



Industrial Development Corporation

Your partner in development finance

IDC Annual Report 2008/09: Sustaining development in extraordinary times

Select Committee on Trade and International Relations

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CEO

14 October 2009

IDC's Role



Industrial
Development
Corporation

- To support sustainable economic growth and development.
 - The IDC identifies and funds projects through partnerships;
 - The IDC focuses on promoting and investing in viable new industries;
 - The IDC differentiates itself through risk-taking and flexibility in structuring;
 - IDC's industry development role takes into account the specific needs of the country such as employment, development of rural areas, beneficiation, exports, etc.



Objectives



IDC's objectives are to:

- Support industrial capacity development; and
- Promote entrepreneurship

Thereby achieving the following outcomes:

- Creating sustainable employment opportunities;
- Increasing sectoral diversity in the economy;
- More equitable regional economic activity within the country;
- Assisting small and medium enterprises;
- Assisting new entrepreneurs entering the economy;
- Ensuring broad-based black economic empowerment;
- Contributing to the industrialisation of the rest of Africa;
- Promoting environmentally sustainable growth.

While ensuring that it remains financially sustainable.



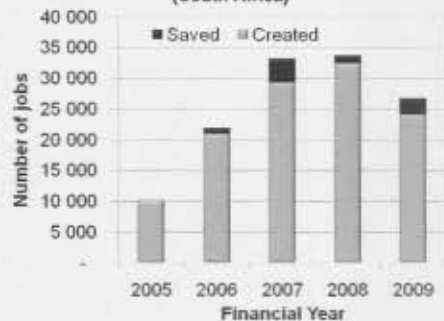
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Creating sustainable employment opportunities



- High levels of unemployment and resulting poverty remains the largest challenge in addressing South Africa's socio-economic transformation.
- Funding during the 2009 financial year is expected to facilitate creation of 24 200 new direct jobs in South Africa.
- An additional 2 500 jobs were expected to be saved through IDC's funding activities in the year.
- 5 000 jobs expected to be created in the rest of Africa.
- Lower levels of expected job creation indicative of tougher economic conditions experienced throughout the world.

Number of jobs expected to be created and saved (South Africa)



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More equitable regional economic activity

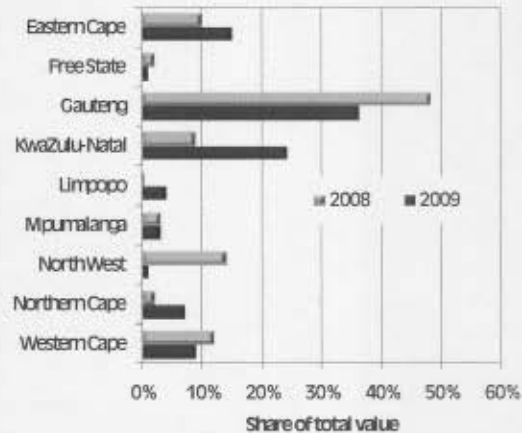


Examples of funding approvals

Eastern Cape

- An additional eight emerging citrus and pomegranate farmers supported in the Kat River Valley, in rural Eastern Cape (R28 million).
- Funding for a textiles companies specialising in speciality plastic coated textiles (R29 million).
- Funding for the construction of a fully black-owned five star hotel in Port Elizabeth (R157 million).
- Funding for the expansion of an East London based manufacturer of flat screen televisions. (R64 million).
- Kob (kabeljou) mariculture project in the East London Industrial Development Zone (IDZ). Pioneering the development of hatchery/spawning technology and land-based recirculation systems for the sustainable production of indigenous marine finfish (R20 million).

Split of value of IDC approvals by province



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More equitable regional economic activity (continued)



Examples of funding approvals (continued)

Free State

- Wholesale funding benefiting emerging farmers (R3 million).
- Manufacturing of concrete products in Botshabelo (R1.3 million).
- Additional funding for nut farms (R39 million).
- Assisting a black entrepreneur to acquire a petrol station in Kroonstad (R2.4 million).

Gauteng

- Assisting the expansion of a manufacturer of washing powder competing successfully with large multi-nationals across Africa (R167 million).
- Funding for an emerging construction company assisting with stadium upgrades for the 2010 World Cup (R20 million), several other construction companies fulfilling government contracts assisted.
- Manufacturer of plastic products (R6.5 million).
- Investment in an enterprise that produces zircon sand and beneficiates it into speciality chemicals with applications in high value added products (R40 million).
- Joint venture with the CSIR in the development and commercialisation of a controlled-release technology for use in the pharmaceutical, sport nutrition, animal feed and food industries (R3 million).
- Development of the local aerospace cluster through additional funding and support of one of the lead partners in the industry (R20 million).

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More equitable regional economic activity (continued)



Examples of funding approvals (continued)

KwaZulu-Natal

- Working capital provided to a large manufacturer and exporter of earth moving equipment impacted by the economic downturn in KwaZulu-Natal.
- Funding for the manufacturing of bio-ethanol based cooking gel in Pinetown (R1.4 million).
- Support for a manufacturer of date juice in Durban (R17 million).
- Continuing support for a project in the rural area of Winterton to use Kenaf fibre in the construction industry (R15 million).
- Further funding for a raspberry project close to Charlestown (R11 million).

Limpopo

- Establishment of a private hospital catering for rural community in Lebowakgomo, Limpopo (R35 million).
- Funding black empowerment in an atchar processing business (R23 million).
- Platinum mining near Lebowakgomo (R142 million).
- Funding to a cultural tourism lodge in Modjadjiskloof (R3.5 million) and a guest house in Polokwane (R4 million).
- Additional funding for the manufacturer of wood-plastic composite materials in the rural area near Nkawkawa (R1 million).

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More equitable regional economic activity (continued)



Examples of funding approvals (continued)

Mpumalanga

- Brick manufacturing in Malelane (R3 million).
- Construction company building housing (R2 million).
- Manufacturing of plastic products in Nelspruit (R11 million).
- Funding for the processing of vegetable oil close to Delmas (R47 million).
- Assisting black entrepreneurs to enter the macadamia and pecan nut industry (R3.3 million).
- Continued support for a platinum mine (R136 million)
- Additional funding for the manufacture of wood pellets for electricity generation (R10 million).

North West

- Additional funding for a berry project close to Hartebeespoort (R10 million).
- Wholesale funding to support emerging farmers in the Brits area (R100 million).
- Additional funding to a groundnut processing firm (R7 million).
- Support for a manufacturer of steel bars (R5 million).
- Funding for a game lodge near Bakubung Dam (R33 million)

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More equitable regional economic activity (continued)



Examples of funding approvals (continued)

Northern Cape

- Co-funded exploration activities of two BEE parties establishing iron ore mines (R286 million).
- Funding of a project to mine and process export quality manganese ore in Hotazel (R260 million).

Western Cape

- Additional support for a berry project close to George (R14 million).
- Roll-out of franchised supermarkets in township areas (R104 million).
- Funding approved to a manufacturer of household textiles, saving more than 500 jobs (R29 million).
- Ongoing funding to expand the domestic boat-building industry in Atlantis (R48 million).
- Additional support for the fishing industry in Hawston (R3 million).
- Manufacturer of veneer products in Brackenfel (R10 million)

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More equitable regional economic activity (continued)

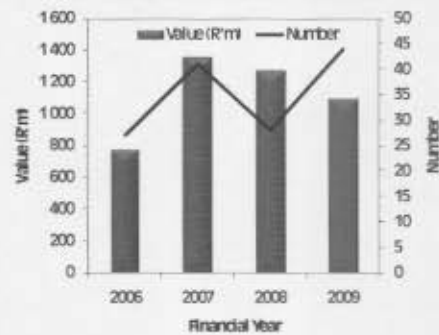


Examples of funding approvals

Other areas of regional development

- 44 approvals to the value of R1.1 billion in rural areas.
- 27 approvals in townships
 - Includes franchised retailers, construction companies, concrete products.

Approvals to businesses in rural areas

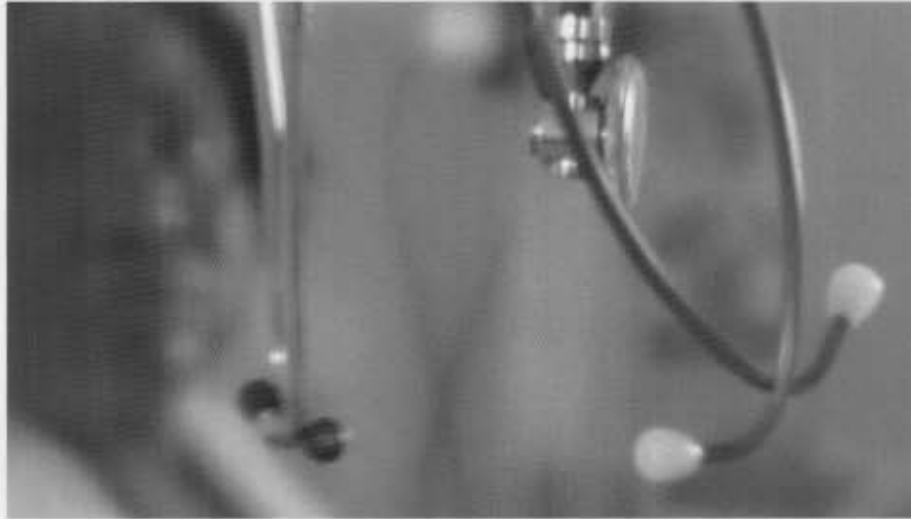


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More equitable regional economic activity (continued)



Medical Hospital of Lebowakgomo



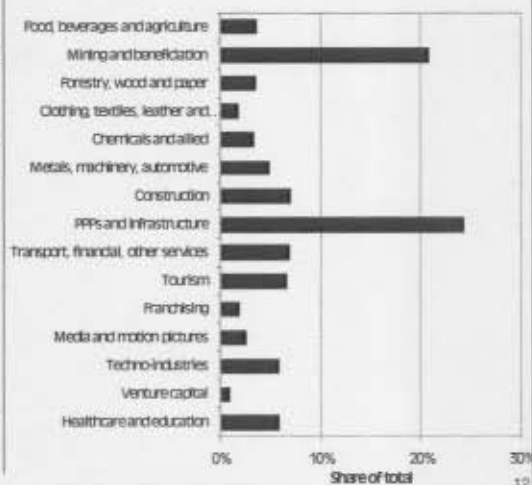
Increasing sectoral diversity



Selected funding approvals

- Continuing partnership and additional support to a 100% black female owned company refurbishing Metrorail commuter coaches. To date the company has created 204 permanent jobs in Touwsrivier (R6 million).
- Funding approved for a distressed company involved in high pressure and gravity die-casting of zinc and aluminium auto components for the local and export market. Resulted in the preservation of 215 jobs (R9 million).
Approval of funding for a portion of the long term funding required by Neotel's fibre-optic cable project.
- Joint venture with Scania Financial Services to provide funding to bus operators in South Africa and the rest of Africa (R200 million).
- Pursuing the establishment of a competitive domestic animation industry through assistance to an animation studio (R7 million) and funding the production of a full length animated film (R17 million).

Sectoral distribution of approvals (2009)



Increasing sectoral diversity (continued)



Early stage venture capital funding

- Composite industrial fans with improved aerodynamic efficiency, improved wear characteristics and power efficiency, and reduced weight, maintenance and noise levels (R7 million).
- Portable wound management system used for removing dressings, cutting away dead tissue, cleaning, drying and medicating of wounds (R2.5 million).
- Inexpensive, disposable nerve stimulator used in regional anaesthesia (R11 million).
- A technology that preserves fresh cut roses and extends their vase life for up to 12 months (R5 million).
- Robotic gaming platform in the form of a highly agile two-wheeled robot (R17 million).



Robotic gaming

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Increasing sectoral diversity (continued)



Project development

- 270 MW waste coal fired independent power project.
- Construction of a Coal-to-Liquids ("CTL") plant and associated infrastructure, as well as undertaking the necessary township development
- New technology to utilise gypsum to produce building panels that could be used in the building of schools, clinics and houses.
- Investigating the viability of manufacturing advanced batteries in South Africa for use in electric cars.
- Sisal industry development initiative to be used as fibre. Will also produce about mucilage which will be used to produce biogas and ethanol as well as organic fertilizers.
- Development of new South African technology to produce titanium powder and the establishment of the required infrastructure to produce the material.
- Establishment of a national pre-clinical drug trial facility.



House constructed from gypsum panels

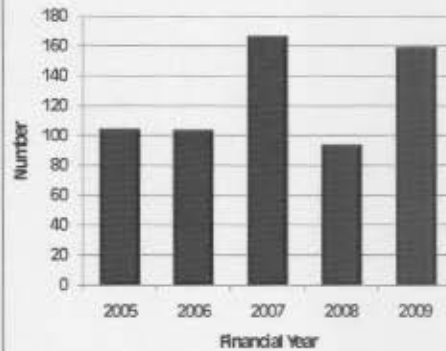
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Assisting small and medium enterprises and entrepreneurial development



- 160 SMEs funded in the 2009 financial year.
- Launch of the Transformation and Entrepreneurship Scheme to improve access to funding for entrepreneurs:
 - Women entrepreneurial fund (R400m)
 - People with disability fund (R50m)
 - Equity contribution fund (R150m)
 - Development fund (R250m)
 - Community fund (R150m)
- Business support grants of R8.9 million approved.
- Several wholesale facilities approved to enable IDC to efficiently reach very small enterprises:
 - Franchising;
 - Agriculture;
 - Transport;
 - Micro-enterprises.

Direct funding approvals to SMEs



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Assisting small and medium enterprises and entrepreneurial development



Homeless Construction

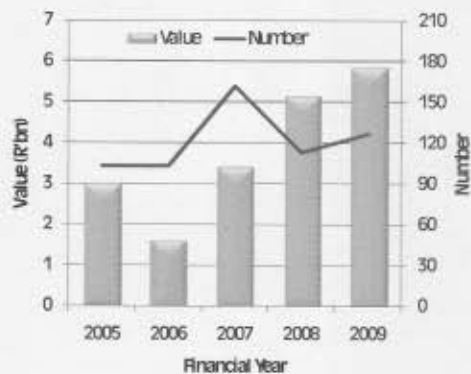


Ensuring broad-based black economic empowerment



- R5.8 billion approved to 127 black empowered companies.
- Represents 55% of the total number and value of funding approvals.
- Focussing on expansionary BEE.
- Including communities and employees in company ownership.
- Major transaction to introduce black shareholding in Foskor.

Approvals to black empowered firms



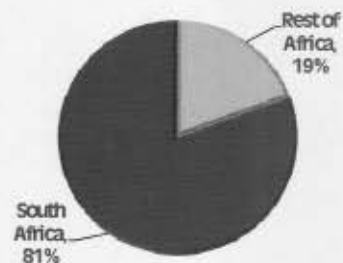
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Contributing to the industrialisation of the rest of Africa



- Over the five years to 2009, R6.4 billion was approved to develop industry in the rest of Africa.
- Examples of funding approvals (2009)
 - Cassava cultivation and starch processing project in Swaziland. Replacing imports from the Far East and play a role in the downstream usage of this product in the paper and food industries of South Africa (R41 million).
 - Approved funding for a project in Mali which will manufacture chipboard from rice straw (R100 million).
 - Establishment of a plastic pipe manufacturing plant in Botswana utilising new technology (R166 million).
 - Investment in a project to position a telecommunication satellite that will improve the quality of telecommunication services on the continent (R783 million).

Distribution of approvals: South Africa and the rest of Africa (2005-2009)



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Promoting environmentally sustainable growth



Selected funding approvals

- Project to capture and flare methane gas at one of the largest pig farms in the country (Mpumalanga) and utilise carbon credits as income stream (R5 million).
- Funding the establishment of a photovoltaic polysilicon module assembly plant in Cape Town. Assembling solar panels for the export market (R35 million).
- Plug-in battery electric vehicle. Feasibility of manufacturing batteries locally also being investigated (R30 million).



Project development

- Establishment of a 10 000 ha sugar cane estate. Processing plant that will process sugar cane to produce 150 million kl of bio-ethanol. One of several bio-fuel projects being developed
- 100 MW concentrated solar energy project that will be a pilot for the rollout of similar plants in the country and therefore has potential to stimulate downstream manufacturing
- First phase of wind farm project. Initial phase for 50MW. Subsequent phase will increase total size to 300MW of peak electrical energy

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Ensuring IDC's financial sustainability- Abridged group income statement for the year ended 31 March 2009 (R'm)



	2009	2008	%
Revenue	14 985	7 299	105
Cost of Sales	5 162	2 773	86
Financing Cost	570	499	14
Gross Profit	9 253	4 027	130
Net Capital Gains	128	488	(74)
Other Income	-	314	(100)
Operating Expenses	4 067	2 674	52
Net Operating Income	5 314	2 155	147
Share of equity-accounted investments	1 132	1 950	(42)
Profit Before Tax	6 446	4 105	57
Taxation	825	154	436
Profit for the Year	5 621	3 951	42

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Ensuring IDC's financial sustainability- Abridged group balance sheet as at 31 March 2009 (R'm)



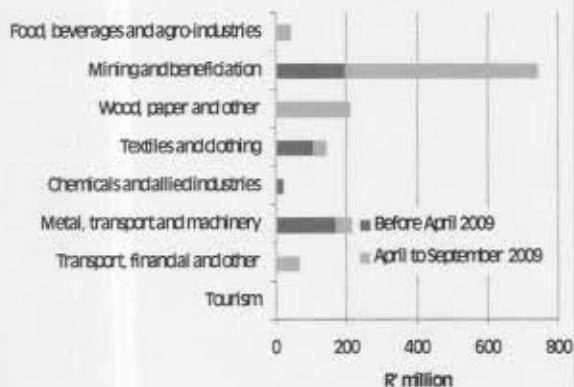
	2009	2008
Assets		
Cash and cash equivalents	5 607	5 370
Loans and advances	8 820	6 133
Investments	53 059	72 798
Property, plant & equipment & inventories	3 854	4 034
Other assets	2 037	2 098
	73 377	90 433
Equity and Liabilities		
Capital and reserves	65 045	75 848
Loans	5 165	5 825
Deferred taxation	1 171	6 609
Other liabilities	1 996	2 151
	73 377	90 433
Debt/Equity Ratio	8%	8%

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Funding to distressed companies



Funding approvals to distressed companies



- R485 million approved for 14 distressed companies in 2008/09 financial year.
- From April to September 2009, R993 million have been approved for 15 companies (includes 1 approval outside South Africa).
- Approvals in current financial year expected to save c.a. 5 400 jobs.
- 16 existing clients had funding restructured in the current financial year.
- 13 funding applications (R305m) have been rejected – largest portion as there were no indications that the company could be sustainable in the long-term.

Province/Country	Number of Companies Assisted
Western Cape	5
Gauteng	3
Eastern Cape	1
Kwazulu-Natal	3
North West	1
Mpumalanga	1
Mozambique	1

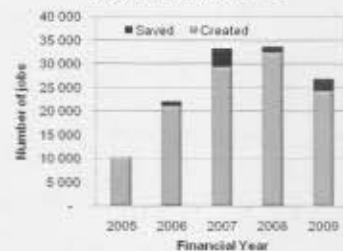
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2008/09 Highlights

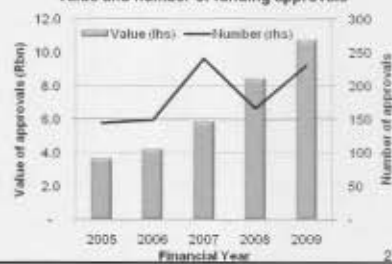


- **Increasing demand for IDC funding:**
 - Value of funding approvals increase by 27 % to R10.8 billion.
 - 39% increase in the number of approvals to 231.
 - Increased funding approvals for investment in the rest of Africa by 38% to R2.9 billion.
 - 69% of the number of approvals to SMEs.
- **Integrated approach to assist companies to withstand the impact of the economic crisis:**
 - Funding of c.a. R500 million approved to distressed companies.
 - 2 500 jobs expected to be saved.
 - R6.1 billion set aside to assist distressed businesses over the next two years.
- **Funding will facilitate creation of 24 200 new direct jobs in South Africa and 5 000 in the rest of Africa.**

Job creation expectations



Value and number of funding approvals



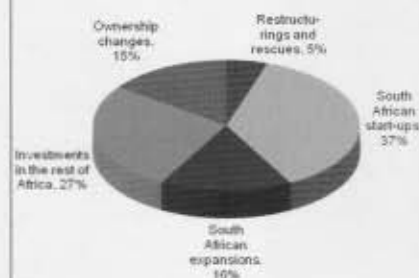
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2008/09 Highlights (continued)



- **Largest portion (52%) of funding approvals for start-ups and expansions in South Africa.**
- **Launch and extension of several schemes to support industry & entrepreneurial development:**
 - Transformation and entrepreneurial scheme (R1 billion).
 - Textiles, Clothing, Leather and Footwear Competitiveness Scheme (R250 million).
 - Pro-Forestry Scheme (R100 million).
 - Pro-Orchards II Scheme (R200 million).
- **Value of business support grants approved increased by 270% to R6.9 million.**

Utilisation of funding approvals



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IDC's current portfolio – sectoral split



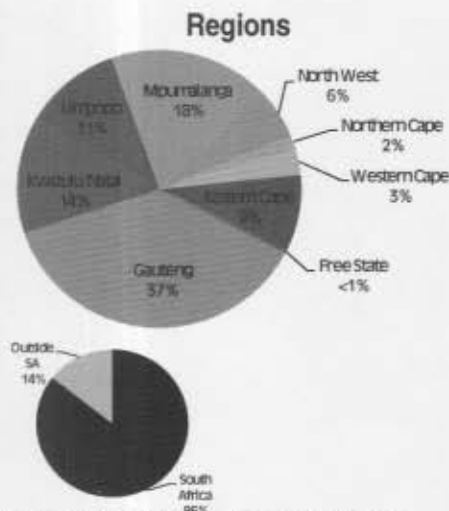
Examples

- **Agriculture, forestry and food** – Nuts, forestry, sugar, citrus, fruit juice.
- **Mining** – Platinum, copper, ferrochrome, uranium, iron ore
- **Chemicals and petroleum** – Synfuels, fertiliser, pharmaceuticals, cleaning chemicals, building materials
- **Metals and machinery** – Aluminium, steel, aerospace, motor vehicles and accessories, boat building
- **Other manufacturing** – Sawmilling, textiles and clothing, diamond cutting and polishing, biomass fuel
- **Trade, catering and accommodation** – Hotels, lodges, food franchises, food retail franchises.
- **Transport, communication and utilities** – Independent power producers, broadband communications, nuclear power, bus transport, trucking.
- **Finance and insurance** – Credit lines to other DFIs, wholesale funding to micro-enterprises,
- **Other** – Construction, television services, motion pictures, hospitals.

As at 31 September 2009, at market values, including commitments

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IDC's current portfolio – regional split



Examples

- Eastern Cape – Aluminium, pharmaceuticals, mariculture
- Free State – Game lodge, apples, cherries
- Gauteng – Telecommunications, financial services, construction
- KwaZulu-Natal – Aluminium, textiles, wood products
- Limpopo – Phosphate, platinum mining, hospital
- Mpumalanga – Forestry, tourism, coal mining
- North West – Ferrochrome, berries, bricks
- Northern Cape – Iron ore, table grapes, goats
- Western Cape – Steel processing, tourism, boat building
- Rest of Africa – Aluminium, satellite infrastructure, pipe manufacturing, financial services, tourism

As at 30 September 2009, at market values, including commitments

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Prospects

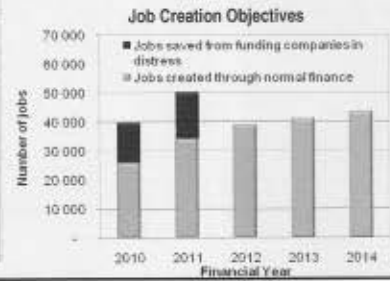
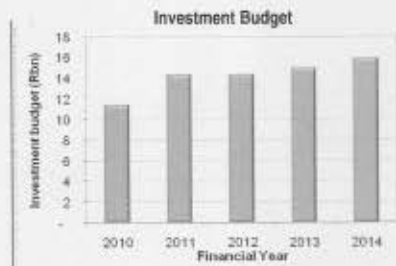


• 2009/10

- 26 000 jobs to be created, additional 13 000 jobs expected to be retained through funding distressed companies;
- R11.4 billion budgeted for investment approvals;
- R1.5 billion budgeted for investment in the rest of Africa.

• 2009/10 to 2011/14

- 180 000 jobs to be created, additional 30 000 saved from assisting distressed companies;
- R71 billion budgeted for overall investment approvals;
- R15 billion budgeted for investment in the rest of Africa.



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Your partner in development finance

Thank you

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