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**NATIONAL ASSEMBLY**

**WRITTEN REPLY**

**PARLIAMENTARY QUESTION: 1829**

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**Dr M J Cardo (DA) to ask the Minister of Economic Development:**

What are the reasons for the profits of the Industrial Development Corporation dropping by 87% from R 1, 65 billion in the 2014-15 financial year to R 223 million in the 2015-16 financial year? NW2138E

**REPLY**

The IDC posted a profit of R 223 million for the year ended 31 March 2016 compared to a profit of R1, 65 billion for the year ended 31 March 2015. The main contributor to the reduced profits for the year was increased levels of impairments (an increase of R 1, 6 billion) caused by difficult operating conditions including the impact of the drought.

The CEO of the IDC provided details of the impact at the public release of the IDC’s financial results on 30 August 2016 and he noted that these operating conditions mainly impacted the IDC’s clients in the manufacturing, mining and agricultural sectors. A number of IDC clients were affected by market conditions and requested restructuring of their facilities and / or assistance with drought relief funding. The impairment levels reflect the IDC commitment to play a counter-cyclical role in the economy as well as supporting high risk sectors and business unattractive to commercial financiers.

A considerable effort has gone towards implementing various impairment interventions which are expected to reduce the impairment levels over the medium to long-term.

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