the Corporation had been effective in all material aspects throughout the year under review.

This opinion is based on the information and explanations given by management regarding various processes and initiatives aimed at improving the internal control environment and the integrity of information, discussions with Internal Audit, as well as the independent external auditors on the results of their audits.

To formulate its opinion, the committee:

- Monitored the identification and correction of weaknesses and breakdowns of systems and internal controls
- Monitored the adequacy and reliability of management information and the efficiency of management information systems
- Reviewed quarterly, interim and final financial results and statements and reporting for proper and complete disclosure of timely, reliable and consistent information
- Evaluated on an ongoing basis the appropriateness, adequacy and efficiency of accounting policies and procedures, compliance with generally accepted accounting practice and overall accounting standards as well as any changes thereto
- Discussed and resolved any significant or unusual accounting issues
- Reviewed reports supplied by management regarding the effectiveness and efficiency of the credit monitoring process, exposures and related impairments and adequacy of impairment provisions to discharge its obligations satisfactorily
- Reviewed and monitored all key financial performance indicators to ensure that they are appropriate and that decision-making capabilities are maintained at high levels
- Reported to the Board on the effectiveness of the Company's internal reporting controls

EXTERNAL AUDITORS

The IDC's external auditors are KPMG Inc, and SizweNtsalubaGobodo (SNG). KPMG has subcontracted 20% of their portion of the audit to assist with transformation objectives by offering an emerging black-owned audit firm, Ngubani & Co, an opportunity to be exposed to auditing a company the size of the IDC.

The BAC has a well-established policy on auditors' independence and audit effectiveness. The committee has satisfied itself that the external auditors, KPMG Inc, Ngubani & Co and SNG were independent of the Company, as set out in sections 90(2)(c) and 94(8) of the Companies Act, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors.

Requisite assurance was sought and provided by the external auditors that internal governance processes within their entities support and demonstrate their claim to independence.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and audit fees for the financial year ended 31 March 2016.

The committee:

- Approved the external auditor's annual plan and related scope of work
- Monitored the effectiveness of the external auditors in terms of their skills, independence, execution of the audit plan, reporting and overall performance
- Considered whether the extent of reliance placed on internal audit by the external auditors was appropriate and whether there were any significant gaps between the Internal and External Audits
- The BAC had also approved the Non-audit Services Policy that specifies that the external auditors are precluded from engaging in non-audit related services

FINANCIAL STATEMENTS

The committee has reviewed the financial statements of the Company and the IDC Group and is satisfied that they comply in all material respects with IFRS and the requirements of the Companies Act and PFMA. During the period under review the committee:

- Reviewed and discussed the audited Annual Financial Statements included in this Integrated Report with the external auditors, the Chief Executive and the Chief Financial Officer
- Reviewed the external auditors' report and management's response thereto
- Reviewed any significant adjustments resulting from external audit queries and accepted unadjusted audit differences
- Reviewed areas of significant judgements and estimates in the Annual Financial Statements
- Received and considered reports from the Internal Auditors

EXPERTISE AND EXPERIENCE OF FINANCE FUNCTION

The committee has considered, and has satisfied itself of the overall appropriateness of the expertise and adequacy of resources of the IDC's finance function and experience of the senior members of management responsible for the financial function.

DUTIES ASSIGNED BY THE BOARD

INTEGRATED AND SUSTAINABILITY REPORTING

The BAC fulfils an oversight role regarding the Company's Integrated Report and the reporting process and considers the level of assurance coverage obtained from management, and internal and external assurance providers in making its recommendation to the Board.

The committee considered the Company's information as disclosed in the Integrated Report and has assessed its consistency with operational and other information known to committee members, and for consistency with the Annual Financial Statements. The committee discussed the information with management and has considered the conclusions of the external assurance provider. The committee is satisfied that the sustainability information is, in all material respects, reliable and consistent with the financial results. Nothing has come to the attention of the committee to indicate any material deficiencies in this regard.

COMBINED ASSURANCE

The committee is responsible for monitoring the combined assurance model detailing significant processes, line management monitoring, Internal Audit and external assurances. This model is used to assess the appropriateness of assurance over risks/controls provided to the Board. Engagement regarding the extent to which the various assurance providers rely on each other's work or where overlaps are unavoidable, take place continuously. A better coordination between External and Internal Audit has been achieved, however an area of improvement is considered for the next reporting year with other assurance providers such as Compliance Function and Risk Management Department.

GOING CONCERN

The committee concurs that the adoption of the going concern assumption in the preparation of the consolidated Annual Financial Statements is appropriate and sound. This is after the committee reviewed a documented assessment by management of the going concern premise of the Company and the IDC Group.

REPORT OF THE BOARD AUDIT COMMITTEE (continued)

GOVERNANCE OF RISK

The Board has assigned oversight of the company's risk management function to a separate Board Risk Committee. The chairman of the BAC attends the Board Risk Committee meetings as an *ex officio* member to ensure that information relevant to these committees is shared regularly.

The committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk and information technology risks as they relate to financial reporting. The committee is satisfied that the appropriate and effective risk management processes are in place.

INTERNAL AUDIT

IA forms part of the third line of defence as set out in the ERMF and engages with the first and second lines of defence to facilitate the escalation of key control breakdowns. More information about IA is provided in the online section of this report.

The IA department has a functional reporting line to the committee chairperson and an operational reporting line to the CEO. The BAC, with respect to its evaluation of the adequacy and effectiveness of internal controls, receives reports from IA on quarterly basis, assesses the effectiveness of IA function, and reviews and approves the IA audit plan.

The Audit Committee is responsible for ensuring that the company's IA function is independent and has the necessary resources, standing and authority within the company to enable it to discharge its duties. The IA function's annual audit plan was approved by the Audit Committee.

The committee monitored and challenged, where appropriate, action taken by management with regard to adverse IA findings.

The committee has overseen a process by which IA has performed audits according to a risk-based audit plan where the effectiveness of the risk management and internal controls were evaluated. These evaluations were the main input considered by the Board in reporting on the effectiveness of internal controls. The committee is satisfied with the independence and effectiveness of the IA function.

CONCLUSION

Having considered, analysed, reviewed and debated information provided by management, IA and External Audit, the committee confirmed that:

- The internal controls of the Group were effective in all material aspects throughout the year under review
- These controls ensured that the group's assets had been safeguarded
- Proper accounting records had been maintained
- Resources had been utilised efficiently
- The skills, independence, audit plan, reporting and overall performance of the external auditors were acceptable

Following our review of the financial statements for the year ended 31 March 2016, we are of the opinion that they comply with the relevant provisions of the PFMA, as amended, and IFRS, and that they fairly present the results of the operations, cash flow and financial position of the Corporation.

The Board Audit Committee has complied with all the King III principles, with the inclusion of integrated reporting, evidenced by the Corporation's fifth issue of its Integrated Report 2016.

The committee is satisfied that it has complied in all material respects, with its legal, regulatory and other responsibilities.

We hereby recommend the Integrated Report to the Board for approval.

On behalf of the Board Audit Committee

Ms NP Mnxasana
Chairperson of the Board Audit Committee

21 June 2016

GROUP COMPANY SECRETARY'S CERTIFICATE

DECLARATION BY THE GROUP COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act (2008) of South Africa, I certify that, to the best of my knowledge and belief, the IDC has lodged with the Registrar of Companies for the financial year ended 31 March 2016 all such returns as are required in terms of the Companies Act, No 71 of 2008, and that such returns are true, correct and up to date. In terms of section 19 of the IDC Act, No 22 of 1940, as amended, I certify that for the financial year ended 31 March 2016, the IDC has lodged with the Minister of Economic Development the financial statements in respect of the preceding financial year.

Makwane

P Makwane
Group Company Secretary

30 June 2016

INTRODUCTION

The Industrial Development Corporation of South Africa Limited (IDC) was established in 1940 by an Act of Parliament. It is a registered public corporation and a Schedule 2 listed entity in terms of the Public Finance Management Act (PFMA), No 1 of 1999, and the related Treasury regulations. This report is presented in accordance with the provisions of the prescribed legislation and addresses the performance of the IDC, as well as relevant statutory information requirements. The Board of directors is the Accounting Authority as prescribed in the PFMA.

NATURE OF BUSINESS

The IDC is a State-owned development finance institution that provides financing to entrepreneurs engaged in competitive industries, follows normal Company policies and procedures in its operations, pays income tax at corporate rates, and pays dividends to its shareholder.

The IDC's vision is to be the primary driving force of commercially sustainable industrial development and innovation for the benefit of South Africa and the rest of Africa. Its objective is to lead industrial capacity development.

As part of its industry development activities, the IDC has equity interests in several companies operating in other industries throughout the economy. Although we aim to keep our shareholding in these companies to levels below 50%, we do in some instances gain control of these businesses for various reasons. Details of trading subsidiaries and joint ventures are set out in the notes to the financial statement on pages 124 to 129.

PERFORMANCE MANAGEMENT

The IDC's performance indicators reflect the Corporation's goals as set out earlier in this Integrated Report. Measures related to our key objective of industrial capacity development are integrated with other indicators that measure our development impact, financial sustainability and efficiency, stakeholder relations, as well as the performance of important subsidiaries.

Our primary performance evaluation focus is on our financing activities and dedicated, wholly owned financing subsidiaries. The performance measurement system ensures that the IDC remains aligned with its mandated objectives. We review performance indicators annually to account for changes in our external and internal environments and ensure that long-term objectives will be achieved.

Performance against indicators is measured and reported on regularly to the IDC's Executives and Board. Regular activity reports and management accounts ensure that target deviations can be detected and corrected, if necessary.

The achievement of targets represents the expected level of performance. Performance targets are set at corporate, team and individual levels and performance-linked remuneration is based on the achievement of such targets.

PERFORMANCE INDICATORS

The IDC adopted a balanced approach to performance measuring and adapted the principles of the balanced scorecard to support its own objectives and operations. We measure indicators in the following five areas:

- Development impact
- Financial sustainability and efficiency
- People
- Stakeholders
- Subsidiaries

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

External auditors review the performance measurement process and outcomes to ensure that targets are achieved accordingly and that the overall performance is a fair reflection of the Corporation's activities during the period under review.

Overall, the Corporation has recorded satisfactory performance, especially on short-term targets, in spite of prevailing economic conditions.

In terms of funding activity, the overall level of funding approvals, at R14.5 billion for the year, were at the highest levels ever. The value of funding disbursements increased to R11.4 billion, the second highest level ever, but not enough to reach the base of R12.5 billion. Despite high levels of funding approved, the IDC could not leverage funding to the same extent as it has in previous years, with fewer large new projects approved and, in some cases, the IDC being the only funder injecting funds to alleviate the situation of companies in distress.

IDC funding approvals, for which agreements were signed, are expected to create and save about 18 010 jobs, above the base expectations of 14 062. Information gathered from clients indicates that in excess of 15 000 actual jobs were created.

Excellent achievement was recorded with targets for funding to black industrialists, and women and youth-empowered companies and localisation was exceeded. Overall, government departments' impression of the IDC's inputs into policy development was extremely favourable as indicated by survey ratings, with positive feedback received in a wide range of areas including inputs into policies related to black industrialists, collaboration on IPAP, steel pricing and other areas.

The IDC's contained costs and income figures were higher than budgeted, resulting in good performance on the indicator measuring the cost-to-income ratio. Impairments, as a percentage of the portfolio at cost, were better than the base expectations, but this came as a result of write-offs and remains an area of concern. Economic conditions and continued pressure on commodity prices continued to put pressure on the value of the IDC's reserves.

Staff turnover on the management band was high, but for other professional staff, it was much better than expected.

DIRECTORS' REPORT (continued)

The average turnaround time on non-complex transactions was better than expected but the feedback from clients indicates that there is scope for further improvement.

sefa's performance was slightly above expectations. Scaw's turnaround strategy is performing in line with expectations while Foskor's financial performance is a cause for concern, with plans being implemented to address this.

Perspective	Theme	Metric	Description
Development impact	Funding activity	Value of funding disbursed	Total value of funding disbursed by the IDC
		Funding leveraged	Rand amount of outside total funding attracted for each rand of IDC funding
	Jobs	Expected jobs created/saved	Expected direct jobs created/saved at signature of agreement
		Actual jobs created/saved	Actual jobs created/saved by IDC clients
	Industry development	Facilitation of enabling environment	IDC contribution to government policy formulation aimed at industrial development
		Implementation of projects	Implementation of strategic projects
	Black industrialists, women and youth	Value of funding to black industrialists, women and youth	Value of funding approvals with an agreement signed for transactions benefiting black industrialists
			Value of funding approvals with an agreement signed for businesses owned by at least 25% women
			Value of funding approvals with an agreement signed for businesses owned by at least 25% youth
	Localisation	Funding for transactions for localisation initiatives	Value of funding approvals with an agreement signed for transactions aimed at inputs into infrastructure or other government procurement
	Development sustainability	Sustainability of business partners	Percentage of overall number and value of capital more than 60 days in arrears
Financial sustainability and efficiency	Impairments	Level of impairments	Impairments as a percentage of the portfolio at cost
			Value of impairments as per balance sheet
	Management of costs	Cost-to-income ratio	Administration costs, excluding impairments and project costs as a percentage of net interest, dividend and fee income (excluding dividend income from mature listed investments)
	Strength of balance sheet	Growth in reserves	Five-year compound annual growth rate in the IDC's reserves
People	Human capital development	Staff turnover	Annual voluntary turnover percentage of individuals in the Management and Professional bands
	Human capital development	Employer of choice	CRF Institute Top Employer rating
Stakeholders	LA Turnaround times	Turnaround time on transactions	Turnaround time on non-complex transactions: (working days from date of start of due diligence to date of agreement being sent to client)
	Stakeholder interaction	Stakeholder perception	Reputation Institute stakeholder perception survey
Subsidiaries	sefa performance	sefa balanced scorecard	sefa performance rating as per its performance against targets set in its balanced scorecard
	Scaw	Scaw turnaround plan	Attract partners to invest in Scaw
	Foskor	Profit/(loss) after interest and tax as per audited financial statements	Rating based on financial performance relative to approved budgets

* *Refers to the number of jobs as when agreements are signed whereas the number quoted elsewhere in the document refers to jobs as when a transaction gets approved*

Base	Target	Actual	Achievement
R12.5 billion	R16.7 billion	R11.4 billion	Not achieved
2:1	3:1	1.5:1	Not achieved
14 062	22 000	18 010	Achieved base
14 081	16 193	15 775*	Achieved base
Qualitative rating by senior officials		Rating of 3.7 on a scale of 1 to 5	Achieved
70% of projects implemented	100% of projects implemented	79.5% of projects implemented	Achieved base
R2 000 million	R3 000 million	R4 491 million	Achieved target
R600 million		R3 006 million	Achieved
R600 million		R892 million	Achieved
R1 500 million	R3 500 million	R4 725 million	Achieved target
19.0% of value	17.5% of value	18.8% of value	Achieved base
31.0% of number	29.5% of number	29.1% of number	Achieved target
17%	15.5%	16.9%	Achieved base
R12.5 billion		R11.8 billion	Not achieved
71.4%	51.4%	45.0%	Achieved target
CPI (5.7%)	CPI+4% (9.7%)	CPI-8.0% (-2.3%)	Not achieved
5.0% (M-band)	3.5%	6.7%	Not achieved
10.0% (P-band)	8.0%	7.2%	Achieved target
73%	80%	75%	Achieved base
17	15	LA 14.7	Achieved target
69%	76%	75%	Achieved base
sefa's performance rating		Rating of 3.1 on a scale of 1 to 5	Achieved
At least sign an MoU with partners for Scaw Metals		Non-binding offers received from potential partners	Achieved
Achieve budgeted financial results		Losses larger than budgeted	Not achieved

FUNDING

The IDC sources loan funding mainly from international development agencies, commercial facilities through our relationships with commercial banks, and bond issuances. The general 2015 funding requirements for the IDC Mini Group to, inter alia, finance advances of R11.4 billion and borrowing redemptions of R5.0 billion, amounted to R18.8 billion (2015: R14.5 billion). These requirements were met mainly out of R6.2 billion of internally generated funds, namely repayments received and profits. New borrowings amounted to R10.5 billion for the year.

CORPORATE GOVERNANCE

The IDC's directors endorse the King III Report on Corporate Governance and, during the review period, endeavoured to adhere to those recommendations or explain non-adherence.

Our performance in this regard is outlined in the Corporate Governance section of this annual report.

PUBLIC FINANCE MANAGEMENT ACT

The IDC Board is responsible for the development of the Corporation's strategic direction. Our Board-approved strategy and business plan are captured in the Shareholder's Compact and Corporate Plan. Following agreement for the strategy and business plan with the Economic Development Department, the documents form the basis for detailed action plans and continuous performance evaluation.

Our business units and departments are guided by the Shareholder's Compact and Corporate Plan to prepare annual business plans, budgets and capital programmes to meet their strategic objectives.

Day-to-day management responsibility is vested in line management through a clearly defined organisational structure and formal, delegated authority.

We have a comprehensive system of internal controls designed to ensure that we meet corporate objectives and the requirements of the PFMA. Processes are in place to ensure that where controls fail, the failure is detected and corrected.

DIVIDENDS

A dividend of R50 million was paid during the financial year.

VALUATION OF SHARES

The value of the Group's investment in listed shares decreased to R40.0 billion at the end of the 2016 financial year (2014: R45.0 billion).

REVIEW OF POST-BALANCE SHEET EVENTS

The post-year-end value of the Group's listed shares decreased by R320 million as a result of movements in the listed equities market.

SHARE CAPITAL

The authorised (R1.5 billion) and issued share capital (R1.4 billion) remained unchanged during the reporting year.

AUDIT COMMITTEE INFORMATION

The names of the Audit Committee members are reflected on page 56.

GOING CONCERN

The directors assessed the IDC as being a going concern in terms of financial, operational and other indicators. The directors are of the view that our status as a going concern is assured.

DIRECTORS AND SECRETARY

The current directors of the IDC, with brief biographies, are reflected on pages 12 to 15. The name and registered office of the Secretary appears on the inside back cover.

4 ANNUAL FINANCIAL STATEMENTS

IDC headquarters in Sandton, Johannesburg.

STATEMENT OF FINANCIAL POSITION

		Group		Company	
Figures in Rand million	**Note(s)**	**2016**	**2015**	**2016**	**2015**
Assets					
Cash and cash equivalents	5	6 865	8 257	6 183	7 714
Derivative financial instruments	19	69	4	62	–
Trade and other receivables	6	3 305	3 702	914	1 069
Inventories	7	3 599	3 853	4	4
Current tax receivable		207	264	200	260
Loans and advances	8	23 928	22 412	23 451	21 760
Investments	9	53 272	57 351	29 122	35 159
Non-current assets held-for-sale	10	118	65	–	–
Investments in subsidiaries	11	–	–	46 887	43 415
Investments in associates, joint ventures and partnerships	12	18 314	15 763	15 421	15 624
Deferred tax	13	215	61	–	–
Investment property	14	362	299	15	15
Property, plant and equipment	15	10 816	9 921	166	129
Biological assets	16	215	247	–	–
Intangible assets	17	63	90	–	–
Total assets		121 348	122 289	122 425	125 149
Equity and liabilities					
Equity					
Equity attributable to equity holders of the Group/Company					
Share capital	18	1 393	1 393	1 393	1 393
Reserves		43 605	49 217	53 127	60 114
Retained income		39 717	39 187	23 480	23 353
		84 715	89 797	78 000	84 860
Non-controlling interest		102	125	–	–
Total equity		84 817	89 922	78 000	84 860
Liabilities					
Bank overdraft	5	38	44	–	–
Derivative financial instruments	19	59	56	44	50
Trade and other payables	20	3 727	3 748	945	1 262
Current tax payable		2	3	–	–
Retirement benefit obligation	21	589	707	158	182
Other financial liabilities	22	27 984	24 005	38 987	33 566
Deferred tax	13	3 338	3 369	4 178	5 119
Provisions	23	768	417	23	48
Share-based payment liability	24	26	18	90	62
Total liabilities		36 531	32 367	44 425	40 289
Total equity and liabilities		121 348	122 289	122 425	125 149

		Group		Company	
Figures in Rand million	**Note(s)**	**2016**	**2015**	**2016**	**2015**
Revenue	25, 26	19 408	19 599	5 438	5 476
Cost of sales		(11 918)	(12 541)	–	–
Gross profit		7 490	7 058	5 438	5 476
Finance costs paid	27	(1 317)	(1 402)	(1 300)	(1 170)
Gross profit after financing costs		6 173	5 656	4 138	4 306
Other income		581	663	406	398
Net capital gains	29	453	640	410	427
Operating expenses		(7 701)	(5 948)	(4 802)	(3 413)
Operating (loss)/profit	30	(494)	1 011	152	1 718
Profits from equity-accounted investments		557	656	–	3
Profit before taxation		63	1 667	152	1 721
Taxation	32	160	(14)	25	(54)
Profit for the year		223	1 653	177	1 667
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Profits on property, plant and equipment revaluation		73	780	17	17
Remeasurements on net defined benefit liability/asset		59	(17)	40	(10)
Income tax relating to items that will not be reclassified		(26)	(173)	(13)	7
Total items that will not be reclassified to profit or loss		106	590	44	14
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		129	(3)	–	–
Available-for-sale financial assets adjustments		(6 087)	(21 789)	(7 631)	(18 700)
Other reserves		–	(156)	–	–
Share of comprehensive income of associates and joint ventures		530	696	(15)	(23)
Income tax relating to items that may be reclassified		(290)	1 918	615	2 083
Total items that may be reclassified to profit or loss		(5 718)	(19 334)	(7 031)	(16 640)
Other comprehensive income for the year net of taxation	34	(5 612)	(18 744)	(6 987)	(16 626)
Total comprehensive loss for the year		(5 389)	(17 091)	(6 810)	(14 959)
Profit for the year attributable to:					
Owners of the parent		580	1 956	177	1 667
Non-controlling interest		(357)	(303)	–	–
		223	1 653	177	1 667
Total comprehensive income for the year attributable to:					
Owners of the parent		(5 032)	(16 922)	(6 810)	(14 959)
Non-controlling interest		(357)	(169)	–	–
		(5 389)	(17 091)	(6 810)	(14 959)

STATEMENTS OF CHANGES IN EQUITY

Figures in Rand million	Total share capital	Foreign currency translation reserve	Associated entities reserve	Revaluation reserve
Group				
Balance at 31 March 2014	1 393	894	806	64 206
Total comprehensive income for the year	–	485	208	(19 295)
Transactions with non-controlling shareholders	–	–	–	–
Distributions to owners of the Company				
Dividends	–	–	–	–
Total changes	–	485	208	(19 295)
Balance at 31 March 2015	1 393	1 379	1 014	44 911
Total comprehensive income for the year	–	760	(101)	(6 317)
Transactions with non-controlling shareholders	–	–	–	–
Distributions to owners of the Company				
Dividends	–	–	–	–
Total changes	–	760	(101)	(6 317)
Balance at 31 March 2016	1 393	2 139	913	38 594
Company				
Balance at 31 March 2014	1 393	–	(3)	75 520
Total comprehensive income for the year	–	–	(23)	(16 593)
Contributions introduced	–	–	–	–
Distributions to owners of the Company				
Dividends	–	–	–	–
Total changes	–	–	(23)	(16 593)
Balance at 31 March 2015	1 393	–	(26)	58 927
Total comprehensive income for the year	–	–	(15)	(7 003)
Distributions to owners of the Company				
Dividends	–	–	–	–
Total changes	–	–	(15)	(7 003)
Balance at 31 March 2016	1 393	–	(41)	51 924
Note(s)	18	34	34	34

Common control reserve	Other reserve	Share-based payment reserve	Retained income	Total attributable to equity holders of the Group/ Company	Non-controlling interest	Total equity
1 657	94	304	37 415	106 769	215	106 984
–	(142)	–	1 822	(16 922)	(169)	(17 091)
–	–	–	–	–	79	79
–	–	–	(50)	(50)	–	(50)
–	(142)	–	1 772	(16 972)	(90)	(17 062)
1 657	(48)	304	39 187	89 797	125	89 922
–	46	–	580	(5 032)	(357)	(5 389)
–	–	–	–	–	334	334
–	–	–	(50)	(50)	–	(50)
–	46	–	530	(5 082)	(23)	(5 105)
1 657	(2)	304	39 717	84 715	102	84 817
1 222	1	–	21 736	99 869	–	99 869
–	(10)	–	1 667	(14 959)	–	(14 959)
–	–	–	–	–	–	–
–	–	–	(50)	(50)	–	(50)
–	(10)	–	1 617	(15 009)	–	(15 009)
1 222	(9)	–	23 353	84 860	–	84 860
–	31	–	177	(6 810)	–	(6 810)
–	–	–	(50)	(50)	–	(50)
–	31	–	127	(6 860)	–	(6 860)
1 222	22	–	23 480	78 000	–	78 000
34	34					

STATEMENT OF CASH FLOWS

		Group		Company	
Figures in Rand million	**Note(s)**	**2016**	**2015**	**2016**	**2015**
Cash flows from operating activities					
Cash used in operations	37	(515)	(972)	(1 237)	(450)
Interest received		2 346	2 206	3 128	2 581
Dividends received		2 723	3 104	1 886	2 238
Finance costs paid		(1 387)	(1 310)	(1 411)	(1 104)
Tax paid	39	(100)	(406)	(241)	(407)
Changes in operating funds		994	763	2 512	2 955
Increase on operating assets		(2 985)	(1 892)	(2 909)	(1 594)
Increase in operating liabilities		3 979	2 655	5 421	4 549
Net cash generated from operating activities		4 061	3 385	4 637	5 813
Cash flows from investing activities					
Purchase of property, plant and equipment	15	(2 513)	(1 180)	(46)	(14)
Proceeds on sale of property, plant and equipment	15	300	371	–	4
Purchase of investment property	14	–	(3)	–	–
Purchase of other intangible assets	17	(2)	(58)	–	–
Business combinations	38	14	–	–	–
Acquisition of investments		(3 771)	(3 008)	(6 622)	(6 008)
Purchase of biological assets	16	(33)	(27)	–	–
Proceeds on sale of biological assets	16	15	9	–	–
Proceeds on realisation of investments		593	1 003	550	719
Net cash used in investing activities		(5 397)	(2 893)	(6 118)	(5 299)
Cash flows from/(used in) financing activities					
Dividends paid		(50)	(50)	(50)	(50)
Net cash used in financing activities		(50)	(50)	(50)	(50)
Net (decrease)/increase in cash and cash equivalents		(1 386)	442	(1 531)	464
Cash at the beginning of the year		8 213	7 771	7 714	7 250
Total cash at the end of the year	5	6 827	8 213	6 183	7 714

	South Africa		Rest of Africa		Other		Total	
Figures in Rand million	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Income								
Interest received	1 998	1 826	347	377	1	3	2 346	2 206
Dividends received	2 698	3 061	25	24	–	19	2 723	3 104
Fee income	467	707	–	–	–	–	467	707
Farming, manufacturing and mining income	12 597	13 276	184	33	1 091	273	13 872	13 582
Revenue	17 760	18 870	556	434	1 092	295	19 408	19 599
Share of profits of equity-accounted investments	1 032	910	24	179	–	–	1 056	1 089
Other income	581	660	–	–	–	3	581	663
Net capital gains	453	640	–	–	–	–	453	640
Expenses								
Financing expenses	(1 317)	(1 402)	–	–	–	–	(1 317)	(1 402)
Operating expenses	(15 696)	(15 984)	(26)	(29)	(102)	(274)	(15 824)	(16 287)
Share of losses of equity-accounted investments	(291)	(431)	(167)	(2)	(41)	–	(499)	(433)
Taxation	163	(19)	–	–	(3)	5	160	(14)
Depreciation	(723)	(598)	–	–	–	–	(723)	(598)
Impairment of property, plant and equipment	(200)	–	–	–	–	–	(200)	–
Net movement in impairments	(3 161)	(1 526)	–	–	–	–	(3 161)	(1 526)
Project feasibility expenses	289	(78)	–	–	–	–	289	(78)
Profit for the year	(1 110)	1 042	387	582	946	29	223	1 653
Total assets	110 093	112 644	10 115	8 556	1 140	1 089	121 348	122 289
Interest in equity-accounted investments	13 888	11 996	4 426	3 767	–	–	18 314	15 763
Total liabilities	36 413	32 280	4	6	112	81	36 529	32 367
Capital expenditure	2 522	1 180	–	–	–	–	2 522	1 180
Capital expenditure commitments	87	263	–	–	–	–	87	263

Other includes all countries outside the African continent.

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to make strategic decisions. The Executive Committee considers the business primarily from a product perspective. The products are segmented into financing activities and non-financing activities.

Segment assets consist primarily of loans, advances, investments, property, plant and equipment, and cash and cash equivalents. Segment liabilities comprise non-current and current liabilities.

Capital expenditure comprises additions to property, plant and equipment.

REPORTABLE SEGMENTS

	Industrial Development Corporation		Other financing activities	
Figures in Rand million	**2016**	**2015**	**2016**	**2015**
Income				
Interest received	3 128	2 581	450	501
Dividends received	1 886	2 238	985	1 145
Fee income	424	657	43	50
Farming, manufacturing and mining income	–	–	–	–
Revenue*	5 438	5 476	1 478	1 696
Share of profits of equity-accounted investments	–	3	39	31
Other income	406	398	15	10
Net capital gains	410	427	43	–
Expenses				
Financing costs	(1 300)	(1 170)	(30)	(22)
Operating expenses	(1 400)	(1 502)	(574)	(682)
Share of losses of equity-accounted investments	–	–	–	–
Taxation	25	(54)	8	(1)
Depreciation	(21)	(18)	(4)	(4)
Project feasibility expenses	289	(72)	–	–
Net movement in impairments	(3 670)	(1 821)	(380)	(215)
Impairment of property, plant and equipment	–	–	–	–
Profit for the year	177	1 667	595	813
Total assets	122 425	125 149	2 505	2 671
Interest in equity-accounted investments	15 421	15 624	929	852
Total liabilities	44 425	40 289	762	570
Capital expenditure	46	14	15	2
Capital expenditure commitments	–	–	–	–

* *All revenue is from external customers.*

Other financing activities include Findevco, Impofin, Konoil and the Small Enterprise Finance Agency Limited. Other includes Dymson Nominee, Kindoc Investments, Kindoc Sandton Properties, Konbel, Prilla, and certain other property-owning subsidiaries and consolidation adjustments.

	Foskor (Pty) Ltd		Scaw South Africa (Pty) Ltd		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	18	30	1	1	(1 245)	(907)	2 352	2 206
	–	4	–	–	(154)	(283)	2 723	3 104
	–	–	–	–	–	–	467	707
	5 918	5 297	5 660	6 268	2 294	2 017	13 872	13 582
	5 936	5 331	5 661	6 269	895	827	19 414	19 599
	4	–	–	–	1 013	1 055	1 056	1 089
	106	61	–	–	54	194	581	663
	–	217	–	–	–	(4)	410	640
	(438)	(215)	(477)	(466)	928	471	(1 317)	(1 402)
	(5 790)	(5 703)	(6 050)	(6 532)	(2 010)	(1 868)	(15 824)	(16 287)
	–	(1)	–	–	(499)	(432)	(499)	(433)
	144	188	–	(161)	(17)	14	167	(14)
	(330)	(288)	(208)	(195)	(160)	(93)	(723)	(598)
	–	–	–	–	–	(6)	289	(78)
	–	–	–	–	889	510	(3 161)	(1 526)
	(200)	–	–	–	–	–	(200)	–
	(568)	(410)	(1 074)	(1 085)	1 093	668	223	1 653
	8 803	7 891	4 714	5 218	(17 099)	(18 640)	121 348	122 289
	–	4	–	–	1 964	(717)	18 314	15 763
	3 740	4 636	8 872	8 562	(21 270)	(21 690)	36 529	32 367
	460	574	–	288	2 001	302	2 522	1 180
	–	–	–	660	87	(397)	87	263

1. ACCOUNTING POLICIES

The Industrial Development Corporation of South Africa Limited (IDC, Company or Corporation) is domiciled in South Africa. The consolidated financial statements for the year ended 31 March 2016 comprise the IDC, its subsidiaries and the Group's interest in associates and jointly controlled entities (referred to as the Group).

The financial statements were authorised for issue by the directors on 30 June 2016.

1.1 STATEMENT OF COMPLIANCE

The separate and consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) as well as the requirements of the PFMA.

1.2 BASIS OF PREPARATION

The separate and consolidated financial statements are presented in South African Rand, which is the Company's functional currency, rounded to the nearest million.

These consolidated financial statements are prepared on the historical cost basis, except for the following:

- Derivative financial instruments are measured at fair value;
- Financial instruments held-for-trading are measured at fair value;
- Financial instruments classified as available-for-sale are measured at fair value;
- Financial instruments designated at fair value through profit or loss are measured at fair value;
- Investments in subsidiaries, associates and jointly-controlled entities are carried at fair value in the separate financial statements of the Company;
- Biological assets are measured at fair value less costs to sell;
- Investment property is measured at fair value;
- Land and buildings are measured at revalued amount; and
- Aircraft are measured at fair value.

Standards, amendments and interpretations to existing standards not yet effective and also not early adopted:

IFRS 9 – Financial Instruments (effective 1 January 2018)

IFRS 9 – Financial Instruments will replace certain key elements of IAS 39. The two key elements that would impact the Group's accounting policies include:

- Classification and measurement of financial assets and financial liabilities: the standard requires that all financial assets be classified as either held at fair value or amortised cost.
  - (i) The amortised cost classification is only permitted where it is held within a business model where the underlying cash flows are held in order to collect contractual cash flows and that the cash flows arise solely from payment of principal and interest.
  - (ii) The standard further provides that gains and losses on assets held at fair value are measured through the income statement unless the entity has elected to present gains and losses on non-trading equity investments (individually elected) directly through comprehensive income. With reference to financial liabilities held at fair value, the standard proposes that changes to fair value attributable to credit risk are taken directly to other comprehensive income without recycling.
- Impairment methodology: the key change is related to a shift from an incurred loss to an expected loss impairment methodology.

The implementation of IFRS 9 is anticipated to have a significant impact on the preparation of the Group's financial statements. The exact impact is still being established by the Group.

IFRS 15 – Revenue from Contracts with Customers (effective 1 January 2017)

This standard replaces IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, and IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfer of Assets from Customers and SIC-31 – Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised.

The Group is in the process of evaluating the impact of IFRS 15 on its financial statements.

All other standards and interpretations issued but not yet effective are not expected to have a material impact on the Group.

1.3 INVESTMENTS IN SUBSIDIARIES

Subsidiaries are entities controlled by the IDC. The Group "controls" an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases. Investments in subsidiaries in the Company's separate financial statements are carried at fair value as available-for-sale financial assets.

Business combinations

The acquisition method is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The assets, liabilities and contingent liabilities acquired are assessed and included in the statement of financial position at their estimated fair value to the Group. If the cost of acquisition is higher than the net assets acquired, any difference between the net asset value and the cost of acquisition of a subsidiary is treated in accordance with the Group's accounting policy for goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

1.4 CONSOLIDATED STRUCTURED ENTITIES

The Group has established a number of consolidated structured entities (CSEs) for trading and investment purposes. CSEs are entities that are created to accomplish narrow and well-defined objectives. A CSE is consolidated if, based on an evaluation of the substance of the relationship with the Group, the Group has control over the CSE. CSEs are the Group entities which are designed so that voting rights are not relevant to the determination of power, but instead other rights are relevant. CSEs controlled by the Group are generally those established under terms that impose strict limitations on the decision-making powers of the CSEs' management and that result in the Group receiving the majority of the benefits related to the CSEs' operations and net assets.

Investments in CSEs in the Company's separate financial statements are carried at fair value.

1.5 INVESTMENTS IN ASSOCIATES

Investments in associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits and losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted for against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains and losses arising from transactions with equity-accounted investments are eliminated against the investment to the extent of the Group's interest in the investment. Unrealised losses are eliminated only to the extent that there is no evidence of impairment.

Investments in associates in the Company's separate financial statements are carried at fair value.

1.6 JOINT VENTURES AND PARTNERSHIPS

Joint ventures and partnerships are those entities over whose activities the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures on an equity-accounted basis, from the date that joint control is established by contractual agreement commences until the date that it ceases. When the Group's share of losses exceeds its interest in a joint venture, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of a joint venture.

Unrealised gains and losses arising from transactions with equity-accounted joint ventures and partnerships are eliminated against the investment to the extent of the Group's interest in the investment.

Investments in joint ventures and partnerships in the Company's separate financial statements are carried at fair value.

1. ACCOUNTING POLICIES (continued)

1.7 FINANCIAL INSTRUMENTS

Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

This category has two subcategories: financial assets held-for-trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held-for-trading unless they are designated as hedging instruments.

The Group designates financial assets at fair value through profit or loss when either

- The assets are managed, evaluated and reported internally on a fair value basis
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise
- The asset contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract

Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the near future. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method.

Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. If the Group were to sell anything other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Available-for-sale

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Recognition and measurement

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Loans are recognised when the cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently measured at fair value. Loans and receivables and held-to-maturity investments are subsequently measured at amortised cost using the effective interest method less impairment loss. Gains and losses arising from changes in the fair value of the financial instruments through profit or loss category are included in profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in other comprehensive income, until the financial asset is disposed of, derecognised or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss for available-for-sale debt investments. Dividends on available-for-sale equity instruments are recognised in profit or loss when the entity's right to receive payment is established.

Financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) are derecognised when the contractual rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all the risks and rewards of ownership, without retaining control. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments and bank overdrafts, all of which are available for use by the Group unless otherwise stated.

Cash and cash equivalents are subsequently measured at amortised cost in the statement of financial position.

Financial liabilities
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 profit or loss, are subsequently measured at amortised cost and interest is recognised over the period of the borrowing using the effective interest method.

Where the Group classifies certain liabilities at fair value through profit or loss, changes in fair value are recognised in profit or loss. This designation by the Group takes place when either:
- The liabilities are managed, evaluated and reported internally on a fair value basis; or
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; and
- The liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where 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, and the difference in the respective carrying amounts is recognised in profit or loss.

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

Financial guarantees
Financial guarantees are contracts that require the Group 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 terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently measured at the higher of this amortised amount and the present value of any expected payment (when payment under the guarantee has become probable). Financial guarantees are included in other liabilities.

Offsetting of financial instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

Derivative financial instruments
Certain Group companies use derivative financial instruments to hedge their exposure to foreign exchange rate risks and other market risks arising from operational, financing and investment activities.

The Group does not hold or issue derivative financial instruments for trading purposes.

The derivatives that do not meet the requirements for hedge accounting are accounted for as held-for-trading instruments.

Embedded derivatives
Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risk of the host contract. Separated embedded derivatives are accounted for depending on their classification, and are presented in the statement of financial position together with the host contract.

Hedge accounting
The following hedge relationships are applied:

Fair value hedge – a hedge of exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

Cash flow hedge – a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

Fair value hedge
Changes in fair value are recognised in profit or loss.

Any adjustments to the carrying amount related to the hedged risk are recognised in profit or loss.

1. ACCOUNTING POLICIES (continued)

1.7 FINANCIAL INSTRUMENTS (continued)

Cash flow hedge

Changes in fair value where the portion of the gain or loss is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss. The change in fair value recognised directly in other comprehensive income is transferred to profit or loss when the future transaction affects profit or loss.

No adjustments are made to the carrying amount of the hedged item.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively if any one of the following occurs:

- The hedging instrument expires or is sold, terminated or exercised
- The forecast transaction is no longer expected to occur (in the case of a cash flow hedge, the cumulative unrealised gain or loss recognised in other comprehensive income, is recognised immediately in profit or loss)
- The hedge no longer meets the conditions for hedge accounting
- The Group revokes the designation

1.8 IMPAIRMENT OF ASSETS

Impairment of financial assets carried at amortised cost

The Group assesses whether there is objective evidence that a financial asset or Group of financial assets not carried at fair value through profit or loss are impaired at each reporting date. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

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 loss events:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as default or 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 bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset resulting in financial difficulties; or
- 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, referred to as specific impairments, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group (portfolio) of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The recoverable amount of the assets is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of the asset).

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group, and as well as historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions which did not affect the period on which the historical loss experience is based. This also serves to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in interest rates, foreign currency exchange rates, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

If an impairment loss decreases due to an event occurring subsequently and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), then the previously recognised impairment loss is reversed through profit or loss with a corresponding increase in the carrying amount of the underlying asset. The reversal is limited to an amount that does not state the asset at more than what its amortised cost would have been in the absence of impairment.

Impairment of available-for-sale financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a decrease in the fair value of the instrument below its cost is considered in determining whether the assets are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

Any increase in the fair value after an impairment loss has been recognised is treated as a revaluation and is recognised directly in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, land and buildings, deferred tax assets and investment property) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation if no impairment loss had been recognised.

Any impairment loss of a revalued asset is treated as a revaluation decrease.

1.9 INTANGIBLE ASSETS

Goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date.

The Group measures goodwill at the acquisition date as:
- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquire; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets required and the liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit and loss.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Impairment losses on goodwill are recognised in profit or loss and determined in accordance with the impairment of non-financial assets.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and the settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

1. ACCOUNTING POLICIES (continued)

1.9 INTANGIBLE ASSETS (continued)

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquirees' awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards are included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared to the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Intangible assets acquired separately

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

Amortisation is charged on a straight-line basis over the estimated useful lives of the intangible assets which do not exceed four years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

1.10 FOREIGN CURRENCY TRANSLATION

Transactions and balances

Transactions in foreign currencies are translated into South African Rand at the foreign exchange rate prevailing at the date of the transaction. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and amortised cost in foreign currency translated at the exchange rate at the end of the reporting period, if applicable.

Monetary assets and liabilities denominated in foreign currencies at the reporting date have been translated into South African Rand at the rates ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Rand at foreign exchange rates ruling at the dates the fair value was determined.

Foreign currency differences are recognised in profit and loss, except for available-for-sale investments and effective cash flows hedges which are recognised in other comprehensive income.

Financial statements of foreign operations

All foreign operations have been accounted for as foreign operations. Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation are translated into South African Rand at foreign exchange rates ruling at the reporting date. Income and expenses are translated at the average foreign exchange rates, provided these rates approximate the actual rates, for the year. Exchange differences arising from the translation of foreign operations are recognised in other comprehensive income. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

1.11 INVESTMENT PROPERTY

Investment property is property held either to earn rental income or for capital appreciation, or both.

Measurement

Investment property is measured initially at cost, including transaction costs and directly attributable expenditure in preparing the asset for its intended use. Subsequently, all investment properties are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Valuation takes place annually, based on the aggregate of the net annual rental receivable from the properties, considering and analysing rentals received on similar properties in the neighborhood, less associated costs (insurance, maintenance, repairs and management fees). A capitalisation rate which reflects the specific risks inherent in the net cash flows is applied to the net annual rentals to arrive at the property valuations.

Gains or losses arising from a change in fair value are recognised in profit or loss.

External, independent valuers having appropriate, recognised professional qualifications and recent experience in the location and category of the property being valued are used to value the portfolio.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

1.12 PROPERTY, PLANT AND EQUIPMENT

Measurement

All items of property, plant and equipment recognised as assets are measured initially at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour and any other cost directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Except for land, buildings and aircraft all other items of property, plant and equipment are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Land, buildings and aircraft are subsequently measured at fair value. Land, buildings and aircraft are revalued by external, independent valuers. Valuers have appropriate recognised professional qualifications and recent experience in the location and category of the property being valued are used to value the portfolio.

Any surplus in excess of the carrying amount is transferred to a revaluation reserve net of deferred tax. Surpluses on revaluation are recognised in profit or loss to the extent that they reverse revaluation decreases of the same assets recognised as expenses in the previous periods.

Decreases in revaluation are charged directly against the revaluation reserves only to the extent that the decrease does not exceed the amount held in the revaluation reserves in respect of that same asset, otherwise they are recognised in profit or loss.

Where parts of an item of property, plant and equipment have significantly different useful lives, they are accounted for as separate items of property, plant and equipment. Although individual components are accounted for separately, the financial statements continue to disclose a single asset.

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. All other costs are recognised in profit or loss as an expense as they are incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis, based on the estimated useful lives of the underlying assets. Depreciation is calculated on the cost less any impairment and expected residual value of the asset. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Item	Average useful life
Buildings and infrastructure	
• Building structure	50 years
• Elevators	10 years
Plant and machinery	
• Aircraft	5 years
• Heavy plant and machinery	10 – 20 years
• Equipment	8 – 10 years
Other property, plant and equipment	
• Motor vehicles	1 – 6 years
• Office furniture and equipment	1 – 6 years

The residual values, useful lives and depreciation method are re-assessed at each financial year-end and adjusted if appropriate.

Derecognition

The carrying amount of items of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from their use or disposal.

Gains or losses arising from derecognition are determined as the difference between the net disposal proceeds and the carrying amount of the item of property, plant and equipment and included in profit or loss when the items are derecognised. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained income.

1. ACCOUNTING POLICIES (continued)

1.13 BIOLOGICAL ASSETS

A biological asset is a living animal or plant.

Measurement

A biological asset is measured initially and at reporting date at its fair value less costs to sell. If the fair value of a biological asset cannot be determined reliably at the date of initial recognition, it is stated at cost less any accumulated depreciation and impairment losses.

Gains or losses arising on the initial recognition of a biological asset at fair value less costs to sell, and from a change in fair value less costs to sell of biological assets, are included in profit or loss in the period in which they arise.

1.14 LEASES

Finance leases

Leases of assets under which the lessee assumes all the risks and benefits of ownership are classified as finance leases.

Finance leases – Group as lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Finance leases – Group as lessor

The Group recognises finance lease receivables in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

Operating leases

Leases of assets under which the lessor effectively retains all the risks and benefits of ownership are classified as operating leases.

Operating leases – Group as lessee

Lease payments arising from operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Operating leases – Group as lessor

Receipts in respect of operating leases are accounted for as income on the straight-line basis over the period of the lease.

The assets subject to operating leases are presented in the statement of financial position according to the nature of the assets.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon re-assessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

1.15 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary shares are recognised as a deduction from equity, net of any tax effects.

1.16 INVENTORIES

Spares and consumables

Spares and consumables are valued at the lower of cost and net realisable value, on a weighted average method.

The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to the present location and condition.

Obsolete, redundant and slow-moving items of spares and consumable stores are identified on a regular basis and written down to their net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Raw materials, finished goods and phosphate rock

Raw materials, finished goods and phosphate rock are valued at the lower of cost of production and net realisable value.

Cost of production is calculated on a standard cost basis, which approximates the actual cost and includes the production overheads. Production overheads are allocated on the basis of normal capacity to finished goods.

The valuation of inventory held by agents or in transit includes forwarding costs, where applicable.

1.17 PROVISIONS

Provisions are recognised when:

- The Group has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. Provisions are not recognised for future operating losses.

A constructive obligation to restructure is recognised when an entity:

- Has a detailed formal plan for the restructuring, identifying at least:
  - The business or part of a business concerned
  - The principal locations affected
  - The location, function, and approximate number of employees who will be compensated for terminating their services
  - The expenditures that will be undertaken
  - When the plan will be implemented
  - Has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Decommissioning provision

The obligation to make good environmental or other damage incurred in installing an asset is provided in full immediately, as the damage arises from a past event.

If an obligation to restore the environment or dismantle an asset arises on the initial recognition of the asset, the cost is capitalised to the asset and amortised over the useful life of the asset. The cost of an item of property, plant and equipment includes not only the "initial estimate" of the costs relating to dismantlement, removal or restoration of property, plant and equipment at the time of installing the item, but also amounts recognised during the period of use, for purposes other than producing inventory.

If an obligation to restore the environment or dismantle an asset arises after the initial recognition of the asset, then a provision is recognised at the time that the obligation arises.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

1. ACCOUNTING POLICIES (continued)

1.18 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 of the Group to the financial statements but are disclosed in the notes.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- The amount that would be recognised as a provision
- The amount initially recognised less cumulative amortisation

Commitments

Items are classified as commitments where the Group has committed itself to future transactions. Commitments are not recognised in the statement of financial position of the Group to the financial statements but are disclosed in the notes.

1.19 TAXATION

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Income tax

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- A transaction or event which is recognised, in the same or a different period, to other comprehensive income
- A business combination

Current tax is charged or credited in profit or loss, except when it relates to items credited or charged directly to equity or other comprehensive income, in which case the current tax is also recognised in equity or other comprehensive income.

Current tax also includes any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is recognised for all taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which unused tax deductions can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax will be realised.

Deferred tax is not recognised if the temporary differences arise on the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting income. Deferred tax is also not recognised in respect of temporary differences relating to investments in associates, subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future and the timing of the reversal of the temporary difference is controlled.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged directly to equity or other comprehensive income, in which case the deferred tax is also recognised in equity or other comprehensive income.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

1.20 REVENUE

Revenue comprises sales to customers, dividends, interest, rentals and fee income, but excludes value-added tax, and is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Sales to customers
Revenue from sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, associated costs and possible return of goods can be estimated reliably, and there is no continuing managerial involvement with the goods.

Dividends
Dividends income is recognised in profit or loss on the date that the Group's right to receive payment is established. Capitalisation shares received are not recognised as income.

Interest
Interest income and expenses are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

Fees
- Income earned on the execution of a significant act is recognised when the significant act has been performed.
- Income earned from the provision of services is recognised as the service is rendered by reference to the stage of completion of the service.
- Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recognised in interest income.

Rental
See policy on leases (Note 1.14).

1.21 BORROWING COSTS
Borrowing costs are expensed in the period in which they are incurred, except to the extent that they are capitalised when directly attributable to the acquisition, construction or production of a qualifying asset.

1.22 EMPLOYEE BENEFITS
Post-retirement medical benefits
Some Group companies provide post-employment healthcare benefits to their retirees. The entitlement to post-employment healthcare benefits is based on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment, using the projected unit of credit method. Valuations of these obligations are carried out annually by independent qualified actuaries.

Defined contribution plans
The majority of the Group's employees are members of defined contribution plans and contributions to these plans are recognised in profit or loss in the year to which they relate.

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

Defined benefit plans
The Group operates a defined benefit and a defined contribution plan, the assets of which are held in separate trustee-administered funds. The schemes are generally funded through payments to insurance companies or trustee-administered funds as determined by periodic actuarial valuations. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service and compensation.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and the effects of changes in actuarial assumptions to the defined benefit plans are recognised fully in other comprehensive income.

Past-service costs are recognised immediately in profit or loss when they occur.

Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

1. ACCOUNTING POLICIES (continued)

1.23 SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the executive committee to make decisions about resources allocated to each segment and assess its performance, and for which discreet financial information is available.

1.24 DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD-FOR-SALE

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. A disposal group that is to be abandoned may also qualify.

Non-current assets held-for-sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered through a sales transaction rather than continuing use. This classification is only met if the sale is highly probable and the assets are available for immediate sale.

Measurement

Immediately before classification as held-for-sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with the applicable IFRS. Then, on initial classification as held-for-sale, the non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill and then to remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial classification as held-for-sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent measurement.

Reclassification

The non-current assets held-for-sale will be reclassified immediately when there is a change in intention to sell. At that date, it will be measured at the lower of its carrying value before the asset was classified as held-for-sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held-for-sale and its recoverable amount at the date of the subsequent decision not to sell.

1.25 RELATED PARTIES

The IDC operates in an economic environment together with other entities directly or indirectly owned by the South African government. Only parties within the national sphere of government will be considered to be related parties.

Key management is defined as individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from the level of executive management up to the Board of directors are regarded as key management per the definition of the standard. Close family members of key management personnel are considered to be those family members who may be expected to influence, or be influenced by key management individuals in their dealings with the entity.

1.26 SHARE-BASED PAYMENTS

The Group company operates an equity-settled share-based plan and a cash-settled share-based plan.

The equity settled share-based payments vest immediately, the reserve was recognised in equity at grant date.

The cash-settled plan was entered into with one of the Group company's employees, under which the Company receives services from employees by incurring the liability to transfer cash to the employees for amounts that are based on the value of the Company's shares. The fair value of the transaction is measured using an option pricing model, taking into account all terms and conditions. The fair value of the services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions
- Excluding the impact of any service and non-market performance vesting conditions
- Including the impact of any non-vesting conditions

The services received by the Company are recognised as they are received and the liability is measured at fair value. The fair value of the liability is remeasured at each reporting date and at the date of settlement. Any changes in the fair value are recognised in profit or loss for the period.

1.27 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Financial assets and liabilities

Policy applicable from 1 April 2013

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability, nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the Instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Policy applicable before 1 April 2013

'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 on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument. In other cases, the fair value at initial recognition is considered to be the transaction price and the difference is not recognised in profit or loss immediately, but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

Property, plant and equipment

The market value of land and buildings is the estimated amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Intangible assets

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Investment property

Valuation methods and assumptions used in determining the fair value of investment property.

1. ACCOUNTING POLICIES (continued)

1.27 DETERMINATION OF FAIR VALUES (continued)

Capitalisation method

The value of the property reflects the present value of the sum of the future benefits which an owner may expect to derive from the property. These benefits are expressed in monetary terms and are based upon the estimated rentals for the property in an orderly transaction between market participants. The usual property outgoings are deducted to achieve a net rental, which is then capitalised at a rate an investor would require to receive the income.

Comparative method

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 property. 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.

Residual land valuation method

This method determines the residual value which is the result of the present value of expected inflows less all outflows (including income tax) less the developer's required profits. This is the maximum that the developer can afford to pay for the real estate. This residual value is in theory also the market value of the land.

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. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.
For finance leases the market rate of interest is determined by reference to similar lease agreements.

Share-based payment transactions

A Group company entered into a Business Assistance Agreement, which is considered to be an equity-settled, share-based payment transaction. The fair value of the technical and business services received in exchange for the grant of equity instruments is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the equity instruments granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest.

1.28 USE OF ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Income taxes

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

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to make assumptions that are mainly based on market conditions existing at each reporting date.

Listed equities are valued based on their listed value (fair value) on 31 March 2014.

Unlisted equities are valued based on various valuation methods, including free cash flow, price earnings (PE) and net asset value (NAV) bases.

Judgements and assumptions in the valuations and impairments include determining the:
- Free cash flows of investees
- Replacement values
- Discount or premium applied to the IDC's stake in investees
- Sector/subsector betas
- Debt weighting – this is the target interest-bearing debt level
- Realisable value of assets
- Probabilities of failure in using the NAV-model

Post-employment obligations

Significant judgement and actuarial assumptions are required to determine the fair value of the post-employment obligations. More detail on these actuarial assumptions is provided in the notes to the financial statements.

Environmental rehabilitation liability

In determining the environmental rehabilitation liability, an inflation rate of 5.78% (FY2016: 6.0%) was assumed to increase the rehabilitation liability for the next 20 years, and a rate of 8.39% (FY2015: 8.37%) to discount that amount to present value. The discount rate of 8.39% assumed is a risk-free rate, specifically the rate at which the R186 South African government bond was quoted at year end.

Fair value of share-based payments

The fair value of equity instruments on grant date is determined based on a simulated Company value, using the Geometric Brownian Motion model. The valuation technique applied to determine the simulated Company value is part of the Monte Carlo simulation methodology.

Impairment of assets

The Group follows the guidance of IAS 36 – Impairment of Assets to determine when an asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates the impairment indicators that could exist at year end, such as significant decreases in the selling prices of finished goods, significant decreases in sales volumes and changes in the international export regulatory environment.

1.29 TRANSFER OF FUNCTIONS

Between entities under common control

Recognition

The receiving entity recognises the assets and liabilities acquired through a transfer of functions on the effective date of the transfer. All income and expenses that relate to the functions transferred are also recognised from the effective date of the transfer. The recognition of these income and expenses are governed by the accounting policies related to those specific income and expenses and, accordingly, this policy does not provide further guidance thereon.

Measurement

Assets and liabilities acquired by the receiving entity through a transfer of functions are measured at initial recognition at the carrying value that they were transferred. The difference between the carrying value of the assets and liabilities transferred and any consideration paid for the assets and liabilities transferred is recognised in equity. The carrying value at which the assets and liabilities are initially recognised is therefore the deemed cost thereof. Therefore, the subsequent measurement of these assets and liabilities the accounting policies relevant to those assets and liabilities are followed. Accordingly, this accounting policy does not provide additional guidance on the subsequent measurement of the transferred assets and liabilities.

Derecognition

The transferring entity derecognises the assets and liabilities on the effective date of the transfer of functions. These transferred assets and liabilities are measured at their carrying values upon derecognition. The resulting difference between the carrying value of the assets and liabilities transferred and any consideration received for the assets and liabilities transferred is recognised in equity.

Between entities that are not under common control

Recognition

The receiving entity recognises the assets and liabilities acquired through a transfer of functions on the effective date of the transfer. All income and expenses that relate to the functions transferred are also recognised from the effective date of the transfer. The recognition of these income and expenses are governed by the accounting policies related to those specific income and expenses and accordingly this policy does not provide further guidance thereon.

Measurement

Assets and liabilities acquired by the receiving entity through a transfer of functions are measured at initial recognition at the fair value that they were transferred. The difference between the fair value of the assets and liabilities transferred and any consideration paid for the assets and liabilities transferred is recognised in profit or loss. The fair value of these assets and liabilities is therefore deemed cost of thereof. Therefore, the subsequent measurement of these assets and liabilities the accounting policies relevant to those assets and liabilities are followed. Accordingly, this accounting policy does not provide additional guidance on the subsequent measurement of the transferred assets and liabilities.

Derecognition

The transferring entity derecognises the assets and liabilities on the effective date of the transfer of functions. These transferred assets and liabilities are measured at their fair values upon derecognition. The resulting difference between the fair value of the assets and liabilities transferred and any consideration received for the assets and liabilities transferred is recognised in profit or loss.

1.30 PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

The financial results have been prepared under the supervision of Nonkululeko Veleti CA(SA), the Group's Chief Financial Officer.

2. FINANCIAL ASSETS AND LIABILITIES

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values.

Figures in Rand million	Notes	Held-for-trading	Loans and receivables	Available-for-sale	Other amortised cost	Total	Fair value
Group – 2016							
Cash and cash equivalents	5	–	6 865	–	–	6 865	6 865
Loans and advances to clients	8	–	23 928	–	–	23 928	23 011
Investments – listed equities	9	–	–	38 746	–	38 746	38 746
Investments – unlisted equities	9	–	–	7 034	–	7 034	7 034
Investments – preference shares	9	91	–	7 401	–	7 492	7 492
Derivative assets	19	69	–	–	–	69	69
Trade and other receivables	6	–	3 003	–	–	3 003	3 003
Loans	22	–	–	–	27 984	27 984	27 023
Derivative liabilities	19	59	–	–	–	59	59
Bank overdrafts	5	–	–	–	38	38	38
Trade and other payables	20	–	–	–	3 332	3 332	3 332

Figures in Rand million	Notes	Held-for-trading	Loans and receivables	Available-for-sale	Other amortised cost	Total	Fair value
Group – 2015							
Cash and cash equivalents	5	–	8 257	–	–	8 257	8 257
Loans and advances to clients	8	–	22 412	–	–	22 412	22 032
Investments – listed equities	9	–	–	43 519	–	43 519	43 519
Investments – unlisted equities	9	–	–	7 747	–	7 747	7 747
Investments – preference shares	9	140	–	5 945	–	6 085	6 085
Derivative assets	19	4	–	–	–	4	4
Trade and other receivables	6	–	2 869	–	–	2 869	2 869
Loans	22	–	–	–	24 005	24 005	22 460
Derivative liabilities	19	56	–	–	–	56	56
Bank overdrafts	20	–	–	–	44	44	44
Trade and other payables	20	–	–	–	3 354	3 354	3 354

Figures in Rand million	Notes	Held-for-trading	Loans and receivables	Available-for-sale	Other amortised cost	Total	Fair value
Company – 2016							
Cash and cash equivalents	5	–	6 183	–	–	6 183	6 183
Loans and advances to clients	8	–	23 451	–	–	23 451	22 988
Investments – listed equities	9	–	–	15 227	–	15 227	15 227
Investments – Unlisted equities	9	–	–	6 403	–	6 403	6 403
Investments – preference shares	9	91	–	7 401	–	7 492	7 492
Derivative assets	19	62	–	–	–	62	62
Trade and other receivables	6	–	906	–	–	906	906
Loans	22	–	–	–	38 987	38 987	38 623
Derivative liabilities	19	44	–	–	–	44	44
Trade and other payables	20	–	–	–	617	617	617

Figures in Rand million	Notes	Held-for-trading	Loans and receivables	Available-for-sale	Other amortised cost	Total	Fair value
Company – 2015							
Cash and cash equivalents	5	–	7 714	–	–	7 714	7 714
Loans and advances to clients	8	–	21 760	–	–	21 760	21 350
Investments – listed equities	9	–	–	21 564	–	21 564	21 564
Investments – unlisted equities	9	–	–	7 510	–	7 510	7 510
Investments – preference shares	9	140	–	5 945	–	6 085	6 085
Trade and other receivables	6	–	1 065	–	–	1 065	1 065
Loans	22	–	–	–	33 566	33 566	32 058
Derivative liabilities	19	50	–	–	–	50	50
Trade and other payables	20	–	–	–	953	953	953

3. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK

This risk category encompasses losses that may occur as a result of the way the IDC is financed and its own financing or investment activities. Financial risk includes credit and settlement risk related to the potential for counterparty default, market risk related to volatility in interest rates, exchange rates, commodity and equity prices, liquidity/funding risk related to the cost of maintaining various financial positions, as well as financial compliance risk. Other financial risks faced by the Corporation include the risk of concentration of investments in certain economic sectors, regions and/or counterparties as well as the risk of over-dependency in relation to income on a limited number of counterparties and/or financial products and the risk of margin erosion due to inappropriate pricing relative to the cost of funding. The management of these risk areas is therefore critical for the IDC.

FINANCIAL: CREDIT RISK

This refers to the risk that a counterparty to a financial transaction will fail to meet its obligations in accordance with the agreed terms and conditions of the contract, either because of bankruptcy or for any other reason, thereby causing the asset holder to suffer a financial loss. Credit risk, as defined by the IDC, comprises the potential loss on loans, advances, guarantees, quasi-equity and equity investments due to counterparty default.

Credit risk arises as a result of the Corporation's lending activities as well as the placement of deposits with financial institutions.

APPROACH TO MANAGING CREDIT RISK

The IDC endeavours to maintain credit risk exposure within acceptable parameters, managing the credit risk inherent in the entire portfolio as well as the risk associated with individual clients or transactions. The effective management of credit risk is a critical component of a comprehensive approach to risk management and is essential to the long-term success of the Corporation. This is the dominant risk within the IDC as the providing of loans, advances, quasi equity, equity investments and guarantees represent the Corporation's core business.

MANAGING CREDIT RISK CONCENTRATION

Risk concentrations can arise in a financial organisation's assets, liabilities or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. The potential for loss reflects the size of the position and the extent of loss given a particular adverse circumstance. The IDC can be exposed to various forms of credit risk concentration which, if not properly managed, may cause significant losses that could threaten its financial health. Accordingly, the IDC considers the management (including measurement and control) of its credit concentrations to be of vital importance. There is recognition in Basel II that portfolios of financial institutions can exhibit credit concentrations and that prudently managing such concentrations is one of the important aspects in effective credit risk management. However, despite the recognition of credit concentrations as important sources of risk for portfolios, there is no generally accepted approach or methodology for dealing with the issue (including measurement) of concentration particularly with respect to sector or industry concentration.

Concentrations within a lending and/or investment portfolio can be viewed in a variety of ways: by borrower, product type, collateral type, geography, economic sector and any other variables that may be associated with a group of credits. Investment or credit concentrations are considered to be a large group of exposures that respond similarly to the same stresses. These stresses can be:

- Sensitivity to a certain industry or economic factors
- Sensitivity to geographical factors, either a single country or region of interlinked ones
- Sensitivity to the performance of a single company or counterparty; and/or
- Sensitivity to a particular risk mitigation technique, e.g. a particular collateral type.

The IDC has various established methodologies for the management of the credit concentrations it is exposed to and has established risk concentration limits and policies for:

- Individual and groups of counterparties and/or related parties
- Geographical locations and
- Economic sectors.

The concentration limits are reviewed on an annual basis or sooner should the need arise. The status of the IDC investment book is reported to IDC Executive Management, the Board Risk and Sustainability Committee and the IDC Board on a regular basis.

3. FINANCIAL RISK MANAGEMENT (continued)

COUNTERPARTY AND RELATED PARTY LIMITS

The need for counterparty and related party limits is to identify and protect the IDC's statement of financial position and statement of comprehensive income from significant losses/volatility which threaten financial sustainability, should a counterparty default or experience material loss in value. A counterparty is defined as IDC's client, whereas a related party is any legal entity to whom the IDC has a credit exposure, which has one or more of the following similarities with another client which IDC has or had a credit exposure to:

- Shareholding of more than 50%,
- Management control,
- Revenue or expenses reliance of 51% or more, and/or
- Provision of security for 51% or more of IDC's exposure.

The Basel principles for the management of credit risk indicate in particular, that an important element of credit risk management is the establishment of exposure limits on single counterparties and groups of connected counterparties. In determining the recommended counterparty limit for the IDC, its strategic objectives are taken into account.

GEOGRAPHICAL/REGIONAL LIMITS AND COUNTRY THRESHOLD

The focus of the IDC's activities in the African continent is determined by its mandate, and investment is driven by the IDC's Rest of Africa engagement strategy and managed through our investment criteria and regional investment limits, including country boundaries. In order for IDC to achieve its mandate in the rest of SADC and the rest of Africa, the Corporation focuses on being a catalyst for sustainable economic change. The IDC views Africa in terms of South Africa, the southern African region and the rest of Africa. This distinction is evident from the importance that the South African Government places on southern Africa relative to the rest of the continent. As such the Corporation's activities are weighted in favour of Southern Africa in terms of budget allocation and resultant exposure. The IDC's objectives are to contribute to the economic integration and industrial development in SADC and the Rest of Africa.

Given the importance of the IDC's mandate and its objectives, in conjunction with the consistent improvement of the African economic landscape, both in performance and risk profile, portfolio and regional limits and country thresholds are reviewed at least on an annual basis in order to support and enhance the developmental objectives of the IDC's strategy as well as its vision and mission statement.

The IDC continues to diversify its regional funding profile from being historically concentrated in the developed regions to other less-developed provinces.

Should approval of a transaction result in breach of this limit explicit approval is required from the Board Investment Committee.

GEOGRAPHICAL ANALYSIS

	Group				Company			
	Loans and advances to clients		Investment securities		Loans and advances to clients		Investment securities	
Figures in Rand million	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Carrying amount as per Notes 8 and 9	23 928	22 412	53 272	57 351	23 451	21 760	29 122	35 159
Concentration by location:								
South Africa	16 410	16 398	50 634	54 697	15 933	15 746	26 484	32 505
SADC	3 319	2 742	1 081	867	3 319	2 742	1 081	867
Rest of Africa	4 199	3 272	117	87	4 199	3 272	117	87
Outside Africa	–	–	1 440	1 700	–	–	1 440	1 700
	23 928	22 412	53 272	57 351	23 451	21 760	29 122	35 159

Carrying value of available-for-sale investments excludes investments in subsidiaries, associates and joint ventures.

ECONOMIC SECTOR LIMITS

Sector concentration remains one of the key strategic priorities of the Corporation. Concentration risk in the context of sectors generally results from an uneven distribution of an institution's exposure to industry sectors which can generate losses large enough to jeopardise its solvency or profitability. In particular, sector concentration arises because business conditions and hence default risk may be linked across and within industry sectors within the economy. Concentrations of credit exposures in sectors can pose risks to the earnings and capital of any financial institution in the form of unexpected losses. One of the risk management techniques of managing sector risk concentration entails the establishment of concentration limits, and the monitoring and analysis thereof. The monitoring and limiting of the concentration of exposures in certain sectors is necessary to reduce the risk of an exposure to a significant downturn in a particular industry in time, and thus to be able to avoid losses, as far as possible, by implementing counter measures (e.g. withdrawing from, reducing or hedging certain exposures). Experience has shown that the earlier risks are identified, the more effectively they can be countered.

Although the IDC's business cuts across a number of sectors, it could be exposed to concentration risk by virtue of disproportionately large exposures in any of these sectors. Managing and monitoring such concentrations to limit downside potential is therefore an integral part of an effective risk management programme. To avoid undue losses due to associated exposures, the IDC strives to identify potential common risk factors and minimise its aggregate exposure to these risk factors. By spreading its risk over many sectors instead of a few, the IDC can minimise the collective impact of economic events or trends on its earnings and capital. Sector diversification should, by reducing dependence on specific sectors, assist in obtaining assets whose performance is not affected by the same external factors.

The goal of sector limits is for the IDC to attempt to diversify or at least identify its portfolio concentrations based on exposures to sectors and to identify concentrations of exposures that could become closely related, especially during a crisis; this provides an important mechanism to protect the long-term financial sustainability of the IDC. The key challenge to establish a sector limit methodology is to ensure that it is effective in protecting the institution from credit events and be practical in its enforcement. The establishment of sector limits is aligned with the overall strategy of the IDC (including its risk appetite).

SECTORAL ANALYSIS

	Group				Company			
	Loans and advances to clients		Investment securities		Loans and advances to clients		Investment securities	
Figures in Rand million	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Carrying amount as per Notes 8 and 9	23 928	22 412	53 272	57 351	23 451	21 760	29 122	35 159
Concentration by sector, as per Standard Industrial Classifications (SIC):								
Agriculture, forestry and fishing	1 053	1 513	108	79	1 036	1 446	108	79
Basic chemicals	813	118	498	739	800	118	498	739
Basic iron and steel	509	39	2 167	2 325	500	39	2 167	2 325
Basic non-ferrous metals	1	17	5 612	9 001	1	17	5 612	9 001
Beverages	10	13	–	–	10	9	–	–
Building construction	254	413	179	48	250	281	179	48
Business services	47	110	155	39	46	66	155	39
Catering and accommodation services	3 149	2 348	41	37	3 098	2 335	41	29
Coal mining	659	583	2 117	85	648	583	2 117	85
Coke and refined petroleum products	28	5	95	–	28	5	95	–
Communication	1 584	1 809	2	7	1 559	1 807	2	7
Electrical machinery	48	339	226	35	47	339	226	35
Electricity, gas and steam	3 959	2 616	3 029	2 209	3 895	2 615	3 029	2 209
Finance and insurance	571	560	36	203	562	559	36	203
Food	1 626	1 487	96	42	1 600	1 471	96	42
Footwear	85	77	–	–	84	75	–	–
Furniture	298	295	–	377	293	295	–	377
Glass and glass products	87	110	–	–	85	110	–	–
Gold and uranium ore mining	317	329	1 202	907	312	329	1 202	907
Government	–	15	–	–	–	15	–	–
Leather and leather products	15	18	–	–	15	18	–	–
Machinery and equipment	474	439	–	–	466	439	–	–
Medical, dental and other health and veterinary services	380	315	1 971	2 356	374	305	1 971	2 356
Metal products excluding machinery	679	827	13	54	668	825	13	54
Motor vehicles, parts and accessories	869	1 048	124	84	855	1 036	124	84

3. FINANCIAL RISK MANAGEMENT (continued)

SECTORAL ANALYSIS (continued)

	Group				Company			
	Loans and advances to clients		Investment securities		Loans and advances to clients		Investment securities	
Figures in Rand million	2016	2015	2016	2015	2016	2015	2016	2015
Non-metallic minerals	513	470	426	268	505	467	426	268
Other community, social and personal services	298	331	1 865	1 641	294	324	1 865	1 641
Other chemicals and man-made fibres	626	1 005	24 296	22 093	616	746	146	137
Other industries	30	56	–	228	30	44	–	–
Other mining	2 364	2 767	7 340	13 227	2 208	2 823	7 340	13 227
Other services	–	–	445	222	–	–	445	222
Other transport equipment	267	134	1 028	755	263	134	1 028	755
Paper and paper products	154	33	20	18	152	32	20	18
Plastic products	182	190	–	–	179	190	–	–
Printing, publishing and recorded media	19	28	–	–	18	23	–	–
Professional and scientific equipment	67	70	35	61	66	70	35	61
Rubber products	1	4	–	–	1	4	–	–
Television, radio and communication equipment	3	17	6	1	3	16	6	1
Textiles	287	256	1	1	282	254	1	1
Transport and storage	534	544	47	87	525	482	47	87
Water supply	390	327	–	–	384	327	–	–
Wearing apparel	260	292	–	–	256	290	–	–
Wholesale and retail trade	21	75	–	–	21	34	–	–
Wood and wood products	397	370	92	122	416	363	92	122
	23 928	22 412	53 272	57 351	23 451	21 760	29 122	35 159

Carrying value of available-for-sale investments excludes investments in subsidiaries, associates and joint ventures.

INTERNAL RATING MODEL AND PRICING

The IDC has well developed and tested Internal rating and pricing models which has served it well in the past.

The changing banking regulatory requirements and increased focus by international and local Development Finance Institutions to incorporate Basel II best practice risk management made it increasingly important for the IDC to regularly measure credit risk and ensure that risk costs are transparent and appropriately accounted for. To this end, the Corporation employed the services of consultants during the past financial year to redesign its Project Finance and SME/middle market rating and pricing methodology and models. The new methodology will be fully implemented during the 2017 financial year.

The key objectives of internal rating methodologies and related rating models are:
- To assess the overall credit or investment risk on a quantitative and objective basis;
- To objectively determine the credit quality of individual clients as well as the portfolio;
- To aid in portfolio analysis;
- To allow migration analysis of individual clients as well as the portfolio; and
- To assist in identifying which clients are due for review.

MAXIMUM CREDIT RISK EXPOSURE

	Group				Company			
	Loans and advances to clients		Investment securities		Loans and advances to clients		Investment securities	
Figures in Rand million	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Carrying amount as per Notes 8 and 9	23 928	22 412	53 272	57 351	23 451	21 760	29 122	35 159
Individually impaired								
Low risk	250	370	1 800	1 602	223	266	1 800	1 602
Medium risk	2 987	2 309	521	561	2 843	2 242	520	558
High risk	3 050	2 975	987	1 167	2 767	2 743	992	1 162
Gross amount	6 287	5 654	3 308	3 330	5 833	5 251	3 312	3 322
Allowance for impairment	(5 058)	(3 729)	(2 049)	(2 307)	(4 490)	(3 412)	(2 049)	(2 307)
Carrying amount	1 229	1 925	1 259	1 023	1 343	1 839	1 263	1 015
Past due but not impaired								
Low risk	299	312	–	–	67	85	–	–
Medium risk	1 588	1 494	–	–	1 456	1 486	–	–
High risk	123	262	–	–	199	256	–	–
Carrying amount	2 010	2 068	–	–	1 722	1 827	–	–
Past due comprises of:								
0 – 30 days	250	281	–	–	78	61	–	–
31 – 60 days	59	65	–	–	56	62	–	–
61 – 90 days	59	58	–	–	66	57	–	–
91 – 120 days	33	32	–	–	13	29	–	–
120 days	1 609	1 632	–	–	1 509	1 618	–	–
Carrying amount	2 010	2 068	–	–	1 722	1 827	–	–
Neither past due nor impaired								
Low risk	5 125	7 176	39 876	38 638	4 950	6 850	11 891	16 683
Medium risk	14 873	10 618	12 137	17 690	14 735	10 574	15 968	17 461
High risk	1 249	1 043	–	–	1 249	1 078	–	–
Carrying amount	21 247	18 837	52 013	56 328	20 934	18 502	27 859	34 144
Portfolio impairment	(558)	(418)	–	–	(548)	(408)	–	–
Total carrying amount	23 928	22 412	53 272	57 351	23 451	21 760	29 122	35 159
Carrying value of renegotiated loans	4 598	2 191			4 680	2 460		

The IDC loan book is reviewed on a regular basis by IMC loans, which monitors and manages the quality and arrears on a proactive basis. Clients are classified according to their risk profiles based on the most recent available financial information and repayment profile. A low-risk client is a client that is not in arrears and for which no impairment triggers have been identified. A medium-risk client is one who is in arrears by more than 60 days and/or for which impairment triggers have been identified. A high-risk client is one who is in arrears and/or for whom impairment triggers have been identified and who fails to respond to initial legal action (e.g. letter of demand). High risk clients include those for whom legal action is in progress or where the client has ceased manufacturing or has been placed in liquidation.

IMPAIRED LOANS AND INVESTMENTS

Impaired loans and investments are loans and investments for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/investment agreements.

PAST DUE BUT NOT IMPAIRED LOANS

These are loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of level of security/collateral available and/or the stage of collection of amounts owed to the Group.

3. FINANCIAL RISK MANAGEMENT (continued)

ALLOWANCES FOR IMPAIRMENT

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance on the entire portfolio.

RENEGOTIATED LOANS

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

COLLATERAL

The Group holds collateral against loans and advances to clients in the form of mortgage bonds over property, other registered securities over assets and guarantees. Estimates of fair values are based on the value of collateral assessed at the time of borrowing and are generally not updated except when a loan is individually assessed as impaired.

An estimate of the fair value of collateral held against financial assets is shown below:

	Group		Company	
Figures in Rand million	**2016**	**2015**	**2016**	**2015**
IDC financing activities				
Against impaired assets				
General notarial bond	12	27	12	27
Special notarial bonds	251	109	251	109
Mortgage bond	560	326	560	326
Other	30	36	30	36
	853	498	853	498
Gross value of impaired loans as at 31 March	6 287	5 654	5 833	5 251
IDC financing activities				
Against loans in arrears and not impaired				
General notarial bond	702	805	702	805
Mortgage bond	199	193	199	193
Special notarial bond	190	183	190	183
Other	5	21	5	21
	1 096	1 202	1 096	1 202
Gross value of loans in arrears not impaired as at 31 March	2 010	2 068	1 722	1 827

LIQUIDITY RISK

Liquidity risk refers to the risk that the Group will not be able to meet its obligations promptly for all maturing liabilities, increase in financing assets, including commitments and any other financial obligations (funding liquidity risk), or will only able to do so at materially disadvantageous terms (market liquidity risk)

Sources of liquidity risk include:

- Unpredicted accelerated drawdowns on approved financing or call-ups of guarantee obligations;
- Inability to roll and/or access new funding;
- Unforeseen inability to collect what is contractually due to the Group;
- Liquidity stress at subsidiaries and/or other SOEs;
- A recall without due notice of on-balance sheet funds managed by the Group on behalf of third parties;
- A breach of covenant(s), resulting in the forced maturity of borrowing(s); and
- Inability to liquidate assets in a timely manner with minimal risk of capital losses.

Day-to-day liquidity management is performed by Corporate Treasury within Board-approved treasury limits, such that:

- At all times, there is sufficient readily-available liquidity to meet probable operational cash flow requirements for a rolling three-month period; and
- Excess liquidity is minimised in order to limit the consequential drag on profitability.

Liquidity coverage ratios are used to ensure that suitable levels of unencumbered high-quality liquid assets are held to protect against unexpected yet plausible liquidity stress events. Two separate liquidity stresses are considered: firstly an acute three-month liquidity stress (Scenario 1) impacting strongly on both funding and market liquidity, and secondly, a protracted 12-month liquidity stress (Scenario 2) impacting moderately on both funding and market liquidity. Approved high-quality liquid assets include cash, near-cash, committed facilities, as well as a portion of the Group's listed equity investments.

CONSOLIDATED LOCAL AND FOREIGN CURRENCY LIQUIDITY COVERAGE

	Scenario 1	Scenario 2
2016		
Approved high-quality liquid assets	12 474.6	12 474.6
Net stressed outflows	(5 488.2)	(5 938.0)
Liquidity coverage ratios (%)	227.3	529.0
2015		
Approved high-quality liquid assets	10 992.6	10 992.6
Net stressed outflows	(6 580.5)	(9 474.1)
Liquidity coverage ratios (%)	167.1	116.1

Structural liquidity mismatch ratios are used to ensure adequate medium to long-term liquidity mismatch capacity. This is done by restricting, within reasonable levels, potential future borrowing requirements related to existing business. The structural liquidity mismatch is based on conservative cash flow profiling with the added assumption that liquidity in the form of high-quality liquid assets are treated as readily available (i.e. recognised in the first time bucket).

CONSOLIDATED LOCAL AND FOREIGN CURRENCY STRUCTURAL LIQUIDITY MISMATCH (SLM)

	0 – 18 months	0 – 24 months	0 – 36 months
2016			
Cumulative liquidity positive variance	6 150.8	3 357.9	6 248.8
Funding-related liabilities	18 898.7	17 451.6	14 452.7
SLM (%)	32.5	19.2	42.2
2015			
Cumulative liquidity positive variance	5 105.8	4 313.7	4 650.5
Funding related liabilities	28 860.3	20 085.1	14 351.2
SLM (%)	17.7	21.5	32.4

MARKET RISK

Market risk is the risk that the value of a financial position or portfolio will decline due to adverse movements in market rates. In respect of market risk, the Group is exposed to interest rate risk, exchange rate risk and equity price risk. Market risk is governed by the Asset and Liability Management policy, and the Asset and Liability Committee (ALCO) provides the objective oversight and makes delegated decisions related to market risk exposures.

INTEREST RATE RISK

Interest rate risk is the risk that adverse movements in market interest rates may cause a reduction in the IDC's future net interest income and/or economic value of its shareholder's equity.

Sources of interest rate risk include:

- Repricing risk, as a result of interest-bearing assets and liabilities which reprice within different periods. This also includes the endowment effect caused by an overall quantum difference between interest-bearing assets and liabilities;
- Basis risk, as a result of the imperfect correlation between interest rate changes on interest-bearing assets and liabilities which reprice within the same period (spread volatility);
- Yield curve risk, as a result of unanticipated yield curve shifts (twists and pivots); and
- Optionality, as a result of embedded options in the Group's assets and liabilities. This risk is mitigated by imposing contract breakage penalties on prepayments and early settlements.

The sensitivity to interest rate shocks and/or changes in interest-bearing balances is measured by means of earnings and economic value approaches. The former focuses on quantifying the impact on net interest income over the next 12 months whereas the latter is used to gauge the impact on the fair market values of assets, liabilities and equity.

3. FINANCIAL RISK MANAGEMENT (continued)

INTEREST RATE SENSITIVITY MISMATCH – FINANCE ACTIVITIES

RSA and RSL (rate sensitive assets and rate sensitive liabilities)

	0 – 3 months	4 – 6 months	7 – 12 months
Interest rate sensitivity mismatch – March 2016			
Cumulative interest rate sensitivity			
SA Rand	2 735.4	2 902.1	3 510.6
US Dollar	113.7	(63.6)	(56.6)
Euro	(40.1)	(42.2)	(42.4)
Interest rate sensitivity mismatch – March 2015			
Cumulative interest rate sensitivity			
SA Rand	6 247.6	6 328.2	7 241.6
US Dollar	98.0	(153.4)	(130.2)
Euro	(26.0)	(47.9)	(50.6)

Furthermore, interest rate risk management is monitored through the sensitivity analyses done to the financial assets and liabilities.

A 100 basis points (bps) increase/(decrease) in market interest rates resulted in the following sensitivities:

NEXT 12 MONTHS NET INTEREST INCOME SENSITIVITY

Effect of a 100 basis point increase/(decrease) in market rates:

	Rand	US Dollar	Euro
2016			
R million			
+ 100 bps rate shock	57.5	(0.1)	(0.3)
- 100 bps rate shock	(57.5)	0.1	0.3
2015			
R million			
+ 100 bps rate shock	62.1	(0.6)	(0.4)
- 100 bps rate shock	(62.1)	0.6	0.4

EXCHANGE RATE RISK

Exchange risk is the risk that adverse changes in exchange rates may cause a reduction in the Group's future earnings and/or its shareholder's equity.

In the normal business, the Group is exposed to exchange rate risk, through its trade finance book and exposure to investments in and outside Africa. The risk is further divided into:

- Transaction risk arising from transactions undertaken by the Group in a foreign currency that will ultimately require an actual conversion in the foreign exchange markets from one currency to another, thus having a direct cash effect; and
- Translation risk arising from the periodic translation consolidation of the financial statements of the Group and its subsidiaries and affiliates for the purpose of uniform reporting to shareholders.
- Any open (unhedged) position in a particular currency that gives rise to exchange rate risk. Open positions can be either short (i.e. the Group will need to buy foreign currency to close the position) or long (i.e. the Group will need to sell foreign currency to close the position) with the net open foreign currency position referring to the sum of all open positions (spot and forward) in a particular currency.

For purposes of hedging, net open foreign currency positions are segmented into the following components:

- All exposures related to foreign currency-denominated lending and borrowing; and
- All foreign currency-denominated payables in the form of operating and capital expenditure, as well as foreign currency-denominated receivables in the form of dividends and fees.

	US Dollar	Euro
Net open foreign currency positions – 2016		
Foreign currency lending and borrowing	0.3	(1.4)
– Loans (assets)	478.5	30.7
– Derivative hedges (FECs)	45.5	114.6
– Borrowings (liabilities)	(523.7)	(146.7)
Other net (payables)/receivables	0.9	2.3
Net open foreign currency positions	1.2	0.9
Net open foreign currency positions – 2015		
Foreign currency lending and borrowing	4.4	(0.7)
– Loans (assets)	447.2	35.0
– Derivative hedges (FECs)	88.5	73.4
– Borrowings (liabilities)	(531.3)	(109.1)
Other net (payables)/receivables	6.0	0.3
Net open foreign currency positions	10.4	(0.4)

The Group does not hedge its exchange rate risk on foreign currency-denominated shareholder loans, equity and quasi-equity investments.

EQUITY PRICE RISK

Equity price risk is the risk that adverse movements in equity prices may cause a reduction in the value of the Group's investments in listed and/or unlisted equity investments, and therefore also its future earnings and/or value of its shareholder's equity.

Sources of equity price risk include:

- Systematic risk or volatility in relation to the market as a whole; and
- Unsystematic risk or company-specific risk factors.

The investment portfolio's beta is used as an indication of systematic risk which is not diversifiable. In light of the long-term nature of the Group's investments, unsystematic risk is managed by means of diversification.

Sensitivity analysis was performed on the Group's equity portfolio, to determine the possible effect on the fair value should a range of variables change, e.g. cash flows, earnings, net asset values etc. These assumptions were built into the applicable valuation models.

In calculating the sensitivities for investments, the key input variables were changed in a range from -10% to +10%. The effect of each change on the value of the investment was then recorded. The key variables that were changed for each valuation technique were as follows:

- Discounted cash flow: Net income before interest and tax
- Price earnings: Net income
- Listed companies: Share price
- Forced sale net asset value: Net asset value

From the table below it is evident that a 10% increase in the relevant variables will have a R7 889 million increase in the equity values as at 31 March 2016 (2015: R9 433 million) whereas a 10% decrease will have a R7 148 million decrease in the equity values as at 31 March 2016 (2015: R8 727 million).

	10% increase	10% decrease
Period		
31 March 2016	R7 889m	R7 148m
31 March 2015	R9 433m	R8 727m

CAPITAL MANAGEMENT

The IDC is accountable to its sole shareholder, the Economic Development Department. The performance as well as management of IDC capital is supported by the agreement between the Corporation and the shareholder in the form of the Shareholder's Compact which outlines the agreements between the two parties.

REGULATORY CAPITAL

The IDC is not required by law to keep any level of capital but has to utilise its capital to achieve the shareholder's mandate. The IDC Act of 1940, as amended, dictates that the IDC can be geared up to a 100% of its capital.

RISK APPETITE

The Board-approved risk appetite limit serves as a monitoring tool to ensure that the impact of investment activities in the Corporation do not have a negative impact on the Corporation's financial position. There were no changes to the Group's approach to capital management during the year.

4. FAIR VALUE INFORMATION

The table below analyses assets and liabilities carried at fair value:

Figures in Rand million	Level 1	Level 2	Level 3	Total
Group 2016				
Derivative assets	–	69	–	69
Biological assets	–	–	215	215
Investment property	–	362	–	362
Land and buildings	–	–	3 141	3 141
Aircraft	–	126	–	126
Listed shares	38 746	–	–	38 746
Unlisted shares	–	–	7 034	7 034
Preference shares	–	91	7 401	7 492
Assets held-for-sale	–	118	–	118
	38 746	766	17 791	57 303
Derivative liabilities	–	59	–	59
Group 2015				
Derivative assets	–	4	–	4
Biological assets	–	–	247	247
Investment property	–	299	–	299
Land and buildings	–	–	3 192	3 192
Aircraft	–	118	–	118
Listed shares	43 519	–	–	43 519
Unlisted equities	–	–	7 747	7 747
Preference shares	–	140	5 945	6 085
Assets held-for-sale	–	65	–	65
	43 519	626	17 131	61 276
Derivative liabilities	–	56	–	56
Company 2016				
Derivative assets	–	62	–	62
Investment property	–	15	–	15
Aircraft	–	123	–	123
Listed shares	15 227	–	–	15 227
Unlisted shares	–	–	6 403	6 403
Preference shares	–	91	7 401	7 492
Investments in subsidiaries	34 514	–	12 373	46 887
Investments in associates	1 211	–	14 210	15 421
	50 952	291	40 387	91 630
Derivative liabilities	–	44	–	44
Company 2015				
Derivative assets	–	–	–	–
Investment property	–	15	–	15
Aircraft	–	118	–	118
Listed shares	21 564	–	–	21 564
Unlisted shares	–	–	7 510	7 510
Preference shares	–	140	5 945	6 085
Investments in subsidiaries	31 964	–	11 451	43 415
Investments in associates	1 450	–	14 174	15 624
	54 978	273	39 080	94 331
Derivative liabilities	–	50	–	50

RECONCILIATION OF ASSETS AND LIABILITIES MEASURED AT LEVEL 3

	Opening balance	Gains/ losses recognised in profit or loss	Gains/ losses recognised in other compre-hensive income	Purchases	Sales	Transfers into level 3	Transfers out of level 3	Closing balance
Group – 2016								
Assets								
Biological assets	247	(50)	–	33	(15)	–	–	215
Land and buildings	3 192	(80)	39	137	(17)	–	(130)	3 141
Unlisted shares	7 747	–	(736)	2 500	(2 477)	–	–	7 034
Preference shares	5 945	(76)	(811)	2 378	(35)	–	–	7 401
	17 131	(206)	(1 508)	5 048	(2 544)	–	(130)	17 791
Group – 2015								
Assets								
Biological assets	43	186	–	18	–	–	–	247
Land and buildings	2 520	(42)	763	72	(139)	18	–	3 192
Unlisted shares	8 356	–	(1 136)	265	(3)	265	–	7 747
Preference shares	5 792	(118)	(319)	1 169	(579)	–	–	5 945
	16 711	26	(692)	1 524	(721)	283	–	17 131
Company – 2016								
Assets								
Unlisted shares	7 510	–	(1 236)	2 613	(2 484)	–	–	6 403
Preference shares	5 945	252	(811)	2 050	(35)	–	–	7 401
Investments in subsidiaries	11 451	–	(1 254)	2 176	–	–	–	12 373
Investments in associates	14 174	(49)	(1 471)	1 897	(341)	–	–	14 210
	39 080	203	(4 772)	8 736	(2 860)	–	–	40 387
Company – 2015								
Assets								
Unlisted shares	8 327	–	(1 136)	57	(3)	265	–	7 510
Preference shares	5 791	(118)	(318)	1 169	(579)	–	–	5 945
Investments in subsidiaries	9 309	213	(954)	3 786	(903)	–	–	11 451
Investments in associates	11 131	(76)	2 479	1 126	(221)	(265)	–	14 174
	34 558	19	71	6 138	(1 706)	–	–	39 080

VALUATION PROCESSES APPLIED BY THE GROUP

The Group's main instruments for monitoring the performance of its investee companies are through quarterly IMC meetings, including but not limited to the PACS (payment and collection system) and regular client review visits, as well as by way of analysis of management accounts and audited financial statements.

The Post-Investment Monitoring Department (PIMD) creates a focused approach to the monitoring of IDC investments. One of the key monitoring activities is the IMC Equity meetings, wherein the calculations of fair values and impairments are assessed and approved by the committee. The IMC equity meetings are normally held three times per financial year, in April, August and December for reporting periods of February, June and September respectively.

VALUATION TECHNIQUES USING OBSERVABLE INPUTS

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1

Instruments valued with reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. These include listed shares.

4. FAIR VALUE INFORMATION (continued)

VALUATION TECHNIQUES USING OBSERVABLE INPUTS (continued)

Level 2

Instruments valued using inputs other than quoted prices as described above for Level 1 but which are observable for the instrument, either directly or indirectly, such as:

- Quoted price for similar assets or liabilities in an active market;
- Quoted price for identical or similar assets or liabilities in inactive markets;
- Valuation model using observable inputs; and
- Valuation model using inputs derived from/corroborated by observable market data.

These include derivative financial instruments, investment properties and option pricing models.

VALUATION TECHNIQUES USING UNOBSERVABLE INPUTS

Level 3

Instruments valued using inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include price earnings, net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates and discount rates.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

PRICE EARNINGS (PE) VALUATION

The PE valuation method is the first valuation option, but has only been used in respect of companies with:

- At least two years' profit history;
- Forecast budgeted steady growth in profits;
- Low risk;
- Good year-on-year performance; and
- A long history of consistent return – operating in an industry that is not prone to fluctuations.

FREE CASH FLOW (FCF) VALUATION

FCF is the most widely used valuation method by the Group on its level 3 financial instruments. The below approach is followed:

- All inputs are substantiated, especially in instances where there are prior year losses; and
- This method is used without exception for valuing all projects and start-ups unless the going concern principle is in doubt. In the case where a project has a limited remaining life (e.g. mining operations or single contract with a determined end), a separate "limited life" FCF model is used.

NET ASSET VALUE (NAV) VALUATION

Forced-sale basis

The Group uses the Forced-Sale NAV method in the following circumstances:

- Where the going concern assumption is not applicable; or
- Where it has been motivated that no other model is appropriate.

NAV – going concern

The Group uses NAV (without applying forced sale) where it can be motivated that no other model is appropriate based on the following conditions:

- An entity is consistently making losses and not meeting budgets (excluding start-up operations);
- An entity has material variances between actual and budgeted figures;
- An entity operates in a highly volatile sector making it almost impossible to budget;
- An entity has completed all studies necessary to implement a project but has however not yet secured the necessary capital to fully fund the implementation of the project; and
- An entity is not fully funded and there is no clear indication that it will obtain the necessary funding to complete the project/expansion/continue operations.

QUANTITATIVE INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

Description	Valuation techniques	Unobservable input	Range
Equity instruments			
All sectors		Risk-free rate	7.63%
		Expected long-term growth	5.00%
Agro-processing	Discounted cash flow	Cost of debt	5.1% – 10.9%
		Discount factor	9.7% – 22.4%
		Sector beta	1.00
	Price-earning valuation	Industry/sector PE ratio	16.5% – 21.6%
		Risk adjusted PE ratio	9.9% – 13.1%
		Expected long-term growth	5%
Basic Metals and Mining	Discounted cash flow	Cost of debt	3.5% – 11.7%
		Discount factor	6.8% – 19.5%
		Sector beta	1.00
Basic and Speciality Chemicals	Discounted cash flow	Cost of debt	4.0% – 10.8%
		Discount factor	4.9% – 14.0%
		Sector beta	1.00
Automotive	Discounted cash flow	Cost of debt discount factor sector beta	7.3% – 13.9% 12.9% – 16.2% 1.00
Light Manufacturing and Tourism	Discounted cash flow	Cost of debt	9.5% – 11.5%
		Discount factor	7.9% – 15.5%
		Sector beta	1.00
Heavy Manufacturing	Discounted cash flow	Cost of debt	3.8% – 9.5%
		Discount factor	13.7% – 20.2%
		Sector beta	1.00 – 1.01
Chemical Products	Discounted cash flow	Cost of debt	7.9% – 12.5%
		Discount factor	14.1% – 17.4%
		Sector beta	1.00
New Industries	Discounted cash flow	Cost of debt	7.5% – 14.4%
		Discount factor	5.7% – 21.0%
		Sector beta	1.00
Biological assets			
Pecan nut trees	Discounted cash flow	Pecan nut yield – tonnes per hectare	2 375 tonnes per hectare when mature in eight years
		Pecan nut price	R46 per kg in shell
		Discount rate	15%
		Risk of damage due to forces of nature	10%
Walnut trees	Discounted cash flow	Inflation	5%
		Discount rate	15%
		Walnut nut price	Prevailing market price

DISCOUNTED CASH FLOW

Significant increases in any of the inputs in isolation would result in lower fair values. Significant decreases in any of the inputs in isolation would result in higher fair values.

PRICE-EARNING VALUATION

The fair value would increase (decrease) if:

- The risk-adjusted PE ratio were higher/(lower) or
- The expected long-term growth were higher/(lower)

Figures in Rand million	Group 2016	Group 2015	Company 2016	Company 2015
5. CASH AND CASH EQUIVALENTS				
Cash and balances with bank	2 520	1 519	1 840	987
Negotiable securities	4 345	6 738	4 343	6 727
Bank overdraft	(38)	(44)	–	–
	6 827	8 213	6 183	7 714
Current assets	6 865	8 257	6 183	7 714
Current liabilities	(38)	(44)	–	–
	6 827	8 213	6 183	7 714
Cash and cash equivalents comprise cash deposits with banks and negotiable securities maturing within three months. These attract interest at market-related rates.				
6. TRADE AND OTHER RECEIVABLES				
Trade receivables	3 003	2 869	906	1 065
Prepayments	54	602	–	–
Other receivable	248	231	8	4
	3 305	3 702	914	1 069

TRADE AND OTHER RECEIVABLES PLEDGED AS SECURITY

A subsidiary, Prilla (Pty) Ltd, entered into an invoice discounting agreement with Nedbank Limited whereby it has discounted all its debtors and has given first cession of all receivables as security for a R78 million (2015: R95 million) finance facility advanced to it.

A subsidiary, Sheraton Textiles, has ceded its trade and other receivables to the value of R30 million (2015: R35 million, to The Standard Bank of South Africa as security for its overdraft facilities.

Figures in Rand million	Group 2016	Group 2015	Company 2016	Company 2015
7. INVENTORIES				
Finished goods	1 191	1 136	–	–
Raw materials, components	1 119	1 064	–	–
Phosphate rock	658	973	–	–
Consumable stores	431	421	4	4
Work in progress	200	259	–	–
	3 599	3 853	4	4

Group inventory to the value of R79 million was written down as a net realisable value adjustment at 31 March 2016 (2015: R40 million).

Figures in Rand million	Group 2016	Group 2015	Company 2016	Company 2015
8. LOANS AND ADVANCES				
Loans and advances to clients*	29 544	26 559	28 489	25 580
Specific impairment of loans and advances	(5 058)	(3 729)	(4 490)	(3 412)
Portfolio impairment of loans and advances	(558)	(418)	(548)	(408)
	23 928	22 412	23 451	21 760
** Interest rates range between 3% and 18.1%*				
Reconciliation of impairment of loans and advances				
Specific allowances for impairment				
Balance at 1 April	3 729	3 472	3 412	3 311
Impairment loss for the year				
– Charge for the year	2 160	974	2 227	1 402
– Recoveries	(48)	(18)	(48)	(18)
– Effect of foreign currency movements	188	3	188	3
Write-offs	(971)	(702)	(1 289)	(1 286)
Balance at 31 March	5 058	3 729	4 490	3 412
Portfolio allowance for impairment				
Balance at 1 April	418	377	408	377
Impairment charge for the year	140	41	140	31
Balance at 31 March	558	418	548	408
Total allowances for impairment	5 616	4 147	5 038	3 820
Maturity of loans and advances				
– due within three months	378	1 104	378	1 104
– due after three months but within one year	4 294	4 198	3 841	3 656
– due after one year but within two years	4 145	4 523	3 842	4 348
– due after two years but within three years	4 502	3 857	4 287	3 722
– due after three years but within four years	3 208	3 630	3 085	3 497
– due after four years but within five years	2 546	2 331	2 511	2 278
– due after five years	10 471	6 916	10 545	6 975
– impairment of loans and advances	(5 616)	(4 147)	(5 038)	(3 820)
	23 928	22 412	23 451	21 760
9. INVESTMENTS				
Listed equities	39 070	43 751	15 551	21 796
Unlisted equities	7 040	7 924	6 409	7 687
Preference shares	9 120	7 843	9 120	7 843
Preference shares – option values	91	140	91	140
	55 321	59 658	31 171	37 466
Impairment of listed shares	(324)	(232)	(324)	(232)
Impairment of unlisted shares	(6)	(177)	(6)	(177)
Impairment of preference shares	(1 719)	(1 898)	(1 719)	(1 898)
Shares at fair value	53 272	57 351	29 122	35 159
Specific allowance for impairment				
Listed equities				
Balance at 1 April	232	124	232	124
Impairment charge/(reversal) for the year	92	108	92	108
	324	232	324	232
Unlisted equities				
Balance at 1 April	177	152	177	152
Impairment (reversal)/charge for the year	(171)	25	(171)	25
	6	177	6	177
Preference shares				
Balance at 1 April	1 898	1 780	1 898	1 780
Impairment (reversal)/charge for the year	(179)	118	(179)	118
	1 719	1 898	1 719	1 898
Comprising:				
Impairment of listed shares	324	232	324	232
Impairment of unlisted shares	6	177	6	177
Impairment of preference shares	1 719	1 898	1 719	1 898
	2 049	2 307	2 049	2 307

Figures in Rand million	Group 2016	Group 2015	Company 2016	Company 2015
10. NON-CURRENT ASSETS HELD-FOR-SALE				
Assets and liabilities				
Non-current assets held-for-sale				
Property, plant and equipment	104	47	–	–
Investment property	14	18	–	–
	118	65	–	–

On 20 November 2013, the Board of directors of sefa approved the sale of certain properties in the property portfolio. Investment properties held-for-sale are current assets. Purchase offers for six of the 16 properties reclassified for sale have been concluded and are awaiting registration at the relevant deeds office. The remaining 10 properties are in the process of negotiations for sale.

During the current period, management of Scaw SA (Pty) Ltd committed to a plan to sell the Scawlands property located in Germiston and the DRI plant located at the Union Junction facility in Germiston. Accordingly, the fair value of the land and buildings for Scawlands (R38 million) and the carrying amount of plant and equipment for the DRI (R66.1 million) has been accounted for as assets held-for-sale at 31 March 2016.

Figures in Rand million	Company 2016	Company 2015
11. INVESTMENTS IN SUBSIDIARIES		
Fair value of investments	41 364	36 948
Impairment of shares	(704)	(107)
Loans receivable	7 020	7 834
Impairment of loans	(793)	(1 260)
	46 887	43 415

IDC subsidiaries Figures in Rand million	Share class	% interest	Shares at cost and fair value 2016	Shares at cost and fair value 2015	IDC net indebtedness to the holding Company 2016	IDC net indebtedness to the holding Company 2015	IDC net indebtedness by the holding Company 2016	IDC net indebtedness by the holding Company 2015
Arengo 316	Ordinary	100	–	–	159	151	–	–
ADC Cables	Ordinary	62	35	–	257	–	–	–
Dymson Nominee	Ordinary	100	2	2	45	44	–	–
Findevco	Ordinary	100	–	–	–	–	(373)	(373)
Foskor*	Ordinary	59	8	8	700	1 840	–	–
Foskor*	Preference		2 177	–	–	–	–	–
Herdmans SA	Ordinary	100	–	–	9	272	–	–
Impofin	Ordinary	100	–	–	–	–	(88)	(88)
Kindoc Investments	Ordinary	100	–	–	154	154	–	–
Kindoc Sandton Properties	Ordinary	100	–	–	194	200	–	–
Konbel	Ordinary	100	–	–	–	–	(10)	(10)
Konoil	Ordinary	100	–	–	–	–	(10 995)	(10 009)
Prilla	Ordinary	100	14	14	356	373	–	–
Scaw South Africa	Ordinary	74	–	–	3 303	2 907	–	–
Scaw South Africa	Preference		1 655	1 474	–	–	–	–
Scaw Metals	Ordinary	100	45	45	–	–	–	–
Sustainable Fibre Solutions	Ordinary	100	4	4	128	125	–	–
South African Fibre Yarn Rugs	Ordinary	69	–	15	–	49	–	–
Sheraton Textiles	Ordinary	80	–	–	62	50	–	–
Thelo Rolling Stock Leasing	Ordinary	50	–	–	1 390	1 147	–	–
Other	Ordinary		142	151	263	522	–	–
			4 082	1 713	7 020	7 834	(11 466)	(10 480)
Fair value adjustment			37 282	35 235	–	–	–	–
Impairment adjustment			(704)	(107)	(793)	(1 260)	–	–
Fair value			40 660	36 841	6 227	6 574	(11 466)	(10 480)

** Legally the IDC owns 59% of Foskor, but for accounting purposes an effective 85% of Foskor is consolidated.*

PROFIT AND LOSSES

The aggregate net profit and losses after taxation of subsidiaries attributable to the IDC were as follows:

	Group		Company	
Figures in Rand million	**2016**	**2015**	**2016**	**2015**
Profits	1 130	1 211		
Losses	(2 353)	(1 701)		
	(1 223)	(490)		
Included in financing are the following investments which have been made in terms of section 3(a) of the Industrial Development Act with the approval of the President:				
Foskor Limited – at cost	–	–	8	8
Sasol Limited – at cost	131	131	–	–
	131	131	8	8

A register of investments is available and is open for inspection at the IDC's registered office.

COMPANIES IN WHICH THE IDC TOOK A MAJORITY SHAREHOLDING WITH EXPOSURES LESS THAN R250 MILLION FROM 1 APRIL 2015 TO 31 MARCH 2016

Disclosure in terms of notice 450 published in the Government Gazette of 28 June 2013.

Company name	IDC shareholding (%)
AzarGen Biotechnologies (Pty) Ltd	66
Diacoustic Medica Devices (Pty) Ltd	80
Mimotech (Pty) Ltd	55
Quorus Biotech (Pty) Ltd	61

SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The following information is provided for subsidiaries with non-controlling interests which are material to the reporting company. The summarised financial information is provided prior to inter-company eliminations.

	Country of incorporation	% ownership/interest held by non-controlling interest	
Subsidiary		**2016**	**2015**
Foskor	RSA	15	15
Scaw	RSA	26	26

The percentage ownership interest and the percentage voting rights of the non-controlling interests were the same in all cases except for Foskor Limited where the voting rights were 41% (2015: 41%)

SUMMARISED STATEMENT OF FINANCIAL POSITION

	Foskor		Scaw	
	2016	**2015**	**2016**	**2015**
Assets				
Non-current assets	5 572	5 100	2 546	2 658
Current assets	3 231	2 800	2 065	2 562
Total assets	8 803	7 900	4 611	5 220
Liabilities				
Non-current liabilities	1 832	2 544	6 815	7 291
Current liabilities	1 908	2 092	2 057	1 271
Total liabilities	3 740	4 636	8 872	8 562
Total net assets/(liabilities)	5 063	3 264	(4 261)	(3 342)
Carrying amount of non-controlling interest	760	490	(1 108)	(869)

11. INVESTMENTS IN SUBSIDIARIES (continued)

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	Foskor		Scaw	
Figures in Rand million	**2016**	**2015**	**2016**	**2015**
Revenue	6 042	5 297	5 661	6 269
Other income and expenses	(6 754)	(5 895)	(6 735)	(7 193)
Profit/(loss)before tax	(712)	(598)	(1 074)	(924)
Tax expense	144	188	–	(161)
Profit/(loss)	(568)	(410)	(1 074)	(1 085)
Other comprehensive income/(loss)	–	(121)	78	574
Total comprehensive income	(568)	(531)	(996)	(511)
Profit/(loss) allocated to non-controlling interest	(85)	(62)	(279)	(282)
Other comprehensive income allocated to non-controlling interest	–	(18)	20	149

SUMMARISED STATEMENT OF CASH FLOWS

	Foskor		Scaw	
Figures in Rand million	**2016**	**2015**	**2016**	**2015**
Cash flows from operating activities	(310)	117	(55)	(51)
Cash flows from investing activities	(405)	(534)	(52)	(284)
Cash flows from financing activities	745	63	296	272
Net increase/(decrease) in cash and cash equivalents	30	(354)	189	(63)

12. INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND PARTNERSHIPS

	Group		Company	
Figures in Rand million	**2016**	**2015**	**2016**	**2015**
Associated companies	18 102	15 560	15 411	15 594
Fair value of investments – listed shares in associates	–	–	1 211	1 450
Fair value of investments – unlisted shares in associates	–	–	10 187	11 126
Impairment of shares	–	–	(1 593)	(1 321)
Net asset value at acquisition	2 805	2 175	–	–
Accumulated equity-accounted income	17 929	16 886	–	–
Accumulated equity-accounted losses and impairments	(8 725)	(8 235)	–	–
Loans receivable	7 230	5 705	7 201	5 748
Impairment of loans	(1 137)	(971)	(1 595)	(1 409)
Partnerships and joint ventures	212	203	10	30
Partners' capital	221	223	52	60
Accumulated losses	(9)	(20)	(42)	(30)
	18 314	15 763	15 421	15 624

Material associates

Companies		Accounting periods*	Country of incorporation	% holding	Total exposure 2016 R'm	Total exposure 2015 R'm
Broadband Infraco	Provides telecommunication infrastructure		RSA	26.00	124	124
Broodkraal Landgoed	Farms table grapes	1/7/14 – 30/6/15	RSA	32.00	77	80
Ethekwini Health and Heart Centre	Operates a hospital	1/3/15 – 29/2/16	RSA	25.48	125	149
Columbus Stainless Steel	Steel manufacturer		RSA	24.00	710	654
Savannah Consortium	Mining and processing platinum metals		RSA	29.70	69	88
Duferco Steel Processing	Processes steel coil		RSA	50.00	–	14
Eastern Produce Malawi	Farms, tea coffee and macadamia nuts		Malawi	26.80	167	175
Hans Merensky	Holds investments in timber and agricultural industries	1/1/15 – 31/12/15	RSA	29.70	825	601
Hernic Ferrochrome	Operates a ferrochrome plant		RSA	–	–	222
Hulamin Limited	Asset-leasing company	1/1/15 – 31/12/15	RSA	29.90	1 153	1 146
Incwala Resources	Platinum mining		RSA	23.60	641	641
Karsten Boerdery	Farms table grapes and dates	1/10/14 – 30/9/15	RSA	37.32	340	303
KaXu Solar One	Power plant	1/1/15 – 31/12/15	RSA	20.00	1 748	1 803
KHI Solar One (Pty) Ltd	Concentrating solar tower power plant	1/1/15 – 31/12/15	RSA	20.00	700	–
Merafe Ltd	Operates chrome and alloys plant	1/1/15 – 31/12/15	RSA	21.90	761	684
Mozal S.A.R.L.	Produces primary aluminium metal	1/7/14 – 30/6/15	Mozambique	24.04	4 290	3 777
Palabora Copper	Mining of various minerals	1/1/15 – 31/12/15	RSA	20.00	1 323	1 245
Sheba's Ridge Platinum	Produce base metals and platinum group metals		RSA	26.00	–	16
Umicore Catalyst	Manufactures automotive catalysts	1/1/15 – 31/12/15	RSA	35.00	201	214
York Timber Ltd	Sawmilling	1/1/15 – 31/12/15	RSA	28.70	704	688
Other associates	Various				4 144	2 936
					18 102	15 560

* *The accounting periods for which the financial statements of the associated entities have been prepared, where they are different from that of the investor, are disclosed above.*

The investment in Hernic Ferrochrome was diluted to 15.7% during the year 2016.

Figures in Rand million	Company 2016	Company 2015
Fair value		
Opening fair value of shares	11 255	9 061
Movement in fair values during the year:		
Chuma/Malibongwe/Savannah Platinum SPV (Pty) Ltd	2	(10)
Hans Merensky Holdings (Pty) Ltd	72	26
Hernic Ferrochrome (Pty) Ltd	(142)	32
Hulett Aluminium (Pty) Ltd	(222)	170
Incwala Resources (Pty) Ltd	(186)	(196)
Merafe Limited	(16)	(153)
Mozal S.A.R.L.	(1 228)	1 042
York Timber Ltd	–	(157)
Rio Tinto South Africa	(462)	979
Imbani Platinum	–	2
Other	732	459
	9 805	11 255

12. INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND PARTNERSHIPS (continued)

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

Figures in Rand million	Revenue	Profit/ (loss)	Other compre-hensive income	Total compre-hensive income	Dividend received from associate
2016					
Broadband Infraco	542	123	–	123	–
Columbus Steel	13 086	(417)	2	(415)	–
Duferco Steel Processing	3 712	(223)	62	(161)	–
Eastern Produce Malawi	400	60	–	60	10
Hans Merensky	6 672	726	399	1 125	6
Hulamin Ltd	8 395	86	(78)	8	8
Karsten Boerdery	849	132	–	132	8
KaXu Solar One	614	(271)	–	(271)	12
KHI Solar One	5	2	10	12	6
Merafe Ltd	4 428	343	–	343	5
Mozal S.A.R.L.	7 824	(547)	–	(547)	15
Palabora Copper	7 664	231	–	231	–
Umicore Catalyst	2 601	115	–	115	53
Xina Solar One	2	(2)	523	521	–
York Timber Ltd	874	35	–	35	–

SUMMARISED STATEMENT OF FINANCIAL POSITION

Figures in Rand million	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
2016					
Broadband Infraco	1 367	190	503	213	841
Columbus Steel	2 202	3 991	355	2 726	3 112
Duferco Steel Processing	1 471	946	1 025	1 657	(265)
Eastern Produce Malawi	921	244	292	167	706
Hans Merensky	2 985	2 178	827	1 229	3 107
Hulamin Ltd	3 396	3 260	931	1 871	3 854
Karsten Boerdery	1 590	994	1 019	502	1 063
KaXu Solar One	7 215	501	6 944	185	587
KHI Solar One	3 914	247	3 364	93	704
Merafe Ltd	3 258	2 099	1 379	564	3 414
Mozal S.A.R.L.	13 303	4 264	1 554	1 427	14 586
Palabora Copper	4 313	4 420	1 337	779	6 617
Umicore Catalyst	128	898	32	418	576
Xina Solar One	5 704	677	4 313	25	2 043
York Timber Ltd	3 301	852	1 431	272	2 450

SUMMARISED STATEMENT OF COMPREHENSIVE

Figures in Rand million	Revenue	Profit/ (loss)	Other compre-hensive income	Total compre-hensive income	Dividend received from associate
2015					
Broadband Infraco	364	(268)	–	(268)	–
Ethekwini Health and Heart Centre	364	79	–	79	–
Savannah Consortium*	2 511	(772)	–	(772)	–
Duferco Steel Processing	1 065	(56)	–	(56)	–
Eastern Produce Malawi	390	54	–	54	12
Hans Merensky	5 587	306	–	306	6
Hernic Ferrochrome	2 995	(529)	43	(486)	–
Hulamin Ltd	8 039	385	28	413	24
Incwala Resources	1	(2)	–	(2)	–
Karsten Boerdery	731	163	–	163	4
KaXu Solar One	–	(4)	(170)	(174)	–
Merafe Ltd	3 609	214	(5)	209	10
Mozal S.A.R.L.	9 400	631	–	631	–
Palabora Copper	11 295	1 022	65	1 087	190
Umicore Catalyst	2 403	163	–	163	90
York Timber Ltd	1 415	108	(1)	107	–

* *Financial information is for the underlying investment being Aquarius Platinum Limited.*

SUMMARISED STATEMENT OF FINANCIAL POSITION

Figures in Rand million	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
2015					
Broadband Infraco	1 318	413	2 378	242	(889)
Ethekwini Health and Heart Centre	435	142	297	58	222
Savannah Consortium*	5 216	2 452	975	1 908	4 785
Duferco Steel Processing	1 208	1 157	985	1 332	48
Eastern Produce Malawi	928	190	263	203	652
Hans Merensky	2 506	1 453	711	828	2 420
Hernic Ferrochrome	1 998	2 131	728	3 480	(79)
Hulamin Limited	2 921	3 348	714	1 721	3 834
Incwala Resources	2 796	23	–	100	2 719
Karsten Boerdery	1 366	624	815	205	970
KaXu Solar One	7 036	201	6 203	212	822
Merafe Ltd	3 253	2 148	1 366	911	3 124
Mozal S.A.R.L.	13 938	4 361	1 821	1 533	14 945
Palabora Copper	3 084	5 565	1 513	910	6 226
Umicore Catalyst	129	830	28	320	611
York Timber Ltd	2 957	870	1 175	255	2 397

* *Financial information is for the underlying investment being Aquarius Platinum Limited.*

Figures in Rand million	Group 2016	Group 2015
The aggregate amounts were as follows:		
Non-current assets	71 688	82 966
Current assets	28 355	41 056
	100 043	124 022
Equity	40 295	62 220
Non-current liabilities	39 145	38 795
Current liabilities	20 603	23 008
	100 043	124 023
Statement of comprehensive income		
Revenue	62 893	56 000
Profits	1 887	1 761
Losses	(1 794)	(4 577)

PARTNERSHIPS AND JOINT VENTURES

Figures in Rand million		% interest	Total exposure 2016	Total exposure 2015
Women Private Equity Fund (One)		38.83	–	10
The Vantage Capital Fund Trust		100	10	20
			10	30
Profit			10	3
The aggregate amounts were as follows:				
Non-current assets	169	148	98	77
Current assets	256	256	–	–
	425	404	98	77
Equity	425	404	98	77
Statement of comprehensive income				
Profit	(3)	3	(3)	3
Losses	25	(25)	–	–

Figures in Rand million	Group 2016	Group 2015	Company 2016	Company 2015
13. DEFERRED TAXATION				
Composition of deferred taxation asset is as follows:				
Capital and other losses	41	12	–	–
Calculated tax losses	174	49	–	–
	215	61	–	–
Balance at the beginning of the year	61	389	–	–
Calculated tax losses	174	(153)	–	–
Temporary differences	(20)	(175)	–	–
– Other	(20)	(175)	–	–
Balance at the end of the year	215	61	–	–
Composition of deferred taxation liability is as follows:				
Capital and other allowances	(79)	434	(827)	(662)
Capital gains and losses and fair value adjustments	4 532	3 531	5 005	5 781
Reduced by taxation on:	4 453	3 965	4 178	5 119
Calculated taxation losses	(1 115)	(596)	–	–
	3 338	3 369	4 178	5 119
At the beginning of the year	3 369	5 480	5 119	7 261
Calculated taxation losses	(518)	(170)	–	–
Temporary differences	487	(1 941)	(941)	(2 142)
– Property, plant and equipment	(31)	(14)	(34)	7
– Provisions	(505)	(49)	(116)	8
– Mining assets	–	54	–	–
– Capital gains and losses and fair value adjustments	1 023	(1 932)	(791)	(2 157)
Balance at the end of the year	3 338	3 369	4 178	5 119

14. INVESTMENT PROPERTY

Figures in Rand million	2016	2015	2016	2015
Group	**Cost**	**Fair value**	**Cost**	**Fair value**
Land and buildings leased to industrialists	18	18	31	31
Land held for development	324	324	249	249
Farming land and buildings	20	20	19	19
Total	362	362	299	299
Company				
Land and buildings leased to industrialists	15	15	15	15

RECONCILIATION OF INVESTMENT PROPERTY

Figures in Rand million	Opening balance	Fair value adjustments	Total
Group – 2016			
Land and buildings leased to industrialists	31	(13)	18
Farming land and buildings	19	1	20
Land held for development	249	75	324
	299	63	362

Figures in Rand million	Opening balance	Additions	Classified as held-for-sale	Transfers	Fair value adjustments	Total
Group – 2015						
Land and buildings leased to industrialists	20	–	–	11	–	31
Land held for development	268	3	(18)	(2)	(2)	249
Farming land and buildings	19	–	–	–	–	19
	307		(18)	9	(2)	299

14. INVESTMENT PROPERTY (continued)

RECONCILIATION OF INVESTMENT PROPERTY

Figures in Rand million	Opening balance	Total
Company – 2016		
Land and buildings leased to industrialists	15	15
Company – 2015		
Land and buildings leased to industrialists	15	15

15. PROPERTY, PLANT AND EQUIPMENT

	2016			2015		
Figures in Rand million	Cost/ valuation	Accumulated depreciation and impairment	Carrying value	Cost/ valuation	Accumulated depreciation and impairment	Carrying value
Group						
Land and buildings	3 773	(632)	3 141	3 761	(569)	3 192
Plant and machinery	11 238	(4 868)	6 370	9 041	(4 248)	4 793
Aircraft	186	(63)	123	182	(64)	118
Furniture and fixtures	197	(164)	33	179	(148)	31
Motor vehicles	88	(36)	52	80	(30)	50
Assets under construction	1 084	–	1 084	1 733	–	1 733
Capitalised borrowing costs	10	–	10	4	–	4
Total	16 576	(5 760)	10 816	14 980	(5 059)	9 921
Company						
Plant and machinery	111	(105)	6	103	(103)	–
Aircraft	186	(63)	123	182	(64)	118
Furniture and fixtures	77	(59)	18	57	(47)	10
Motor vehicles	6	(5)	1	6	(5)	1
Assets under construction	18	–	18	–	–	–
Total	398	(232)	166	348	(219)	129

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT

Figures in Rand million	Opening balance	Additions	Additions through business combinations	Disposals	Transfers	Revaluations	Foreign exchange movements	Depreciation	Impairment loss	Carrying value
Group – 2016										
Land and buildings	3 192	125	12	(17)	(130)	39	1	(81)	–	3 141
Plant and machinery	4 793	2 264	162	(134)	81	–	2	(598)	(200)	6 370
Aircraft	118	–	–	–	–	13	–	(5)	–	126
Furniture and fixtures	31	27	1	(1)	–	2	–	(27)	–	33
Motor vehicles	50	10	5	(1)	–	–	–	(12)	–	52
Asset under construction	1 733	96	2	(164)	(583)	–	–	–	–	1 084
Capitalised borrowing costs	4	–	6	–	–	–	–	–	–	10
	9 921	2 522	188	(317)	(632)	54	3	(723)	(200)	10 816

15. PROPERTY, PLANT AND EQUIPMENT (continued)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT (continued)

Figures in Rand million	Opening balance	Additions	Additions through business combinations	Disposals	Transfers	Revaluations	Foreign exchange movements	Depreciation	Impairment loss	Carrying value
Group – 2015										
Land and buildings	2 520	89	(139)	18	763	(1)	(41)	(17)	3 192	
Plant and machinery	4 651	714	(126)	66	–	13	(512)	(13)	4 793	
Aircraft	153	–	–	(47)	17	–	(5)	–	118	
Furniture and fixtures	66	23	(23)	–	–	–	(35)	–	31	
Motor vehicles	34	21	–	–	–	–	(5)	–	50	
Assets under construction	1 588	333	(84)	(81)	–	(9)	–	(14)	1 733	
Capitalised borrowing costs	–	–	–	4	–	–	–	–	4	
	9 012	1 180	(372)	(40)	780	3	(598)	(44)	9 921	

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT

Figures in Rand million	Opening balance	Additions	Disposals	Revaluations	Depreciation	Carrying value
Company – 2016						
Plant and machinery	–	8	–	–	(2)	6
Aircraft	118	–	–	12	(7)	123
Furniture and fixtures	10	20	–	–	(12)	18
Motor vehicles	1	–	–	–	–	1
Assets under construction	–	18	–	–	–	18
	129	46	–	12	(21)	166
Company – 2015						
Plant and machinery	2	–	–	–	(2)	–
Aircraft	106	–	–	17	(5)	118
Furniture and fixtures	11	14	(4)	–	(11)	10
Motor vehicles	1	–	–	–	–	1
	120	14	(4)	17	(18)	129

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Company.

Figures in Rand million	31 March 2016	31 March 2015
Cost-capitalised finance lease	41	69
Accumulated depreciation	(24)	(22)
Carrying amount	17	47

Registers containing details of land and buildings, including details of any revaluations and encumbrances, are kept at the registered offices of the companies concerned.

16. BIOLOGICAL ASSETS

Group	2016 Cost	2016 Fair value adjustments	2016 Fair value	2015 Cost	2015 Fair value adjustments	2015 Fair value
Maize*	16	–	16	13	–	13
Planted walnut trees**	136	–	136	187	–	187
Planted pecan nut trees***	54	–	54	39	–	39
Blueberry plants****	9	–	9	8	–	8
Total	215	–	215	247	–	247

RECONCILIATION OF BIOLOGICAL ASSETS

Figures in Rand million	Opening balance	Additions	Disposals	Gains or losses arising from changes in fair value	Total
Group – 2016					
Maize	13	13	(13)	3	16
Planted walnut trees	187	3	(1)	(53)	136
Planted pecan nut trees	39	15	–	–	54
Blueberry plants	8	2	(1)	–	9
	247	33	(15)	(50)	215
Group – 2015					
Maize	9	10	(9)	3	13
Planted walnut trees	4	–	–	183	187
Planted pecan nut trees	25	14	–	–	39
Blueberry plants	5	3	–	–	8
	43	27	(9)	186	247

* *Current biological assets comprise maize which will be sold within the next 12 months. Due to the fact that there is an active market at year end and the fair value of the maize could be determined by using an external independent valuer the biological asset would be measured at fair value less estimated point-of-sale cost of agricultural produce, which is determined at the point-of-sale harvest.*

** *Biological assets comprise planted walnut trees and because there is no other commercial crop grown in South Africa or anywhere in the world with the same climate conditions or even the same tree cultivars, it is not possible to benchmark this project on the basis of a similar project elsewhere in the world. This is a green field project with high levels of uncertainty/risk. Although the revised project cash flow model is the best estimate available at this time, it has a high degree of risk and past reviews indicate that the cash flows could vary significantly over time. Therefore, biological assets are carried at cost less accumulated depreciation and impairment losses.*

*** *The fair value of the pecan nut trees has been determined by management which is of the opinion that the fair value is similar to the historical cost due to the reasons that the trees are under two years old, still need to be fully established and will reach maturity within the next six to eight years. There is still a high risk of disease, death or damage due to forces of nature or other circumstances up to that point. Sufficient measures are in place to minimise this risk. The fair value of the pecan nuts, although based on historical cost, compares to a cash flow based valuation at 16% discounted rate. This is deemed fair by management based on the risk factors indicated above.*

**** *There are 119.05 hectares (2015: 99.77 hectares) of plants. The current density for the majority of the plants is 4 000 and 5 000 plants per hectare, but new plant densities at Klyne Fontein are 4 167 and 3 333 plants per hectare respectively. Fair value cannot be determined for blueberry plants as trustworthy information about the projected yields for blueberry plants is not available and any predictions about yields cannot be verified in terms of historical yields.*

17. INTANGIBLE ASSETS

Figures in Rand million	2016			2015		
	Cost/ valuation	Accumulated amortisation	Carrying value	Cost/ valuation	Accumulated amortisation	Carrying value
Group						
Goodwill	881	(881)	–	882	(867)	15
Computer software, other	127	(64)	63	124	(49)	75
Customer relationships	93	(93)	–	93	(93)	–
Intellectual property	2	(2)	–	2	(2)	–
Total	1 103	(1 040)	63	1 101	(1 011)	90

RECONCILIATION OF INTANGIBLE ASSETS

Figures in Rand million	Opening balance	Additions	Impairment/ amortisation	Total
Group – 2016				
Goodwill	15	–	(15)	–
Computer software, other	75	2	(12)	63
	90	2	(29)	63
Group – 2015				
Goodwill	15	–	–	15
Computer software, other	24	58	(7)	75
	39	58	(7)	90

18. SHARE CAPITAL

	Group		Company	
Figures in Rand million	**2016**	**2015**	**2016**	**2015**
Authorised				
A shares of R1 each – 1 000 000	1	1	1	1
B shares of R1 each – 1 499 000 000	1 499	1 499	1 499	1 499
	1 500	1 500	1 500	1 500
Issued				
Ordinary Type A	1	1	1	1
Ordinary Type B	1 392	1 392	1 392	1 392
	1 393	1 393	1 393	1 393

A shares are not transferable other than by an Act of Parliament, however, the B shares may be sold with the authorisation of the President of the Republic of South Africa.

The A shares held by the State shall entitle it to a majority vote.

19. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
Figures in Rand million	**2016**	**2015**	**2016**	**2015**
Derivative assets				
Foreign exchange contract assets	69	4	62	–
Derivative liabilities				
Foreign exchange contract liability	59	56	44	50

These derivative assets and liabilities are subject to master netting agreements, which allow the Company to off-set the assets and liabilities, arriving at a net asset position of R18 million (2015: net liability position of R50 million).

All contractual maturities for the derivative assets and liabilities are within 12 months.

20. TRADE AND OTHER PAYABLES

Figures in Rand million	Group 2016	Group 2015	Company 2016	Company 2015
Trade payables	3 332	3 354	617	953
Accrued bonus	282	277	250	236
Accrued leave pay	111	117	78	73
	3 725	3 748	945	1 262
MOVEMENT IN ACCRUALS				
Bonuses				
Balance at the beginning of the year	277	259	236	199
Additional accruals raised during the year	229	274	193	211
Utilised during the year	(224)	(256)	(179)	(174)
Balance at the end of the year	282	277	250	236
Leave pay				
Balance at the beginning of the year	117	115	73	71
Additional accruals raised during the year	36	25	24	22
Utilised during the year	(42)	(23)	(19)	(20)
Balance at the end of the year	111	117	78	73

21. RETIREMENT BENEFITS

PENSION AND PROVIDENT SCHEMES

The Group has pension and provident schemes covering substantially all employees. All eligible employees are members of either defined contribution or defined benefit schemes. These schemes are governed by the Pension Funds Act, 1956, as amended. The assets of the schemes under the control of trustees are held separately from those of the Group.

The costs charged to profit or loss represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

DEFINED CONTRIBUTION SCHEMES

Employees and Group companies contribute to the provident funds on a fixed-contribution basis. No actuarial valuation of these funds is required. Contributions, including past-service costs, are charged to profit or loss when incurred.

DEFINED BENEFIT SCHEME

A Group company and its employees contribute to a defined benefit pension fund. The pension fund is final salary fully funded. The assets of the fund are held in an independent trustee-administered fund, administered in terms of the Pension Funds Act, 1956, as amended.

Figures in Rand million	Group 2016	Group 2015
The fund is valued every three years using the projected unit credit method. The actuarial valuation for purposes of IAS 19 was performed on 31 December 2015.		
The amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	364	330
Fair value of plan assets	(403)	(405)
Other	39	75
Liability recognised	–	–
The movement in the defined benefit obligation		
Opening balance	330	380
Current-service cost	2	1
Interest-cost	26	28
Actuarial (gains)/losses	46	1
Benefit paid	(40)	(29)
Decrease as a result of transfer to previous shareholder*	–	(51)
Closing balance	364	330
Movement in asset plan		
Fair value of plan assets at the beginning of the year	404	449
Disposal of subsidiary	–	(50)
Expected return on asset	31	34
Actuarial (loss)/gain recognised during the year	7	–
Benefits paid	(39)	(29)
Fair value of plan assets at the end of the year	403	404

* *The transfer to previous shareholder relates to Scaw*

21. RETIREMENT BENEFITS (continued)

DEFINED BENEFIT SCHEME (continued)

	Group	
Figures in Rand million	2016	2015
The amounts recognised in profit or loss are as follows:		
Current-service cost	2	1
Interest cost	26	28
Expected return on assets	(31)	(34)
Net actuarial loss recognised during the year	53	1
Total included in operating expenses	50	(4)
The amounts recognised in other comprehensive income in 2016 are income of R1.1 million.		
The actual return on plan assets was:		
Expected return on plan assets	31	34
Actuarial gains/(losses) on plan assets	7	–
Actual return on plan assets	38	34
Plan assets are comprised as follows:		
Equity instruments (%)	56	54
Cash (%)	14	7
Debt instruments (%)	15	30
Other (%)	15	9
	100	100
The principal actuarial assumptions for accounting purposes were:		
Discount rate (%)	10.44	8.41
Expected return on plan assets (%)	10.44	8.41
Future salary increases (%)	9.44	7.64
Future pension increases (%)	9.16	5.64
Normal retirement age (%)	60	60

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	Impact on overall liability	
	2016	2015
Inflation rate (increase of 1%)	8.9	8.3
Inflation rate (decrease of 1%)	7.8	8

The expected contributions to the post-employment pension scheme for the year ending 31 March 2017 are R0.8 million.

POST-RETIREMENT MEDICAL BENEFITS

Some Group companies have obligations to provide post-retirement medical benefits to their pensioners.

The accumulated post-retirement medical aid obligation and the annual cost of those benefits were determined by independent actuaries. Any surplus or shortfall between the actuarially determined liability and the aggregate amounts provided is charged to profit or loss.

The amounts recognised in the statement of financial position are as follows:

Present value of unfunded obligation

	Group		Company	
Figures in Rand million	2016	2015	2016	2015
Discovery Health members	589	707	158	182
Movement in the liability recognised in the statement of financial position:				
At the beginning of the year	707	620	182	162
Contributions paid	(31)	(21)	(8)	(7)
Current-service costs	11	25	3	2
Interest cost	57	53	16	15
Reduction in obligation due to curtailment payment	(100)	–	–	–
Deficit/surplus	(55)	30	(35)	10
Balance at the end of the year	589	707	158	182

21. RETIREMENT BENEFITS (continued)

POST-RETIREMENT MEDICAL BENEFITS (continued)

	Group		Company	
Figures in Rand million	**2016**	**2015**	**2016**	**2015**
The principal actuarial assumptions used for accounting purposes were:				
– Discount rate (%)	10.14	8.26	–	–
– General inflation rate (%)	8.17	6.38	–	–
– Medical inflation rate (%)	9.67	7.88	–	–
– Normal retirement age	60/65	60/65		
Present value of unfunded obligation history				
2012	265		135	
2013	759		155	
2014	620		162	
2015	707		182	
2016	589		158	
Present value of unfunded obligation history	**Change in past-service liability**		**Change in service cost plus asset**	
Inflation rate (increase of 1%)	14.0	14.0	15.2	15.1
Inflation rate (decrease of 1%)	11.6	11.5	12.2	12.2

The expected contributions to post-employment medical plans for the year ending 31 March 2017 are R0.2 million.

22. OTHER FINANCIAL LIABILITIES

		Group 2016	Group 2015	Company 2016	Company 2015
Foreign loans		10 194	7 913	10 194	7 913
Domestic loans		17 790	16 092	28 793	25 653
		27 984	24 005	38 987	33 566
Non-current liabilities					
Foreign loans		7 487	7 023	7 487	7 023
Domestic loans		15 307	10 136	13 927	8 852
		22 794	17 159	21 414	15 875
Current liabilities					
Foreign loans		2 707	890	2 707	890
Domestic loans		2 483	5 956	14 866	16 801
		5 190	6 846	17 573	17 691
		27 984	24 005	38 987	33 566
Foreign loans	**Interest rate (%)**				
– US Dollar	0 to 4.1	7 715	6 459	7 715	6 459
– Euro	0.25 to 2.68	2 462	1 424	2 462	1 424
– SA Rand-denominated	7.43 to 8.9	17	30	17	30
		10 194	7 913	10 194	7 913
Maturity of foreign loans					
– due within one year		2 707	890	2 707	890
– due after one year but within five years		6 396	3 308	6 396	3 308
– due after five years		1 091	3 715	1 091	3 715
		10 194	7 913	10 194	7 913
Maturity of domestic loans					
– no set dates of repayment		–	–	14 002	13 301
– due within one year		2 483	5 956	864	3 500
– due after one year but within five years		11 797	7 661	11 032	6 894
– due after five years		3 510	2 475	2 895	1 958
		17 790	16 092	28 793	25 653

22. OTHER FINANCIAL LIABILITIES (continued)

Figures in Rand million		Group 2016	Group 2015	Company 2016	Company 2015
Domestic loans secured loans*					
Nedbank Limited		1 295	1 779	–	–
Other secured loans		106	43	–	–
Unsecured loans					
Rand-denominated loans		3 900	3 900	3 900	3 900
Unemployment Insurance Fund Bond		1 997	3 996	1 997	3 996
Public Bond		6 000	2 500	6 000	2 500
Public Investment Corporation Green Bond		2 894	1 956	2 894	1 956
Other unsecured loans		–	37	–	–
Loans from subsidiaries with no fixed terms of repayment	Interest-free	–	–	11 466	10 480
Loans with no fixed terms of repayment	Money market-related	1 598	1 881	2 001	2 286
Loans with no fixed terms of repayment	Interest-free	–	–	535	535
Total domestic loans		17 790	16 092	28 793	25 653
Interest-bearing and non-interest-bearing loans					
– Non-current interest-bearing loans		22 782	17 138	21 414	15 875
– Current interest-bearing loans		5 190	6 846	5 573	6 676
		27 972	23 984	26 987	22 551
– Non-current interest-free loans		12	21	–	–
– Current interest-free loans		–	–	12 000	11 015
		12	21	12 000	11 015
		27 984	24 005	38 987	33 566

* *Secured by assets of subsidiary companies*

23. PROVISIONS

Figures in Rand million	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
RECONCILIATION OF PROVISIONS					
Group – 2016					
Environmental rehabilitation	447	453	(142)	31	789
Trust fund	(152)	–	(17)	–	(169)
Other provisions	122	288	(266)	4	148
	417	741	(425)	35	768
Group – 2015					
Environmental rehabilitation	424	8	(11)	26	447
Trust fund	(137)	–	(15)	–	(152)
Other provisions	104	69	(52)	1	122
	391	77	(78)	27	417
Company – 2016					
Environmental rehabilitation	48		(25)		23
Company – 2015					
Environmental rehabilitation	67	–	(19)		48

ENVIRONMENTAL REHABILITATION LIABILITY

African Chrome

As a result of the processes used in the manufacture of the chemical products of the company, the ground water has become contaminated with a by-product, Chrome 6. In terms of minimum requirements of the National Water Act, No 37 of 1998, Part 5, section 20 and the Environment Conservation Act, No 73 of 1989, Part V, sub-sections 21 and 22, the company is required to remove the contaminated water and dispose of the waste material.

The Industrial Development Corporation, as primary shareholder, stands security for the entire environmental provision until the land is fully rehabilitated.

23. PROVISIONS (continued)

ENVIRONMENTAL REHABILITATION LIABILITY (continued)

African Chrome (continued)

The rehabilitation process initially comprised two phases, namely Phase 1 and Phase 2. The entire process was expected to take a period of three years; with Phase 1 having commenced on 1 March 2012 and completed during the 2013/14 financial year. Phase 2 activities commenced during 2013/14 financial year after Phase 1 was completed. An amount of R18.5 million was expected to be incurred for Phase 2 activities. This provisional amount was based on previous historical costs and was adjusted for inflation. It was assumed that the amount incurred each year for Phase 2 activities would be settled at each respective year end.

During the year tests were conducted to ascertain the success of Phase 1 in rehabilitating the surface of the soil. It was found that remediation works completed to date had effectively removed soil contamination from the surface of the site to concentration levels well below the recently gazetted South African Soil Screening Values (SSV2) for industrial land use. The site is therefore considered suitable for industrial re-development. However, the groundwater contamination has not been resolved, giving rise to an environmental liability for the IDC.

Insitu Chromium Reduction Technology

During the year a new remediation technology (Insitu chromium reduction) for Chromium(Cr) VI groundwater contamination was explored. It was decided that Phase 2 would be substituted by this remediation method. Insitu chromium reduction is well proven remediation technology for CrVI contaminated groundwater which involves the injection or infiltration of a reductive reagent to precipitate and stabilise chromium in the less toxic form, Cr (III).

The approach is as follows:

Conduct laboratory and field trials to determine most suitable reagent; review all existing borehole and site infrastructure to determine suitability use for the remediation trials; design upgraded system and refine according to the results of remediation field trials; undertake full-scale field trials to test the performance of the selected reagent. Install a combination of injection wells and/or infiltration galleries in the hot spot areas associated with the South and North west plumes; sample and test existing monitoring wells at regular intervals for pH, ORP and CrVI to monitor the reaction rate and spread of the reagent; and it may be necessary to drill additional wells to ensure aquifer coverage.

In addition the following supporting management measures have been proposed:

Semi-annual groundwater sampling between the site and residential receptors for five years obtain a Waste License for Remediation Activities and undertake the basic assessment for authorisation. Interest rates relating to the following government bonds were used as the discount rates for calculating the present value of future cashflows:

- R186 bond for current monthly site monitoring payments to Interwaste Environmental Solutions & Golder Associates over the next 10 years.
- R157 bond for the operation of *in situ* reduction system for a period of two years.
- R2 023 bond for the groundwater monitoring (10 sessions over five years).

The government bonds were selected based on the approximate maturity date as at 31 March 2016. These rates were not adjusted for risks as there is no risk relating to the technology used to rehabilitate the land.

All cash flows were adjusted for inflation forecasted by IDC Research and Information Department.

Foskor

The company continually contributes to the Environmental Rehabilitation Trust to ensure that adequate funds are available to pay for mine closure and reclamation costs. The Environmental Rehabilitation Trust is an irrevocable trust under the control of the company.

The financial assets held by the Trust are intended to fund the environmental rehabilitation liability of Foskor (Pty) Ltd and are not available for general purposes of the Group. The objective of the Trust is to act as the financial provider for expenditure that its member, Foskor (Pty) Ltd, is likely to incur in order to comply with the statutory obligation for the environmental rehabilitation. The Trust is exempt from tax in accordance with section 10(1)cP of the Income Tax Act, No 58 of 1962.

A contingent liability has been recognised for the issuing of guarantees to the Department of Mineral Resources.

Columbus

Columbus Joint Venture is a partnership between IDC, Samancor Limited and Highveld Steel. The provision is for the rehabilitation of dumps of different waste streams that were estimated at 4.3 million tonnes, which were not included in the sale of Middleburg Stainless Steel in January 2002, and accordingly each partner was liable for its share of the rehabilitation. The rehabilitation is expected to be completed in 2017.

Scaw South Africa

Scaw South Africa has an obligation to incur restoration rehabilitation and environmental costs when environmental disturbance is caused by the development of ongoing production at a property. A provision is recognised for the present value of such costs. It is anticipated that the costs will be incurred over a period in excess of 20 years.

The estimation of the environmental rehabilitation provision is a key area where management's judgement is required.

24. SHARE-BASED PAYMENTS

On 7 July 2009 Foskor and the IDC, as the controlling shareholder of Foskor, entered into a BEE transaction. In terms of the transaction the IDC legally sold a 15% interest in Foskor to Strategic Business Partners and Special Black Groups (collectively, the BEE partners), a 6% interest in Foskor to the Foskor Employee Share Option Plan (ESOP), and a 5% interest in Foskor to communities (the Community Trust) as part of Foskor's efforts to achieve the objectives set out in the dti's Broad-Based Black Economic Empowerment Codes of Good Practice (the dti Codes) and also to attain broad-based employee participation. The BEE Partners, employee beneficiaries of the ESOP and beneficiaries of the Community Trust are collectively referred to as the BEE Participants.

The transaction was recognised as a share-based payment in terms of the requirements of IFRS 2 Share-based Payment and consequently the 26% interest in Foskor sold to the BEE participants has not been derecognised for accounting purposes in the Company or Group. Whilst certain rewards have been transferred to the BEE participants, the IDC remains substantially exposed to the risks of the Foskor shares through its funding of the transaction. The transaction will continue to be accounted for in this manner until such time as the preference shares have been redeemed by the BEE participants. The value of the share-based payments is determined using an appropriate valuation technique.

EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE

	Group		Company	
Figures in Rand million	**2016**	**2015**	**2016**	**2015**
At the beginning of the year	304	304	–	–
At the end of the year	304	304	–	–
Cash-settled share-based payment liability				
At the beginning of the year	18	24	62	176
Fair value adjustment through profit or loss	8	(6)	28	(114)
At the end of the year	26	18	90	62

EQUITY-SETTLED RESERVE: WEIGHTED AVERAGE FAIR VALUE ASSUMPTIONS

The fair value of services received in return for equity instruments granted is measured by reference to the fair value of the equity instruments granted. The estimate of the fair value of the equity instruments granted is measured based on the Monte Carlo Option Pricing model.

The following weighted average assumptions were used in the share pricing models at grant date:

Grant date	**31 December 2009**
Initial company value (exercise price) R'm	3 500
Average share price at grant date R	382.19
Annualised expected volatility (%)	43.00
Risk-free interest rate (%)	8.54
Dividend yield (%)	2.25
Strike price R	655.68

CASH-SETTLED SHARE-BASED PAYMENT LIABILITY: WEIGHTED AVERAGE FAIR VALUE ASSUMPTIONS

The following weighted average assumptions were used in the share pricing models during the year:

	Group		Company	
Figures in Rand million	**2016**	**2015**	**2016**	**2015**
Exercise price R'm	3 500	3 500	3 500	3 500
Average share price at grant date R	382.19	382.19	382.19	382.19
Annualised expected volatility (%)	41.88	41.88	36.14	25.33
Risk-free interest rate (%)	8.37	8.37	7.80	7.92
Dividend yield (%)	–	–	2.22	2.22
Strike price R	594.80	594.80	546.27	546.27

	Group		Company	
Figures in Rand million	**2016**	**2015**	**2016**	**2015**
25. REVENUE				
Farming manufacturing and mining income	13 872	13 582	–	–
Interest received	2 346	2 206	3 128	2 581
Dividends received	2 723	3 104	1 886	2 238
Fee income	467	707	424	657
	19 408	19 599	5 438	5 476
DIVIDENDS RECEIVED ON AVAILABLE-FOR-SALE FINANCIAL ASSETS				
– Listed	1 438	2 748	453	1 599
– Unlisted	152	62	152	62
– Associated companies	–	–	148	283
– Preference shares income	1 133	294	1 133	294
	2 723	3 104	1 886	2 238
Dividends received from the investments made in terms of section 3(a) of the Industrial Development Act Sasol Limited	985	1 145	–	–
26. INVESTMENT REVENUE				
INTEREST INCOME				
Cash and cash equivalents	570	533	423	416
Loans and advances to clients	1 762	1 641	2 703	2 157
Other	14	32	2	8
	2 346	2 206	3 128	2 581
27. FINANCE COSTS PAID				
Current borrowings	1 150	1 205	1 364	1 086
Finance leases	3	3	–	–
(Profit)/loss on foreign currency borrowings	(70)	92	(111)	66
Other interest paid	234	102	47	18
	1 317	1 402	1 300	1 170
28. FEE INCOME				
Metal fees	169	371	169	371
Guarantee fees	15	14	15	14
Other contract-related fees	228	190	215	173
Other fees	55	132	25	99
Total fee income	467	707	424	657
29. NET CAPITAL GAINS/(LOSSES)				
Capital gains on disposal of available-for-sale investments	483	650	440	437
Capital losses on disposal of available-for-sale investments	(30)	(10)	(30)	(10)
	453	640	410	427
30. OPERATING PROFIT/(LOSS)				
Is arrived at after taking into account the following:				
Revaluation of investment property	63	–	–	–
Depreciation on property, plant and equipment	723	598	21	18
Impairment on property, plant and equipment	200	44	–	–
Loss/(profit) on sale of property, plant and equipment	17	1	–	–
Amortisation on intangible assets	29	7	–	–
Impairment on trade and other receivables	79	95	–	–
Research and development	10	6	10	5
Project feasibility expenses	(289)	78	(289)	72
Impairments and write-offs on other financial assets	3 161	1 526	3 670	1 821
Employee costs	3 294	3 606	937	903
Operating lease rentals	47	27	4	4

		Group		Company	
	Figures in Rand million	2016	2015	2016	2015
30.	**OPERATING (LOSS) PROFIT (continued)**				
	NET INCREASE/(DECREASE) IN IMPAIRMENTS				
	Machinery and Equipment	(540)	220	(474)	268
	Industrial Infrastructure	1 039	170	1 059	177
	New Industries	48	76	27	80
	Agro-processing and Agriculture	133	125	136	91
	Automotive and Transport Equipment	363	3	367	–
	Basic Metals and Mining	874	81	1 783	242
	Clothing and Textiles	133	(223)	(358)	(441)
	Basic and Speciality Chemicals	(60)	152	(59)	103
	Chemical Products and Pharmaceuticals	199	(35)	199	(24)
	Media and Motion Pictures	(884)	(67)	(1 059)	(64)
	Light Manufacturing and Tourism	(95)	52	(87)	63
	Heavy Manufacturing	91	(211)	91	(310)
	Information Communication Technology	(76)	(120)	(76)	(109)
	Franchising	6	8	6	8
	Construction	12	377	12	300
	Other	58	122	58	75
		1 301	730	1 625	459
	BAD DEBTS WRITTEN OFF/(RECOVERED)				
	Machinery and Equipment	135	9	135	9
	Industrial Infrastructure	11	–	11	–
	New Industries	40	5	40	4
	Agro-processing and Agriculture	20	23	20	23
	Automotive and Transport Equipment	7	–	7	–
	Basic Metals and Mining	181	89	181	88
	Clothing and Textiles	–	250	316	655
	Basic and Speciality Chemicals	136	63	(3)	63
	Chemical Products and Pharmaceuticals	17	4	17	4
	Media and Motion Pictures	1 053	86	1 061	86
	Light Manufacturing and Tourism	210	(4)	210	(4)
	Heavy Manufacturing	13	94	13	273
	Information Communication Technology	–	148	–	148
	Franchising	7	3	7	3
	Construction	–	11	–	10
	Other	30	15	30	–
		1 860	796	2 045	1 362
31.	**AUDITORS' REMUNERATION**				
	Fees	21	18	9	7
32.	**TAXATION**				
	MAJOR COMPONENTS OF THE TAX (INCOME) EXPENSE				
	Current				
	Local income tax – current period	156	105	301	105
	Foreign income tax	–	(1)	–	–
		156	104	301	105
	Deferred				
	Deferred tax – current year	(316)	(90)	(326)	(51)
		(160)	14	(25)	54
	Reconciliation of the tax expense				
	Reconciliation between applicable tax rate and average effective tax rate.				
	South African normal tax rate (%)	28	28	28	28
	The normal rate of taxation for the year has been adjusted as a consequence of:				
	– dividend income (%)	(1 208)	(53)	(352)	(37)
	– capital gains and losses (%)	(182)	–	(76)	–
	– provisions and impairments (%)	1 414	26	681	30
	– disallowed/exempt items (%)	(315)	(26)	(297)	(18)
	Effective tax rate (%)	(263)	(25)	(16)	3

33. DIRECTORS' EMOLUMENTS

NON-EXECUTIVE DIRECTORS: FEES FOR SERVICES AS DIRECTORS

Figures in Rand thousands		2016	2015
Ms MW Hlahla	Retired on 29 January 2015	67	742
Ms LJ Bethlehem[1]		301	486
Mr JA Copelyn	Retired on 29 January 2015	–	241
Mr BA Dames		322	299
Ms LL Dhlamini	Resigned on 31 August 2014	–	98
Mr RM Godsell		178	259
Mr LR Pitot	Retired on 29 January 2015	21	473
Ms BA Mabuza	Appointed Chairperson on 29 January 2015	690	532
Dr SM Magwentshu-Rensburg		326	335
Mr SK Mapetla	Retired on 29 January 2015	21	378
Ms MP Mthethwa		304	351
Mr ZJ Vavi	Retired 29 February 2016	288	158
N Mnxasana		441	–
NDB Orleyn		340	–
Mr B Molefe[2]	Appointed 1 February 2015	64	–
Mr NE Zalk[3]		–	–
		3 363	4 352

1. *Ms L Bethlehem and Mr JA Copelyn's fees are paid directly to HCI Limited*
2. *Mr Molefe's fee is paid to the Transnet Foundation.*
3. *Mr NE Zalk is employed by the dti and does not earn directors' fees for services rendered to the IDC*

EXECUTIVE

Figures in Rand thousands	Emoluments	Long-term incentive bonus	Non-pensionable* allowance	Performance bonus	Contributions to medical aid, retirement benefits and other	Total R'000
2016						
IDC	**28 957**	**3 801**	**4 684**	**–**	**7 312**	**44 754**
MG Qhena	5 255	1 156	1 077	–	1 234	8 722
GS Gouws	3 535	702	616	–	1 604	6 457
SAU Meer	2 529	437	386	–	393	3 745
K Schumann[1]	2 320	430	406	–	664	3 802
AP Malinga	2 054	361	377	–	703	3 494
PB Makwane	2 377	372	368	–	751	3 869
RJ Gaveni	1 688	226	290	–	501	2 706
DA Jarvis	1 936	81	308	–	317	2 641
KC Morolo[11]	1 727	–	–	–	393	2 120
MP Mainganya	2 380	37	371	–	332	3 120
PZ Luthuli[2]	1 649	–	253	–	223	2 126
NS Veleti[3]	1 524	–	232	–	196	1 952
Foskor	**18 266**	**2 008**	**76**	**–**	**4 009**	**24 359**
MA Pitse[4]	884	632	–	–	398	1 914
G van Wyk[8]	1 983	–	–	–	395	2 378
J Morotaba[5]	3 016	108	–	–	803	3 927
G Ferns[7]	1 898	–	–	–	574	2 472
SMS Sibisi	2 462	405	–	–	503	3 370
XS Luthuli	2 583	400	–	–	649	3 632
K Cele	2 306	388	–	–	392	3 086
NM Gokhale[6]	482	–	–	–	6	488
DP Singh	2 023	–	–	–	229	2 252
MA Dindar[9, 10]	630	76	76	–	60	842

1. *Contract ended on 30 April 2016*
2. *Appointed on 1 July 2015*
3. *Appointed on 1 September 2015*
4. *Contract expired 30 June 2015*
5. *Contractual sign-on bonus only paid in June 2015*
6. *Contract expired 30 June 2015*
7. *Resigned 31 December 2015*
8. *Contract from 1 July 2015 to 31 March 2016*
9. *Appointed 1 January 2016*
10. *Seconded to the company by IDC*
11. *Resigned on 30 April 2016*

* *Non-guaranteed performance-based allowance*

33. DIRECTORS' EMOLUMENTS (continued)

EXECUTIVE (continued)

Figures in Rand thousands	Emoluments	Long-term incentive bonus	Performance bonus	Contributions to medical aid, retirement benefits and other	Total R'000
2016					
Scaw South Africa	**19 685**	**–**	**1 680**	**4 518**	**25 883**
U Khumalo	3 665	–	298	568	4 531
MM Hanneman	3 445	–	275	1 501	5 221
S van Wyk	1 926	–	154	723	2 803
G van Wyk	495	–	198	–	693
B Khumalo	2 069	–	165	336	2 570
G Katergarakis	1 620	–	129	289	2 038
R Abrahams	1 604	–	130	288	2 022
V Reddy	1 339	–	107	239	1 685
D Ndlovu	1 338	–	107	234	1 679
P Malaza	2 184	–	117	340	2 641
sefa	**8 535**	**506**	**1 251**	**2 155**	**13 126**
TR Makhuva[10]	1 966	258	283	505	3 012
V Matsiliza	1 476	–	183	246	1 905
ZR Coetzee[10]	1 564	248	253	623	2 688
N Shwala	1 345	–	163	190	1 698
RV Ralebepa	1 451	–	184	270	1 905
GN Nadasan	1 412	–	185	321	1 918
	76 122	6 315	7 691	17 993	108 122
2015					
IDC	**19 316**	**–**	**9 468**	**6 989**	**35 773**
MG Qhena	4 173	–	2 755	2 391	9 319
GS Gouws	2 816	–	1 580	948	5 344
SAU Meer	2 110	–	959	809	3 878
K Schumann	1 854	–	952	626	3 432
AP Malinga	1 702	–	913	806	3 421
PB Makwane	1 968	–	871	344	3 183
RJ Gaveni	1 418	–	695	374	2 487
K Morolo	1 704	–	–	386	2 090
PM Mainganya	1 172	–	553	170	1 895
LP Mondi	399	–	190	135	724
Foskor	**21 047**	**6 546**	**–**	**6 195**	**33 788**
MA Pitse	3 476	4 388	–	1 473	9 337
J Morotoba	2 860	–	–	2 175	5 035
N Nkomzwayo	1 439	2 158	–	405	4 002
G Ferns	2 457	–	–	454	2 911
SMS Sibisi	2 328	–	–	513	2 841
XS Luthuli	2 441	–	–	385	2 826
K Cele	2 192	–	–	417	2 609
NM Gokhale	1 889	–	–	24	1 913
SR Golmari	1 476	–	–	98	1 574
DP Singh	489	–	–	251	740
Scaw South Africa	**20 144**	**–**	**4 533**	**3 797**	**28 474**
U Khumalo	3 575	–	1 278	571	5 424
MM Hanneman	3 300	–	1 180	824	5 304
S van Wyk	1 845	–	483	441	2 769
G van Wyk	2 374	–	–	379	2 753
B Khumalo	1 982	–	359	333	2 674
G Katergarakis	1 552	–	406	277	2 235
R Abrahams	1 559	–	317	281	2 157
V Reddy	1 283	–	278	234	1 795
D Ndlovu	1 282	–	232	238	1 752
P Malaza	1 392	–	–	219	1 611

10. Seconded to the company by IDC

EXECUTIVE (continued)

Figures in Rand thousands	Emoluments	Long-term incentive bonus	Performance bonus	Contributions to medical aid, retirement benefits and other	Total R'000
2015					
sefa	**8 419**	**–**	**1 626**	**1 387**	**11 432**
TR Makhuva	1 612	–	811	522	2 945
V Matsiliza	1 413	–	231	229	1 873
ZR Coetzee	824	–	429	394	1 647
LG Mashishi	1 570	–	–	74	1 644
N Shwala	1 026	–	155	45	1 226
L van Lelyveld	515	–	–	24	539
RV Ralebepa	362	–	–	56	418
D Hansen	397	–	–	–	397
P Swanepoel	327	–	–	36	363
GN Nadasan	196	–	–	7	203
A Dirks	124	–	–	–	124
L van Schalkwyk	53	–	–	–	53
	68 926	6 546	15 627	18 368	109 467

34. OTHER COMPREHENSIVE INCOME

COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Gross	Tax	Share of other comprehensive income of associates	Net
Group – 2016				
Items that will not be reclassified to profit or loss				
Remeasurements on net defined benefit liability/asset	59	(13)	–	46
Movements on revaluation				
Gains (losses) on property revaluation	73	(13)	–	60
Total items that will not be reclassified to profit or loss	132	(26)	–	106
Items that may be reclassified to profit or loss				
Exchange differences on translating foreign operations				
Exchange differences arising during the year	129	–	631	760
Available-for-sale financial assets adjustments				
Gains and losses arising during the year	(6 087)	(290)	(101)	(6 478)
Total items that may be reclassified to profit or loss	(5 958)	(290)	530	(5 718)
Total	(5 826)	(316)	530	(5 612)
Company – 2016				
Items that will not be reclassified to profit or loss				
Remeasurements on net defined benefit liability/asset	40	(9)	–	31
Movements on revaluation				
Gains/(losses) on property revaluation	17	(4)	–	13
Total items that will not be reclassified to profit or loss	57	(13)	–	44
Items that may be reclassified to profit or loss				
Available-for-sale financial assets adjustments				
Gains and losses arising during the year	(7 631)	615	(15)	(7 031)
Total items that may be reclassified to profit or loss	(7 631)	615	(15)	(7 031)
Total	(7 574)	602	(15)	(6 987)

35. NATURE AND PURPOSE OF RESERVES

FOREIGN CURRENCY TRANSLATION RESERVE

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

REVALUATION RESERVE

The revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired. The revaluation reserve also relates to the revaluation of property, plant and equipment.

ASSOCIATED ENTITIES RESERVE

The associated entities reserve comprises the cumulative net changes of equity-accounted investment, directly to other comprehensive income.

COMMON CONTROL RESERVE

The common control reserve relates to the transfer of Small Enterprise Finance Agency from the Economic Development Department to the IDC.

SHARE-BASED PAYMENT RESERVE

The share-based payment reserve relates to the equity-settled share-based portion of the Foskor BEE transaction, entered into on 7 July 2009. Please refer to Note 24 for further detail.

36. FINANCIAL AND OPERATING LEASES

FINANCE LEASES – GROUP AS LESSEE

The Group has leases classified as financial leases principally for property. Future minimum lease payments payable under finance leases, together with the present value of minimum lease payments, are as follows:

	Group		Company	
Figures in Rand million	**2016**	**2015**	**2016**	**2015**
Land and buildings				
– due within one year	6	5	–	–
– due after one year but within five years	15	14	–	–
– due after five years	5	7	–	–
Total minimum lease payments	26	26	–	–
Amount representing finance charges	(8)	(10)	–	–
Present value of minimum lease payments	18	16	–	–
Current portion	4	3	–	–
Long-term portion	14	13	–	–
	18	16	–	–

Foskor

The finance lease is between Foskor (Pty) Ltd and uMhlathuze Water Board for an effluent pipeline.

The lease liability is effectively secured, as the rights to the leased asset revert to the lessor in the event of default. The lease is over a 20-year period with 10 years remaining as at 31 March 2016. Foskor has sole use of the effluent pipeline and pays for the maintenance. The lease is at a fixed rate of 14.4% per annum.

Omega Refrigeration

The company's obligation under the finance lease has been settled during the current financial year.

Blue Mountain Berries

These loans are repayable in monthly installments of R227 351 which includes interest at rates between. 9.05% and 9.55% per year.

OPERATING LEASES – GROUP AS LESSEE

Certain items of computer and office equipment are leased by the Group.

Commitments for future minimum rentals payable under non-cancellable leases are as follows:

	Group		Company	
Figures in Rand million	**2016**	**2015**	**2016**	**2015**
– due within one year	32	28	2	2
– due after one year but within five years	99	105	–	2
– due after five years	–	302	–	–
	131	435	2	4

The Company leases network printers and scanners under one agreement, which terminates in 2016.

37. CASH USED IN OPERATIONS

	Group		Company	
Figures in Rand million	2016	2015	2016	2015
Profit before taxation	63	1 667	152	1 721
Income from equity-accounted investments	(557)	(656)	–	(3)
Adjustments for:				
Impairment of goodwill relating to associated entities	(30)	(54)	–	–
Amortisation of intangibles assets	32	7	–	–
Depreciation of property, plant and equipment	723	598	21	18
Loss/(profit) on sale of assets	17	1	–	–
Impairment/(reversal) of property, plant and equipment	200	44	–	–
Net capital gains	(453)	(640)	(410)	(427)
Interest received	(2 346)	(2 206)	(3 128)	(2 581)
Dividends received	(1 590)	(2 810)	(753)	(1 944)
Dividends received preference share options	(1 133)	(294)	(1 133)	(294)
Finance costs paid	1 387	1 310	1 411	1 104
Finance cost: exchange gains and losses	(70)	92	(111)	66
Project feasibility expenses	–	–	(27)	6
Specific and portfolio impairments	3 161	1 526	3 670	1 821
Fair value adjustment on share-based payment	–	–	28	(114)
Movements in retirement benefit assets and liabilities	(118)	89	(24)	20
Movements in provisions	351	26	(25)	(19)
Other non-cash items	(684)	(28)	(684)	(28)
Changes in working capital:				
Inventories	261	1	–	9
Trade and other receivables	413	111	155	(163)
Derivative assets	(65)	67	(62)	60
Trade and other payables	(24)	216	(317)	298
(Increase)/decrease in non-current assets held-for-sale	(53)	(39)	–	–
	(515)	(972)	(1 237)	(450)

38. BUSINESS COMBINATIONS

	Group		Company	
Figures in Rand million	2016	2015	2016	2015
Other entities acquired – ADC Cables				
Fair value of assets acquired and liabilities assumed				
Property, plant and equipment	197	–	–	–
Inventories	7	–	–	–
Trade and other receivables	16	–	–	–
Cash and cash equivalents	14	–	–	–
Other liabilities	(230)	–	–	–
Trade and other payables	(39)	–	–	–
Total identifiable net assets	(35)	–	–	–
Fair value of equity interest held before the business combination	35	–	–	–

39. TAX PAID

Balance at beginning of the year	261	(41)	260	(42)
Current tax for the year recognised in profit or loss	(156)	(104)	(301)	(105)
Balance at the end of the year	(205)	(261)	(200)	(260)
	(100)	(406)	(241)	(407)

		Group		Company	
	Figures in Rand million	**2016**	**2015**	**2016**	**2015**
40.	**COMMITMENTS**				
	In respect of:				
	Undrawn financing facilities approved	34 177	27 645	33 928	27 442
	Undrawn guarantee facilities approved	1 789	1 087	1 789	1 087
	Capital expenditure approved by subsidiaries	87	263	–	–
	– Contracted	87	263	–	–
	Capital expenditure approved by equity-accounted investments	755	398	–	–
	– Contracted	363	217	–	–
	– Not contracted	392	181	–	–
	Total commitments	36 808	29 393	35 771	28 529
	Less: counter-guarantees obtained from partners in respect of financing and guarantees to be provided to major projects	(221)	(182)	(221)	(182)
	Commitments net of counter-guarantees	36 587	29 211	35 550	28 347
	Commitments will be financed by loans and internally generated funds.				
41.	**GUARANTEES**				
	Guarantees issued in favour of third parties in respect of finance provided to industrialists	1 984	1 265	1 789	1 061
	Total industrial financing guarantees	1 984	1 265	1 789	1 061
		1 984	1 265	1 789	1 061
	Sundry guarantees issued by subsidiaries	541	541	–	–
	Guarantees issued by equity-accounted investments	17	22	–	–
	Guarantees	2 542	1 828	1 789	1 061

42. CONTINGENCIES

CONTINGENT LIABILITIES OF SUBSIDIARIES

Foskor (Pty) Ltd

The company had mine rehabilitation guarantees amounting to R495 million (2015: R455 million) at year-end. In line with the requirements set out by the Department of Mineral Resources (DMR), this guarantee amount was in place at 31 March 2016.

These guarantees and the agreement reached with the DMR were based on the environmental rehabilitation and closure costs assessment that was performed during the 2016 financial year. The assessments are performed on a three-year rolling basis, with the next assessment due in 2017. Estimated scheduled closure costs for the mine are R526 million.

For unscheduled or premature closure, the DMR, in accordance with the Minerals and Petroleum Resources Development Act, requires Foskor (Pty) Ltd to provide for the liability of R616 million in the form of guarantees and cash. The R616 million is covered by guarantees totalling R495 million and investment assets totalling R169 million, resulting in an overprovision of R49 million.

CONTINGENT LIABILITIES OF EQUITY-ACCOUNTED INVESTMENTS

Hans Merensky Holdings (Pty) Ltd

Land claims against property held by the Group have been gazetted in terms of the Restitution of Land Rights Act, 1994. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions cannot be reliably predicted and measured at reporting date and consequently no impairment charge has been recognised. Gazetted land claims will have a financial impact if it is probable that there will be an outflow of economic interest from the Hans Merensky Group. When the financial loss becomes probable and can be reliably measured, an impairment charge will be recognised.

The York Timber Organisation Ltd (York)

Suretyship: York participates in pool banking facilities granted by FirstRand Bank Limited. As such, the York has provided unlimited suretyship in favour of the FirstRand Bank Limited in respect of its obligations to the bank. Obligations are R142 million (2015: R142 million), R24 million being the Group's exposure thereto.

43. RELATED PARTIES

Shareholder:	The government of South Africa through the Economic Development Department

Directors' interests			Financing balance					
Name	Company	Financing approved R'm	2016 R'm	2015 R'm	Interest/ funding rate	Type of financing/ repayment terms	Director's interest	Year of approval
Mr SK Mapetla	Afrika Biopharma Investment	18	–	18	7%	Working capital facility	Mr SK Mapetla owns 41% of Afrika Biopharma Investment	2010
Ms MW Hlahla	Clidet 688 T/A Praxley Consortium Five (Pty) Ltd	14	14	14	RATIRR of 8%	Redeemable preference shares	Ms MW Hlahla owns 14% in Praxley Consortium Five (Pty) Ltd	2007
Mr JA Copelyn	Cape Town Film Studio (Pty) Ltd	84	54	64	Prime + 1%	Normal loan	The controlling shareholders of Cape Town Studio are Sabido Investments (Pty) Ltd (Sabido) and Videovision Dreamworld Sabido (42.5% shareholding) is the holding company of ETV and part of the JSE-listed group Hosken Consolidated investments Limited ("HCI"). Mr Copelyn currently serves as CEO of HCI	2010
	Ilangalethu (Pty) Ltd	1 000	60	60	R186 + (3.2% to 3.4%)	Senior debt loan	HCI has a 10% stake in Ilangalethu (Pty) Ltd. Mr Copelyn currently serves as CEO of HCI	2013
		1 484	–	–	RATIRR of 7.04%	Redeemable preference shares		2013
	Kai Garib Solar SPV	775	–	–	RATIRR of 10%	Normal loan	HCI is an investor in Kai Garib Solar SPV. Mr Copelyn currently serves as CEO of HCI	2015
		720	–	–	25% stake	Ordinary shares		2015
	Formex Industries (Pty) Ltd	80	30	30	RATIRR of 8%	Redeemable preference shares	HCI has a 100% stake in Formex. Mr Copelyn serves as CEO of HCI	2011
Ms LJ Bethlehem	Cape Town Film Studio (Pty) Ltd	84	54	64	Prime + 1%	Normal loan	The controlling shareholders of Cape Town Studio are Sabido Investments (Pty) Ltd (Sabido) and Videovision Dreamworld Sabido (42.5% shareholding) is the holding company of ETV and part of the JSE-listed group HCI. Ms Bethlehem is a senior manager at HCI	2010
	Formex Industries (Pty) Ltd	80	30	30	RATIRR of 8%	Redeemable preference shares	HCI has a 100% stake in Formex. Ms Bethlehem is a senior manager at HCI	2011

43. RELATED PARTIES (continued)

Shareholder: The Government of South Africa through the Economic Development Department

Directors' interests			Financing balance					
Name	Company	Financing approved R'm	2016 R'm	2015 R'm	Interest/ funding rate	Type of financing/ repayment terms	Director's interest	Year of approval
Ms LJ Bethlehem	Ilangalethu (Pty) Ltd	1 000	60	60	R186 + (3.2% to 3.4%)	Senior debt loan	HCI has a 10% stake in Ilangalethu (Pty) Ltd. Ms Bethlehem is a senior manager at HCI	2013
		1 484	–	–	RATIRR of 7.04%	Redeemable preference shares		
	Kai Garib Solar SPV	775	–	–	RATIRR of 10%	Normal loan	HCI is an investor in Kai Garib Solar SPV. Ms Bethlehem is a senior manager at HCI	2015
		720	–	–	25% stake	Ordinary shares		2015
Ms T Orleyn	Le Sel Research (Pty) Ltd	165	165	–	Prime + 1%	Normal loan	Ms Orleyn is a shareholder in Peotena Group Holdings via the Mamaswa Family Trust. Peotena Private Equity is a subsidiary of Peotena Group Holdings. Indirect shareholder in Le-Sel via Trinitas Fund General Partner (Trinitas). Trinitas has a 37.5% equity interest in Le-Sel Research	2015
National sphere of government								
The Land and Agricultural Development Bank of SA Ltd		400	77	86	0%	Loan repayable on 31 March 2022		2016

RELATED PARTY TRANSACTIONS

Non-financing transactions – Rendering of services

	Group		Company	
Figures in Rand million	2016	2015	2016	2015
Eskom Limited	747	754	–	–
Transnet Limited	894	892	–	–
South African Airways (Pty) Limited	8	21	4	20
Telkom Limited	7	7	1	1
National Ports Authority	47	43	–	–
SA Post Office Limited	–	1	–	1
Rand Water	2	5	–	–
	1 705	1 723	5	22

ADB	African Development Bank
AfD	Agence Française de Développement
ALCO	Asset and Liability Committee
APAP	Agricultural Policy Action Plan
BAC	Board Audit Committee
BAIC	Beijing Automotive International Corporation
B-BBEE	Broad-Based Black Economic Empowerment
BCM	Business Continuity Management
BEE	Black Economic Empowerment
BIC	Board Investment Committee
BR&SC	Board Risk and Sustainability Committee
CaR	Capital at Risk
CCB	China Construction Bank
CDB	China Development Bank
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CGU	Cash Generating Unit
CMT	Cut, make and trim
COSO	Committee of Sponsoring Organisations of the Treadway Commission
CRM	Customer Relationship Management
CSE	Consolidated structured entity
CSI	Corporate Social Investment
CVA	Culture Values Assessment
DFI	Development Finance Institution
DSI	Development Sustainability Index
DMR	Department of Mineral Resources
ECIC	Export Credit Insurance Corporation of South Africa Limited
EDD	Economic Development Department
EIB	European Investment Bank
ERM	Enterprise Risk Management
ERM	Environmental Risk Management
ERMF	Enterprise-wide Risk Management Framework
ESOP	Employee Share Option Plan
ESRR	Environmental and Social Risk Rating
EXCO	Executive Management Committee
FCF	Free cash flow
FOCAC	Forum on China-Africa Cooperation
GDP	Gross domestic product
GEAR	Growth Employment and Redistribution
GEC	Governance and Ethics Committee
GHG	Greenhouse gas
GRI	Global Reporting Initiative Guidelines
HC	Human Capital
HCI	Hosken Consolidated Investments
HCNC	Human Capital and Nominations Committee
IA	Internal Audit
IASB	International Accounting Standards Board
ICT	Information and communications technology
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards

IMC	Investment Monitoring Committee
IPAP	Industrial Policy Action Plan
IPCC	Inter-governmental Panel for Climate Change
IRC	Integrated Reporting Committee
ISAE	International Standards for Assurance Engagements
IT	Information Technology
JSE	Johannesburg Stock Exchange
KfW	Kreditanstalt für Wiederaufbau
KPI	Key performance indicator
LDC	Loss Data Collection
LTI	Long-term incentive
MoU	Memorandum of Understanding
NAIL	New Africa Investments Limited
Nampak	Nampak Products Limited
NAV	Net asset value
NCI	Non-controlling interests
NCPC	National Cleaner Production Centre
NDP	National Development Plan
NDT	National Department of Tourism
NGP	New Growth Path
NIP	National Infrastructure Plan
NPL	Non-performing loan
PACS	Payment and collection system
PC	Palabora Copper
PE	Price earning
PFMA	Public Finance Management Act
PGM	Platinum Group Metal
PIC	Public Investment Corporation
PIMD	Post-Investment Monitoring Department
PPP	Public Private Partnership
PWC	Pricewaterhouse Coopers
RCSA	Risk and Control Self-Assessment
RDP	Reconstruction and Development Programme
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
SA	South Africa
SBU	Strategic Business Unit
sefa	Small Enterprise Finance Agency
SIC	Standard Industrial Classification
SME	Small and Medium Enterprise
SNG	SizweNtsalubaGobodo
SOE	State-owned Enterprise
STI	Short-term incentive
TVET	Technical Vocational Education and Training
UIF	Unemployment Insurance Fund
UNEPFI	The United Nations Environmental Programme for Financial Institutions

PHYSICAL AND POSTAL ADDRESSES

1. EASTERN CAPE

East London:
2nd Floor Block B, Chesswood Office Park, Winkley Str, Berea, East London
PO Box 19048, Tecoma 5214
Tel: 043 721 0733/4 | Fax: 043 721 0735 | Email: eastlondon@idc.co.za

Port Elizabeth:
Southern Life Gardens, Block A (Ground) 70 2nd Avenue, Newton Park, PE
PO Box 27848, Greenacres, Port Elizabeth 6057
Tel 041 363 1640 | Fax: 041 363 2349 | Email: kingsleyr@idc.co.za/monican@idc.co.za

Mthatha:
Ground Floor, ECDC House, 7 Sisson Street, Fort Gale, Mthatha 5201
Tel: 047 504 2200 | Fax: 047 531 1587 | Email: kingsleyr@idc.co.za

2. FREE STATE

Bloemfontein:
Mazars Building, 46, 1st Avenue, Westdene, Bloemfontein
Private Bag X 11, Suite 25, B hof, 9324
Tel: 051 411 1450 | Fax: 051 447 4895

3. KWA-ZULU NATAL

Durban:
Suite 2101, 21st Floor, The Embassy Building, 199 Anton Lembede Str., Durban.
PO Box 2411, Durban, 4000
Tel: 031 337 4455 | Fax: 031 337 4790 | Email: patm@idc.co.za

Pietermaritzburg:
1st Floor, ABSA Building 15 Chatterton Road, Pietermaritzburg.
PO Box 2411, Durban, 4000
Tel: 033 328 2560 | Fax: 033 342 5341 | Email: patm@idc.co.za

4. LIMPOPO

Polokwane:
Suite 18, Biccard Office Park, 43 Biccard Street
Postnet Suite 422, Private Bag X9307, Polokwane 0699.
Tel: 015 299 4080 - 4099 | Fax: 015 295 4521 | Email: kgampib@idc.co.za

5. MPUMALANGA

Nelspruit:
Maxsa Building, 15 Ferreira Street, Suite 702, 7th Floor, Mbombela
PO Box 3724, Mbombela, 1200
Tel: (013) 752 7724 | Fax: (013) 752 8139 | Email: nelspruit@idc.co.za

6. NORTHERN CAPE

Kimberley:
Sanlam Business Complex, 13 Bishops Avenue, Kimberley 8301
PO Box 808, Kimberley, 8300
Tel: 053 807 1050 | Fax: 053 832 7395 | Email: mehmooda@idc.co.za

Upington:
De Drift Plaza, Block 6, Olyvenhoutsdrift Settlement, Louisvale Avenue, Upington, 8800
Tel: 054 337 8600 | Fax: 054 334 0835

7. NORTH WEST

Rustenburg:
1st Floor, Sunetco Building, 32B Heystek Street, Rustenburg.
Postnet Suite 290, Private Bag X 82245, Rustenburg 0030
Tel: 014 591 9660 /1 | Fax: 014 592 4485 | Email: davidm@idc.co.za

Brits:
Suite 108, Safari Centre, 28 Van Velden Street, Brits 0250
Tel: 012 252 0008 | Fax: 012 252 4657 | Email: davidm@idc.co.za

Mahikeng:
1B Mikro Plaza, cnr First Street / Bessemer Street, Industrial Sites Mafikeng
Postnet Suite 89, Private Bag X2230, Mafikeng, 2791
Tel: 018 397 9942 | Email: davidm@idc.co.za

8. WESTERN CAPE

Cape Town:
2817, 28th Floor ABSA Centre, 2 Riebeeck Street Cape Town
PO Box 6905, Roggebaai, 8012
Tel: 021 421 4794 | Fax: 021 419 3570 | Email: lizon@idc.co.za

1. FREE STATE

Phuthaditjhaba: Mapoi Road, Phuthaditjaba, 9869
Tel: 051 411 1450

Welkom: 1 Reinet Street, Welkom, 9460
Tel: 051 411 1450

2. KWA-ZULU NATAL

Richards Bay: Suite 17, Partidge Place, cnr Lira and Tasselberry Road, Richards Bay, 3900
Tel: 031 337 4455

3. LIMPOPO

Thohoyandou: Seda office:Old Mutual Building, Old Group Scheme Offices, Mphephu Road, Thohoyandou 7950
Tel: 015 299 4080

Tzaneen: 1st Floor Prosperitas Building, 27 Peace Street, Tzaneen (Seda), 0850
Tel: 015 299 4080

4. MPUMALANGA

eMalahleni: 23 Botha Avenue cnr Rhodes Street, Hi-Tech House, eMalahleni 1035
Tel: 013 752 7724

Secunda: South Wing, Mnuicipal Building Lurgi Square, Secunda, 2302
Tel: 013 752 7724

5. NORTH WEST

Klerksdorp: Office 35, West Ebd Building, 51 Leask Street, Klerksdorp, 2571
Tel: 018 462 6586 | Fax: 018 462 5061
(Dr KK District Municipality Economic Agency)

Vryburg: 83 Vry Street, Vryburg, 8601
Tel: 053 927 0590 | Fax: 053 927 0590

6. WESTERN CAPE

George: Beacon Place, 125 Meade Street, George 6529
Tel: 021 421 4794

DIRECTORS

Executive

MG Qhena (CEO)
GS Gouws (alternate)

Non-Executive

BA Mabuza (Chairperson)
LI Bethlehem
BA Dames
RM Godsell
A Kriel
SM Magwentshu-Rensburg
NP Mnxasana
B Molefe
M More
PM Mthethwa
ND Orleyn
NE Zalk

AUDITORS

KPMG (Johannesburg)
SizweNtsabulaGobodo (Johannesburg)

REGISTERED OFFICE

IDC

19 Fredman Drive
Sandown 2196
PO Box 784055
Sandton 2146
Telephone +27 (11) 269 3000
Fax: +27 (11) 269 3116
Email: callcentre@idc.co.za
Email: service@idc.co.za
Call centre contact number: 0860 693 888
Website: www.idc.co.za

COMPANY SECRETARY

P Makwane

Registration number:
1940/014201/06

RP: 316/2016
ISBN: 987-0-621-44012-6

www.idc.co.za