2017 ANNUAL FINANCIAL STATEMENTS

Advancing Transformative Industrialisation

Industrial Development Corporation

Your partner in development finance

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LA Refers to Limited Assurance

REPORTING PACK

This Integrated Report forms part of a suite of reports. This report, other documents in this year's suite, and previous years' reports are available online at **www.idc.co.za**

INTEGRATED REPORT AND ANNUAL FINANCIAL STATEMENT FOR THE 2017 FINANCIAL YEAR-END

I hereby acknowledge that the Integrated Report and the Annual Financial Statement 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 and Annual Financial Statements 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 and approved amendments for the financial year ended 31 March 2017. 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 2017.

IN RESPECT OF MATERIAL ISSUES

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

PREPARATION OF THE FINANCIAL STATEMENTS

The financial results have been prepared under the supervision of Nonkululeko Dlamini CA(SA), the Group's Chief Financial Officer.

MG Qhena
Chief Executive Officer

28 June 2017

BA Mabuza
Chairperson of the Board

28 June 2017

INDEPENDENT ASSURANCE PROVIDERS' LIMITED ASSURANCE REPORT ON SELECTED PERFORMANCE INFORMATION

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 2017 Integrated Report of Industrial Development Corporation of South Africa Limited (IDC) for the year ended 31 March 2017 (the Report), as well as in the supplementary online information 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' on the relevant pages in the Report and the supplementary online information. The selected performance information described below has been prepared in accordance with IDC's specific guidelines and for selected performance information – the Global Reporting Initiative Sustainability Reporting (GRI G4 Guidelines), collectively referred to as the "IDC reporting criteria".

Material Issue	Key performance indicators	Unit of measurement	Guideline/ Criteria	Boundary	Reference page number
Industrial development	Value of funding approved	Rand Value (ZAR)	IDC internal criteria	IDC only	IDC IR 2017 Page 1
	Value of funding disbursed	Rand Value (ZAR)	IDC internal criteria	IDC only	18; IDC IR 2017 Page 1
Socio-economic development	Number of jobs expected to be created/saved (approval)	Number (#)	IDC internal criteria	IDC only	IDC IR 2017 Page 1
	Value of funding for Black Industrialists (approved)	Rand Value (ZAR)	IDC internal criteria	IDC only	IDC IR 2017 Page 1
	Number of clients with high environmental and social risk rating (ESRR) that are monitored to ensure poor performance is addressed	Number (#)/ Percentage (%)/ Text	IDC internal criteria	IDC only	IDC IR 2017 Page 62
Customer expectations	Turnaround times	Number (#) of days	IDC internal criteria	IDC only	18
	Overall service experience (customer satisfaction)	Score (#)	IDC internal criteria	IDC only	IDC IR 2017 Page 20
Human capital	Average number of days and hours of training by employees gender and employee category	Number (#)	GRI G4	IDC only	IDC IR 2017 Page 60
	Retention – % turnover of employees occupying critical roles	Percentage (%)	IDC internal criteria	IDC only	IDC IR 2017 Page 58
	Succession – % of critical roles that have identified potential successors for immediate, 1-3 and/or 3+ years	Percentage (%)	IDC internal criteria	IDC only	IDC IR 2017 Page 58
Governance, regulation and risk management	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Number (#) and Percentage (%)	GRI G4	IDC only	IDC IR 2017 Page 63
	Communication and training on anti-corruption policies and procedures	Text claim	GRI G4	IDC only	IDC IR 2017 Page 63

DIRECTORS' RESPONSIBILITIES

The Directors of IDC 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 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 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements 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.

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 assurance engagement to obtain sufficient appropriate evidence to support our limited assurance conclusion, expressed below.

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:

Summary of work performed:

- 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.
- Re-calculated 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 performance at IDC.

The procedures performed in a limited assurance engagement vary in nature and form, 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 2017 is not prepared, in all material respects, in accordance with the IDC reporting criteria.

OTHER MATTERS

IDC intends to publish the Integrated Report for 31 March 2017 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 a 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 (Pty) Ltd

Neil Morris
Director
Climate Change and Sustainability
KPMG Services (Pty) Ltd

SizweNtsalubaGobodo Inc.
Registered Auditor

Nhlanhla Sigasa
Director
Financial Services Group
SizweNtsalubaGobodo Inc

STATEMENT OF RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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 annual financial statements fairly reflect the operations of the IDC for the financial year ended 31 March 2017.

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 2017 have been audited by the external auditors and their report is presented on page 5.

The annual financial statements of the IDC set out on page 21 to page 84 have been approved.

MG Qhena
Chief Executive Officer

28 June 2017

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate annual financial statements of the Industrial Development Corporation of South Africa Limited (the Group and company) set out on pages 21 to 84, which comprise the statements of financial position as at 31 March 2017, the statements of profit or loss and other comprehensive income, statements of changes in equity, statements of cash flows for the year then ended, geographical segments, reportable segments and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Industrial Development Corporation of South Africa Limited as at 31 March 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Annual Financial Statements* section of our report.

We are independent of the Group and company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (Parts A and B).

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

BOARD OF 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 the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa and the Industrial Development Corporation Act and for such internal control as the Board of 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.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements for the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Impairment of loans and advances Refer to note 1.8(a) and note 8 to the consolidated and separate financial statements. This key audit matter is applicable to both the consolidated and separate financial statements	
Loans and advances, represent 20% and 25% of total assets of the Group and Company respectively, and are considered significant to the consolidated and separate financial statements. The estimation of impairment is subject to significant judgement. Furthermore, models used by the accounting authority to determine credit impairments require certain inputs that are not fully observable. The accounting authority compensates for any model and data deficiencies by applying overlays (additional impairments that are over and above the numbers generated by the impairment models) to these outputs, which increase the provision. The valuation of these overlays can be highly subjective. The Group and Company used internal experts to assist in the calculation of these valuations. This estimation uncertainty is increased due to the ongoing economic volatility in South Africa and wider regional economy markets. Impairments are calculated on a specific and portfolio basis. Due to the significance of these judgements on the loan impairment balance and the significance of loans and advances in the financial statements, the impairment of loans and advances was considered a key audit matter.	Our audit procedures included the following: • We evaluated the design and implementation, and where possible the operating effectiveness, of the following controls: 1. the identification of impairment losses; 2. the governance processes in place for credit models, inputs and overlays; 3. the post investment monitoring forums where key judgements are considered; and 4. how the accounting authority ensured they have appropriate oversight over loan provisions. • We evaluated the valuation models used by the Group and Company with specific emphasis on assumptions used and determined whether the impairment on loans and advances has been calculated in accordance with the relevant accounting standards. • We paid particular attention to the valuation of, and rights to, security held by the Group and Company by inspecting relevant supporting documentation on these securities. • Where management has used internal experts to provide valuations, we assessed their competence, independence, professional qualifications and experience. • We used our own internal financial risk management specialists to challenge the key assumptions used in the portfolio valuation model by reviewing inputs into the model and independently assessing the reasonableness of market data used in the model. • We assessed whether the credit reviews performed by management are in accordance with the Company's Investment Monitoring Committee Policy by comparing the policy requirements against what was applied during the year, and assessed whether the conclusions reached were appropriate.
Valuation of unlisted investments Refer to note 1.7(a), 1.8 (b), 1.28 and note 9, 11 and 12 to the consolidated and separate financial statements for detailed disclosure of investments in unlisted shares. This key audit matter is applicable to both the consolidated and separate financial statements.	
Unlisted investments are classified as available for sale investments and are significant in context of the consolidated and separate financial statements. For the company, significant judgment is applied by the accounting authority in the valuation of unlisted equities in: 1. subsidiaries, 2. associates, joint ventures and partnerships and 3. other entities. For the Group, significant judgment is applied by the accounting authority in the valuation of unlisted equities in other entities taking into consideration: • Free cash flows of investees • Replacement values • Discount or premium applied to the Company's stake in investees • Sector or subsector betas • Debt weighting – this is the target interest-bearing debt level • Realisable value of assets • Probabilities of failure in using the Net Asset Value-model Due to the significant judgment applied by the accounting authority and the work effort from the audit team, the valuation of unlisted investments was considered a key audit matter.	Our audit procedures included the following: • We assessed the models used by the accounting authority and discount rates applied at year-end, and reperformed a sample of the valuations by agreeing valuation inputs to independently sourced data. • We benchmarked inputs used for valuations to current market best practices in assessing the appropriateness of the methodologies applied. • We assessed and challenged the reasonability of cash flows and discount rates used in valuing unlisted investments by comparing them to similar instruments. • We independently recalculated the expected fair values to evaluate if the accounting authority's estimates were within a reasonable range in comparison with our independent expectation. • We also assessed the disclosures made relating to the valuation of unlisted investments to ensure consistency with the requirements of the relevant accounting standards and with the methodologies applied by the accounting authority.

Key audit matter	How the matter was addressed in the audit
Impairment of assets/cash-generating units at Foskor	
Refer to note 1.8(c) and note 15 on pages 31 and 64 respectively to the consolidated financial statements for detailed disclosure of the impairment of assets.	
This key audit matter is applicable to the consolidated financial statements	
Property, plant and equipment includes a cash generating unit (CGU) that represents a plant at Foskor (Pty) Ltd, a subsidiary of the Industrial Development Corporation of South Africa Limited. Significant judgements and assumptions are applied by the group in determining when an asset is impaired. In making this judgment, 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. Key inputs considered in the determination of impairment of the CGUs include the following: • Risks specific to future cash flows • WACC assessment The estimation uncertainty is increased due to the ongoing volatility in South Africa and international economy markets. Due to the significant judgment applied by the accounting authority and the work effort from the audit team, the impairment of cash-generating unit at Foskor was considered a key audit matter.	Our audit procedures included the following: • We challenged the Group's impairment assessment by involving our own internal valuation team and recalculated the impairment assessment. • We assessed the reasonability of the Group's weighted average cost of capital (WACC) by comparing the factors used in determining the WACC to the requirements of the relevant accounting standards. • We evaluated the reasonability of cash flows based on the selling price used by the Group in its assessment by independently assessing the underlying factors giving rise to these inputs and whether these factors are reasonable.

OTHER INFORMATION

The Board of Directors, which constitutes the accounting authority is responsible for the other information. The other information comprises all the information included in the Integrated Report. The other information does not include the consolidated and separate financial statements, our auditor's report thereon, the selected objectives included in our report on the performance report and our report on audit of compliance with legislation.

Our opinion on the consolidated and separate financial statements and the selected objectives included in our report on the audit of the performance report and our report on audit of compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. No material inconsistencies were identified.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS WHICH CONSTITUTES THE ACCOUNTING AUTHORITY

The Board of Directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Public Finance Management Act of South Africa and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITY FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the consolidated and separate financial statements, and the procedures performed on reported performance information for selected objectives and on the group's and company's compliance with respect to the selected subject matters. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
- Conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and / or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the accounting authority with a statement that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence, and where applicable, related safeguards.

From the matters communicated with the accounting authority, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE AUDIT OF THE PERFORMANCE REPORT

INTRODUCTION AND SCOPE

In accordance with the Public Audit Act of South Africa and the general notice issued in terms thereof, we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

Our procedures address the reported performance information which must be based on the approved performance planning documents of the group. We have not evaluated the completeness and appropriateness of the performance indicators established and included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the Performance Management and Reporting Framework, as defined in the general notice, for the following selected objectives presented in the performance report of the group for the year ended 31 March 2017:

Predetermined objectives	Pages in the annual performance report
Total value of funding disbursed by IDC	18-19
Rand amount of outside total funding attracted for each rand of IDC funding	18-19
Expected direct jobs created or saved at signature of agreement	18-19
Value of funding approvals with an agreement signed for transactions benefiting black industrialists	18-19
Value of funding approvals with an agreement signed for transactions benefiting women and youth-empowered businesses	18-19
Value of funding agreements signed for transactions aimed at inputs into infrastructure or other government procurement and component for motor vehicles	18-19
Impairments as a percentage of the portfolio at cost	18-19
Value of cumulative impairments as per the balance sheet	18-19
Net interest, dividends, fees and money market income as a percentage of total assets	18-19
Administration costs, excluding impairments and project costs as a percentage of net interest, dividend and fee income (excluding dividend income from mature listed investments)	18-19
Turnaround time on non-complex transactions: (working days from date of start of due diligence to date of agreement being sent to client)	18-19
sefa performance rating	18-19
Foskor profitability- operating profits/losses before capital gains	18-19
Scaw profitability-operating profits/losses before capital gains	18-19
Value of IDC funding in SA (excluding funding in the rest of Africa)	18-19
Value of IDC funding in rest of Africa	18-19
Number of people employed at SA companies in IDC's portfolio and calculated impact on indirect jobs	18-19
Number of jobs expected to be created, including calculated indirect jobs divided by the value of IDC's SA funding approvals (excluding funding in the rest of Africa, and jobs saved)	18-19
% of number of South African companies with more than 50% black shareholding for which funding is approved	18-19
Value of IDC reserves	18-19
Composite index measuring sustainability of IDC's human capital	18-19

We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and 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 indicated above.

OTHER MATTER

We draw attention to the matter below. Our opinions are not modified in respect of this matter.

Achievement of planned targets

Refer to the information in the Director's report on the performance information as set out on pages 18 to 19 of the consolidated and separate financial statements for information on the achievement of the planned targets for the year.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

In accordance with the Public Audit Act of South Africa and the general notice issued in terms thereof we have a responsibility to report material findings on the compliance of the group and company with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

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 of South Africa.

INTERNAL CONTROL DEFICIENCIES

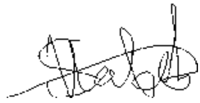
We considered internal control relevant to our audit of the consolidated and separate financial statements, performance report and compliance with legislation, however the objective is not to express any form of assurance thereon. We did not identify any significant deficiencies in internal control. We do not express an opinion on the effectiveness of the group's and company's internal control.

OTHER REPORTS

We draw attention to the following engagements conducted by various parties that have or could potentially have an impact on the matters reported on the group and company's financial performance and compliance related matters. The reports noted do not form part of our opinion on the financial statements or our findings on the reported performance information or compliance with legislation.

We were engaged to perform the following audit-related services:

A limited assurance engagement was conducted on selected performance information for the year ended 31 March 2017, and an independent assurance providers limited assurance report was issued.



KPMG Inc.
Registered Auditor

Per Sipho Malaba
Director
Chartered Accountant (SA)
Registered Auditor

31 July 2017

KPMG Inc.
85 Empire Road
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2193

SizweNtsalubaGobodo Inc.
Registered Auditor

Per Nhlanhla Sigasa
Director
Chartered Accountant (SA)
Registered Auditor

31 July 2017

SizweNtsalubaGobodo Inc.
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2191

ANNEXURE – AUDITOR'S RESPONSIBILITY FOR THE AUDIT

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the consolidated and separate financial statements, and the procedures performed on reported performance information for selected objectives and on the Group's compliance with respect to the selected subject matters.

FINANCIAL STATEMENTS

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
- Conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Industrial Development Corporation of South Africa Limited and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available to us at the date of the auditor's report. However, future events or conditions may cause a group to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence, and where applicable, related safeguards.

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 Board Audit Committee (BAC) assists the Board in fulfilling its oversight responsibilities, in particular with regard to the evaluation of the adequacy and efficiency of accounting policies, internal controls, risk management 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 PFMA, the requirements of the King III Codes of Governance, the Companies Act 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 the PFMA.

The Committee has carried out its functions through attendance at BAC meetings and discussions with Executive Management, Internal Audit and external advisers where appropriate.

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

Invitees to the meetings of the Committee include the CEO, Chief Financial Officer (CFO), Chief Risk Officer and internal and external auditors, as well as the Head of Information Technology, and any other executives as may be required.

To execute its key functions and discharge its responsibilities as outlined in its Terms of Reference the Committee, during the period under review:

- Assisted the Board in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems, risk management and auditing processes applied within the Corporation 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 which are the responsibility of the Committee
- Introduced measures that, in the opinion of the Committee, may enhance the credibility and objectivity of the annual financial statements and reports prepared with reference to the affairs of the Corporation (and the IDC Group)
- Nominated and recommended for appointment as external auditors the firms of registered auditors KPMG, SNG and Ngubane & Co who, in the opinion of the Committee, are independent of the IDC
- Determined the fees to be paid to the external auditors as well as 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 (for more on the three lines of defence and risk assessment, refer to pages 65 and 67) of the Integrated Report.

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, that accountability for assets and liabilities is maintained, and that this is based on sound accounting policies which are supported by reasonable and prudent judgements and estimates. The BAC is further of the opinion that the internal controls of the Corporation have 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, and with 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 the adequacy of impairment provisions, to discharge its obligations satisfactorily
- Reviewed and monitored all key financial performance indicators (KPIs) 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 Corporation's internal reporting controls.

EXTERNAL AUDITORS

The IDC's external auditors are KPMG, SNG and Ngubane & Co. Ngubane & Co were introduced as a third firm of auditors as part of an effort to contribute to transformation by offering an emerging black-owned audit firm an opportunity to gain auditing experience in respect of a corporation of 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, SNG and Ngubane & Co 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 their claim to independence was supported and demonstrated by internal governance processes within their entities. 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 2017.

The Committee:

- Approved the external auditors' 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
- Approved the Non-audit Services Policy, which stipulates that the external auditors are precluded from engaging in non-audit related services.

FINANCIAL STATEMENTS

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

- Reviewed and discussed the audited 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 to it
- Reviewed any significant adjustments resulting from external audit queries and adjusted all 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 THE 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 the 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 BAC 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 BAC 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 take place continuously and the Committee is of the view that a better coordination between External and Internal Audit has been achieved.

During the year, a Combined Assurance Policy was approved by the BAC which includes a coordinated assurance effort with other assurance providers such as Risk Management and the Compliance function. This will assist in averting assurance gaps or duplication of efforts, and ensuring efficiency across various assurance services.

GOING CONCERN

After having reviewed a documented assessment by management of the going concern premise of the Corporation and the IDC Group, the Committee concurs that the adoption of the going concern assumption in the preparation of the consolidated financial statements is appropriate and sound.

GOVERNANCE OF RISK

The Board has assigned oversight of the Corporation's risk management function to a separate Board Risk and Sustainability Committee (the BR&SC). The Chairperson of the BAC attends meetings of the BR&SC 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 BAC is satisfied that appropriate and effective risk management processes are in place.

INTERNAL AUDIT

The Internal Audit 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 Internal Audit on a quarterly basis, assesses the effectiveness of the Internal Audit function, and reviews and approves the Internal Audit department's Audit Plan.

The BAC is responsible for ensuring that the Corporation's Internal Audit function is independent and has the necessary resources, standing and authority within the Corporation to enable it to discharge its duties. The Internal Audit function's Annual Audit Plan was approved by the BAC. The Committee monitored and challenged, where appropriate, the action taken by management with regard to adverse Internal Audit findings.

The Committee has overseen a process by which Internal Audit has performed audits according to a risk-based audit plan where the effectiveness of the risk management and internal controls were evaluated (for more on risk assessment and management see pages 63 to 65) of the Integrated Report. 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 Internal Audit function.

CONCLUSION

Having considered, analysed, reviewed and debated information provided by management, Internal Audit 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 its review of the annual financial statements for the year ended 31 March 2017, the BAC is 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 BAC has complied with all the King III principles, with the inclusion of integrated reporting, evidenced by the Corporation's sixth issue of its Integrated Report 2017. The Committee is satisfied that it has complied in all material respects with its legal, regulatory and other responsibilities.

This Integrated Report was recommended by the BAC to the Board for approval.

On behalf of the Board Audit Committee

Ms NP Mnxasana
Chairperson of the Board Audit Committee

19 June 2017

INTRODUCTION

The Industrial Development Corporation of South Africa Limited (IDC) was established in 1940 by the Industrial Development Corporation Act, No 22 of 1940. 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, subject to performance, 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 58 to 64.

PERFORMANCE MANAGEMENT

The IDC's performance indicators reflect the Corporation's goals as set out earlier in the Integrated Report. Measures related to our key objective of industrial capacity development are complemented 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. 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 indicators and targets form part of our annual Corporate Plan and are approved by the shareholder representative prior to the start of a financial year. Targets may also be reviewed mid-year to take into account performance achievement in the previous year and potential changes in the environment.

Performance targets are set at "base", and "target" levels. The "base" defines levels of acceptable performance and the "target" levels of exceptional performance. Performance targets are set at corporate, team and individual levels and performance-linked remuneration is based on the achievement of such targets.

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

PERFORMANCE INDICATORS

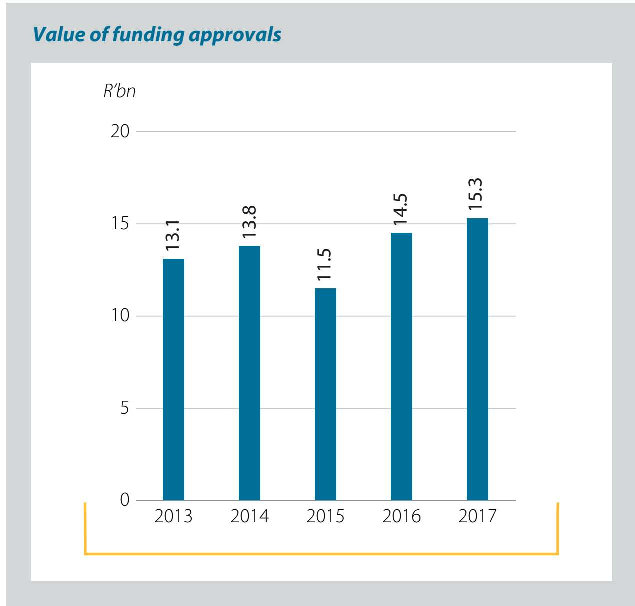
The IDC adopted a balanced approach to performance measuring and adapted the principles of the balanced scorecard to support its own objectives and operations. We measure indicators in the following five areas:

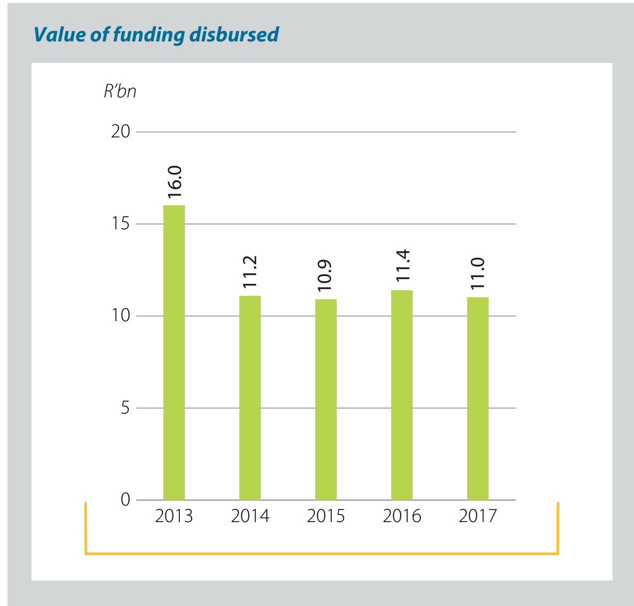
- Development impact
- Financial sustainability and efficiency
- People
- Stakeholders
- Subsidiaries.

The performance measurement process and outcomes are audited by external auditors to ensure that targets are achieved accordingly and that the overall performance is a fair reflection of the Corporation's activities during the period. Detailed performance against predetermined indicators for both short- and long-term targets are shown on pages 18 to 19.

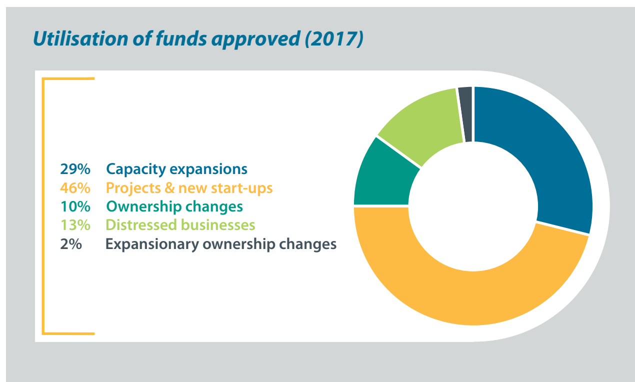
PERFORMANCE OVERVIEW

On most fronts, the IDC's performance improved compared to 2016. The value of funding approvals increased to R15.3 billion, 5.7% higher than the previous high reached in 2016. This amount excludes R922 million that was approved from off-balance sheet funds (funds managed on behalf of third parties). Levels of disbursements remained flat, with R11.0 billion disbursed in the period compared to R11.4 billion in 2016. This should be seen in relation to a downward trend in the level of fixed investment in the manufacturing sector as a whole which was experienced during the year. Disbursements of R525 million from off-balance sheet funds are not included in this total.





The bulk of funding approved in 2017 was for projects and start-ups (46% of total), with capacity expansions making up the second highest category (29%). Smaller amounts went to funding for distressed businesses (13%), ownership changes (10%) and expansionary acquisitions (2%).



Good performance was recorded on all remaining development indicators. The number of jobs expected to be created from IDC's funding approvals during the year increased by 53.9% to 18 206 while the number of jobs expected to be saved was 2 675. The total number of jobs expected to be created and saved in transactions approved during the year increased by 36.7% to 20 881, the highest number recorded in the last three years. Improved jobs numbers also resulted in the cost-per-job for funds approved decreasing from the previous year.

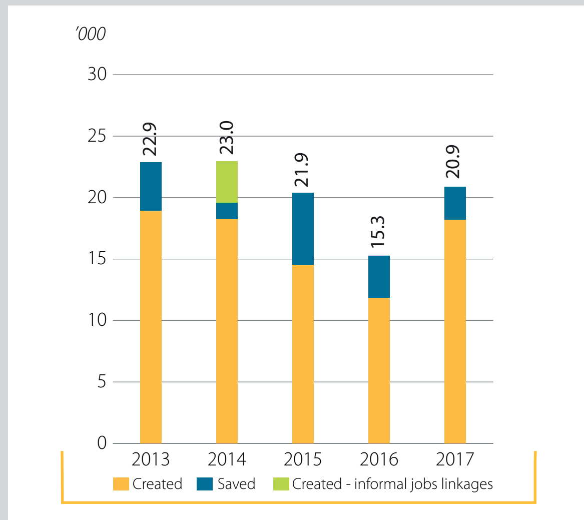
Information gathered from clients show that employment at the IDC's clients[1] decreased by 0.2% over the year, with more than 150 000 people employed by those clients. If the indirect impact of these jobs are included, the total impact that the IDC's clients have on employment increased by 1.7%, slightly lower than the growth in non-government formal employment over the last year.

Significant impact was made this year on the value of funding approved for Black Industrialists (63% increase to R4.7 billion), black-empowered companies (increase of 104% to R10.1 billion), women-empowered and youth-empowered businesses (increases of 178%, and 142%, reaching R3.2 billion and R2.3 billion respectively).

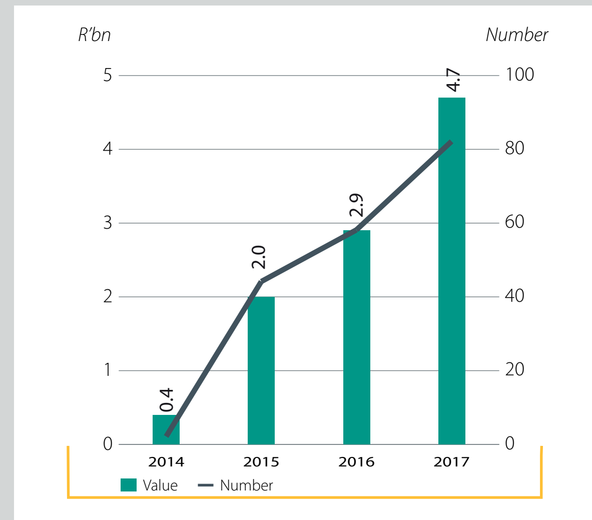
1. Employees at South African clients (excluding mature companies such as Sasol, Kumba etc) that have been in IDC's portfolio throughout the measurement period.

TRENDS FOR DEVELOPMENT INDICATORS

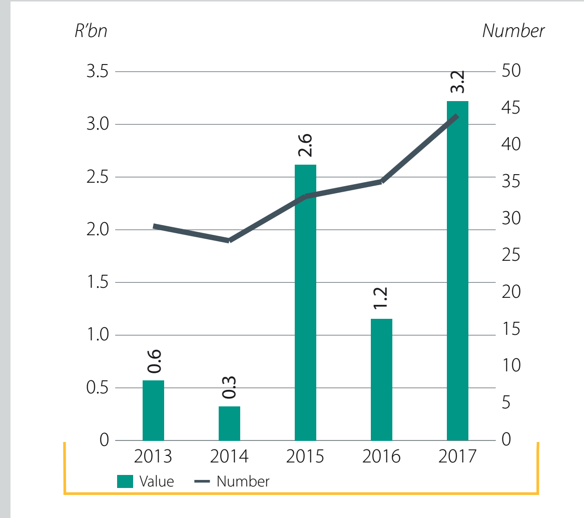
Number of jobs expected to be created and saved



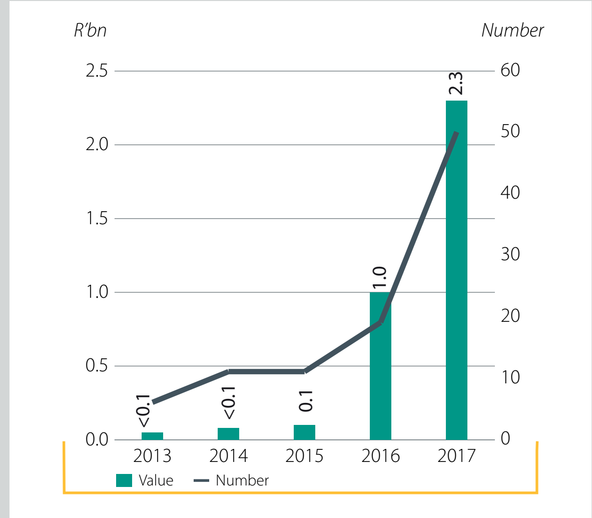
Funding to Black Industrialists



Value approved and number of approvals for women-empowered enterprises



Value approved and number of approvals for youth-empowered enterprises



The IDC Mini-Group posted a R2.8 billion profit (net profit after tax) compared to R1.2 billion in the previous year. This was achieved predominantly on the back of a significant reduction in impairments and write-offs (42.8%). Impairments as a percentage of the portfolio at cost decreased to 16.7% from 16.9%. The value of IDC's reserves increased by 7.5%, slightly lower than the yield on long-term government bonds over the period.

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

The tables below show performance against objectives for short- and long-term targets.

Performance against short-term targets

Perspective	Theme	Metric	Description	Weight	Base[2]	Target[3]	Actual	Achievement
Development Impact	Funding activity	Value of funding disbursed	Total value of funding disbursed by IDC	20%	R11.9 billion	R14.4 billion	R11.0 billion	Base not achieved
		Funding leveraged	Rand amount of outside total funding attracted for each rand of IDC funding	Not weighted	2:1		2.5:1	Achieved
	Jobs	Expected jobs created/saved	Expected direct jobs created or saved at signature of agreement	20%	16 800	20 000	20 155	Target achieved
	Economic empowerment	Value of funding to Black Industrialists	Value of funding approvals with an agreement signed for transactions benefiting Black Industrialists	5%	R2.5 billion	R4.6 billion	R4.9 billion	Target achieved
		Value of funding for women-empowered businesses	Value of funding approvals with an agreement signed for transactions benefiting women-empowered businesses	5%	R1.0 billion	R1.5 billion	R3.3 billion	Target achieved
		Value of funding for youth-empowered businesses	Value of funding approvals with an agreement signed for transactions benefiting youth-empowered businesses	5%	R0.7 billion	R1.0 billion	R1.7 billion	Target achieved
	Localisation	Funding for transactions for localisation initiatives	Value of funding agreements signed for transactions aimed at inputs into infrastructure or other government procurement and components for motor vehicles	5%	R2.1 billion	R3.6 billion	R4.8 billion	Target achieved
Financial Sustainability and Efficiency	Impairments	Level of impairments	Impairments as a percentage of the portfolio at cost	10%	17.9%	15.5%	16.7%	Base achieved
			Value of cumulative impairments as per the balance sheet	Not weighted	R14.7 billion		R12.3 billion	Achieved
	Cost and income management	Revenue	Net interest, dividends, fees and money market income as a percentage of total assets	5%	4.7%	5.2%	4.1%	Base not achieved
		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)	5%	35%	25%	46%	Base not achieved
Stakeholders	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)	5%	17	15	16.8 LA	Base achieved
Subsidiaries	sefa	sefa balanced scorecard	sefa performance rating	5%	sefa's performance rating (1 – 5)		3.2	Base achieved
	Foskor	Foskor profitability	Operating profits/losses before capital gains	5%	R559 million	R615 million	(R902 million)	Base not achieved
	Scaw	Scaw profitability	Operating profits/losses before capital gains	5%	R51 million	R56 million	(R787 million)	Base not achieved

Performance against long-term targets

Perspective	Theme	Metric	Description	Weight	Base	Target	Actual	Achievement
Development Impact	Funding activity	Growth in funding disbursed to investments in SA	Value of IDC funding in SA (excluding funding in the rest of Africa)	20%	Growth in gross fixed capital formation in manufacturing (-0.7%)	Growth in gross fixed capital formation in manufacturing + 10% (9.3%)	-3.8%	Base not achieved
				Not weighted	Funding disbursed should not fall below three-year historical average		Disburse-ment below three-year historical average	Not achieved
		Growth in funding disbursed to rest of Africa	Value of IDC funding in rest of Africa	5%	5% increase in the percentage of disbursement into rest of Africa (12.3%)	7.5% increase in the percentage of disbursement into rest of Africa (12.6%)	-21.9%	Base not achieved
	Jobs	Growth in levels of jobs supported by IDC clients	Number of people employed at SA companies in IDC's portfolio and calculated impact on indirect jobs	15%	Growth in levels of employment in the economy (excluding govt. employment) (1.9%)	Growth in levels of employment in the economy (excluding govt. employment) + 7% (8.9%)	1.7%	Base not achieved
				Not weighted	No net job losses in IDC clients and their indirect employment impact		Jobs at IDC clients including indirect impact increased	Achieved
		Increased number of jobs created per unit of funding by IDC (reduce cost per job)	Number of jobs expected to be created, including calculated indirect jobs divided by the value of IDC's SA funding approvals (excluding funding in the rest of Africa, and jobs saved)	10%	Change in the labour/capital ratio of the economy + 5% (1.6%)	Change in the labour/capital ratio of the economy + 15% (8.4%)	51.1%	Target achieved
				Not weighted	Number of jobs created per unit of funding should not be below three-year historical average		Number of jobs created per unit of funding above three-year historical average	Achieved
	Economic empowerment	Increase in levels of empowerment in IDC's portfolio	% of number of SA companies with more than 50% black shareholding for which funding is approved	10%	2.5% increase in the percentage of black-owned businesses per annum (37.0%)	10% increase in the percentage of black-owned businesses per annum (39.7%)	56.5%	Target achieved
				Not weighted	Value of IDC funding approvals to companies with more than 50% black shareholding should not be below three-year historical average		Achieved	Achieved
Financial Sustainability	Strength of the balance sheet	Growth rate in IDC's reserves	Value of IDC reserves	30%	Yield on long-term govt. bonds (8.9%)	Yield on long-term govt. bonds + 2% (10.9%)	7.5%	Base not achieved
Human Capital	Sustainability of Human Capital	People Sustainability Index	Composite index measuring sustainability of IDC's human capital	10%	5% increase in PSI score (74.8%)	10% increase in PSI score per annum (78.3%)	71.1%	Base not achieved

FUNDING

The IDC sources loan funding mainly from international development agencies, facilities from commercial banks and bond issuances. The general 2017 funding requirements for the IDC Mini Group to, *inter alia*, finance advances of R11.0 billion and borrowing redemptions of R10.6 billion, amounted to R22 billion (2016: R18.8 billion). These requirements were met mainly out of R9.5 billion of internally generated funds, namely repayments received and profits. New borrowings amounted to R12.6 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 the Integrated 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 R20 million was paid during the financial year. On 28 June 2017, the directors declared a dividend of R50 million.

VALUATION OF SHARES

The value of the Group's investment in listed shares increased to R44.8 billion at the end of the 2017 financial year (2016: R40.0 billion).

POST REPORTING DATE EVENT

The value of the Group's listed shares decreased by R4.6 billion between financial year-end and approval date, however the portfolio had fully recovered at publication date.

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 22 of the Integrated Report.

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 and the name and registered office of the Secretary appears on the inside back cover of the Integrated Report.

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2017

Figures in Rand million	Note(s)	Group 2017	Group 2016	Company 2017	Company 2016
ASSETS					
Cash and cash equivalents	5	7 699	6 865	6 660	6 183
Derivative financial instruments	19	76	69	70	62
Trade and other receivables	6	2 224	3 305	609	914
Inventories	7	2 771	3 599	4	4
Current tax receivable		478	207	471	200
Loans and advances	8	26 673	23 928	25 802	23 451
Investments	9	57 635	53 272	36 810	29 122
Non-current assets held-for-sale	10	1 676	118	67	–
Investments in subsidiaries	11	–	–	44 183	46 887
Investments in associates, joint ventures and partnerships	12	20 361	18 314	19 182	15 421
Deferred tax	13	169	215	–	–
Investment property	14	366	362	15	15
Property, plant and equipment	15	9 613	10 816	54	166
Biological assets	16	51	215	–	–
Intangible assets	17	44	63	–	–
Total assets		129 836	121 348	133 927	122 425
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 - Non-distributable reserve		44 561	43 605	57 166	53 127
Retained income - Distributable		42 143	39 717	25 255	23 480
		88 097	84 715	83 814	78 000
Non-controlling interest		193	102	–	–
Total equity		88 290	84 817	83 814	78 000
Liabilities					
Bank overdraft	5	103	38	–	–
Derivative financial instruments	19	27	59	16	44
Trade and other payables	20	4 051	3 727	1 489	945
Current tax payable		5	2	–	–
Retirement benefit obligation	21	588	589	180	158
Liabilities of disposal groups	10	368	–	–	–
Other financial liabilities	22	30 367	27 984	42 553	38 987
Deferred tax	13	4 874	3 338	5 820	4 178
Provisions	23	1 137	768	28	23
Share-based payment liability	24	26	26	27	90
Total liabilities		41 546	36 531	50 113	44 425
Total equity and liabilities		129 836	121 348	133 927	122 425

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2017

Figures in Rand million	Note(s)	Group 2017	Group 2016	Company 2017	Company 2016
Continuing operations					
Revenue	25, 26 & 28	17 372	19 408	6 459	5 438
Cost of sales		(9 010)	(11 918)	–	–
Gross profit		8 362	7 490	6 459	5 438
Finance costs	27	(2 607)	(1 317)	(2 679)	(1 300)
Gross profit after financing costs		5 755	6 173	3 780	4 138
Other income		329	581	213	406
Net capital gains	29	1 688	453	1 688	410
Operating expenses		(6 416)	(7 701)	(3 702)	(4 802)
Operating profit (loss)	31	1 356	(494)	1 979	152
Non-administrative expenses	30	(378)	–	(378)	–
Profits/(losses) from equity-accounted investments		963	557	–	–
Profit before taxation		1 941	63	1 601	152
Taxation	32	621	160	194	25
Profit from continuing operations		2 562	223	1 795	177
Discontinued operations					
Loss from discontinued operations	10	(362)	–	–	–
Profit for the year		2 200	223	1 795	177
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Gains/(losses) on property revaluation		(6)	73	(6)	17
Remeasurements on net defined benefit liability/asset		(4)	59	(4)	40
Share of comprehensive income of associates and joint ventures		(4)	–	–	–
Income tax relating to items that will not be reclassified		1	(26)	1	(13)
Total items that will not be reclassified to profit or loss		(13)	106	(9)	44
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		(23)	129	–	–
Available-for-sale financial assets adjustments		3 648	(6 087)	5 997	(7 631)
Share of comprehensive income of associates and joint ventures		(370)	530	6	(15)
Income tax relating to items that may be reclassified		(2 286)	(290)	(1 955)	615
Total items that may be reclassified to profit or loss		969	(5 718)	4 048	(7 031)
Other comprehensive income for the year net of taxation	33	956	(5 612)	4 039	(6 987)
Total comprehensive income/(loss) for the year		3 156	(5 389)	5 834	(6 810)
Profit for the year attributable to:					
Owners of the parent					
Profit for the year from continuing operations		2 808	580	1 795	177
Profit for the year from discontinuing operations		(362)	–	–	–
		2 446	580	1 795	177
Non-controlling interest		(246)	(357)	–	–
		2 200	223	1 795	177
Total comprehensive income for the year attributable to:					
Owners of the parent		3 402	(5 032)	5 834	(6 810)
Non-controlling interest		(246)	(357)	–	–
		3 156	(5 389)	5 834	(6 810)

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2017

Figures in Rand million	Total share capital	Foreign currency translation reserve	Associated entities reserve	Revaluation reserve	Common control reserve	Net defined benefit reserve	Share-based payment reserve	Retained income	Total attributable to equity holders of the Group/ Company	Non-controlling interest	Total equity
Group											
Balance as at 31 March 2015	1 393	1 379	1 014	44 911	1 657	(48)	304	39 187	89 797	125	89 922
Changes in equity											
Total comprehensive income for the year	–	760	(101)	(6 317)	–	46	–	580	(5 032)	(357)	(5 389)
Transactions with non-controlling shareholders	–	–	–	–	–	–	–	–	–	334	334
Dividends	–	–	–	–	–	–	–	(50)	(50)	–	(50)
Total changes	–	760	(101)	(6 317)	–	46	–	530	(5 082)	(23)	(5 105)
Balance at 1 April 2016	1 393	2 139	913	38 594	1 657	(2)	304	39 717	84 715	102	84 817
Changes in equity											
Total comprehensive income for the year	–	(393)	(4)	1 357	–	(4)	–	2 446	3 402	(246)	3 156
Transactions with non-controlling shareholders	–	–	–	–	–	–	–	–	–	337	337
Dividends	–	–	–	–	–	–	–	(20)	(20)	–	(20)
Total changes	–	(393)	(4)	1 357	–	(4)	–	2 426	3 382	91	3 473
Balance at 31 March 2017	1 393	1 746	909	39 951	1 657	(6)	304	42 143	88 097	193	88 290
Company											
Balance as at 31 March 2015	1 393	–	(26)	58 927	1 222	(9)	–	23 353	84 860	–	84 860
Changes in equity											
Total comprehensive income for the year	–	–	(15)	(7 003)	–	31	–	177	(6 810)	–	(6 810)
Dividends	–	–	–	–	–	–	–	(50)	(50)	–	(50)
Total changes	–	–	(15)	(7 003)	–	31	–	127	(6 860)	–	(6 860)
Balance at 1 April 2016	1 393	–	(41)	51 924	1 222	22	–	23 480	78 000	–	78 000
Changes in equity											
Total comprehensive income for the year	–	–	(6)	4037	–	(4)	–	1 795	5 834	–	5 834
Dividends	–	–	–	–	–	–	–	(20)	(20)	–	(20)
Total changes	–	–	6	4 037	–	(4)	–	1 775	5 814	–	5 814
Balance at 31 March 2017	1 393	–	(35)	55 961	1 222	18	–	25 255	83 814	–	83 814
Note(s)	18	33	33	33	33	33		33			

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2017

Figures in Rand million	Note(s)	Group 2017	Group 2016	Company 2017	Company 2016
Cash flows from operating activities					
Cash used in operations	37	2 937	(515)	2 383	(1 237)
Interest received		3 165	2 346	2 971	3 128
Dividends received		1 758	2 723	1 272	1 886
Finance costs		(1 930)	(1 387)	(1 953)	(1 411)
Tax paid	38	(384)	(100)	(378)	(241)
Changes in operating funds		(853)	994	918	2 512
Increase on operating assets		(3 235)	(2 985)	(2 648)	(2 909)
Increase in operating liabilities		2 382	3 979	3 566	5 421
Net cash generated from operating activities		4 693	4 061	5 213	4 637
Cash flows from investing activities					
Purchase of property, plant and equipment	15	(905)	(2 513)	(42)	(46)
Proceeds on sale of property, plant and equipment		369	300	–	–
Purchase of other intangible assets	17	(29)	(2)	–	–
Acquisition of investments		(3 505)	(3 771)	(4 891)	(6 622)
Purchase of biological assets	16	–	(33)	–	–
Proceeds on sale of biological assets	16	–	15	–	–
Acquisition of subsidiaries		–	14	–	–
Purchase of other financial assets		(7)	–	(8)	–
Proceeds on realisation of investments		173	593	225	550
Net cash used in investing activities		(3 904)	(5 397)	(4 716)	(6 118)
Cash flows from/(used in) financing activities					
Dividends paid		(20)	(50)	(20)	(50)
Net cash used in financing activities		(20)	(50)	(20)	(50)
Net (decrease)/increase in cash and cash equivalents		769	(1 386)	477	(1 531)
Cash at the beginning of the year		6 827	8 213	6 183	7 714
Total cash at end of the year	5	7 596	6 827	6 660	6 183

	South Africa		Rest of Africa		Other*		Total	
Figures in Rand million	2017	2016	2017	2016	2017	2016	2017	2016
Income								
Interest received	3 701	1 998	620	347	–	1	4 321	2 346
Dividends received	1 237	2 698	521	25	–	–	1 758	2 723
Fee income	400	467	–	–	–	–	400	467
Farming, manufacturing and mining income	10 755	12 597	60	184	78	1 091	10 893	13 872
Revenue	16 093	17 760	1 201	556	78	1 092	17 372	19 408
Share of profits of equity-accounted investments	1 723	1 032	165	24	–	–	1 888	1 056
Other income	329	581	–	–	–	–	329	581
Net capital gains	1 688	453	–	–	–	–	1 688	453
Expenses								
Financing expenses	(2 607)	(1 317)	–	–	–	–	(2 607)	(1 317)
Operating expenses	(13 235)	(15 696)	(60)	(26)	(80)	(102)	(13 375)	(15 824)
Share of losses of equity-accounted investments	(836)	(291)	(48)	(167)	(41)	(41)	(925)	(499)
Taxation	621	163	–	–	–	(3)	621	160
Depreciation	(739)	(723)	–	–	–	–	(739)	(723)
Impairment of property, plant and equipment	(634)	(200)	–	–	–	–	(634)	(200)
Net movement in impairments	(954)	(3 161)	–	–	–	–	(954)	(3 161)
Project feasibility expenses	(102)	289	–	–	–	–	(102)	289
Impairment reversal	(362)	–	–	–	–	–	(362)	–
Profit for the year	985	(1 110)	1 258	387	(43)	946	2 200	223
Total assets	119 409	110 093	8 199	10 115	2 228	1 140	129 836	121 348
Interest in equity-accounted investments	16 621	13 888	3 740	4 426	–	–	20 361	18 314
Total liabilities	41 476	36 413	17	4	53	112	41 546	36 529
Capital expenditure	905	2 522	–	–	–	–	905	2 522
Capital expenditure commitments	14	87	–	–	–	–	14	87

** 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.

Figures in Rand million	Industrial Development Corporation		Other Financing Activities**	
	2017	2016	2017	2016
Income				
Interest received	4 822	3 128	135	450
Dividends received	1 272	1 886	1 044	985
Fee income	365	424	36	43
Farming, manufacturing and mining income	–	–	–	–
Revenue*	6 459	5 438	1 405	1 478
Share of profits of equity-accounted investments	–	–	15	39
Other income	213	406	17	15
Net capital gains	1 688	410	–	43
Expenses				
Financing costs	(2 679)	(1 300)	(32)	(30)
Operating expenses	(1 889)	(1 400)	(351)	(574)
Share of losses of equity-accounted investments	–	–	–	–
Taxation	194	25	24	8
Depreciation	(17)	(21)	(4)	(4)
Project feasibility expenses	(88)	289	–	–
Net movement in impairments	(2 086)	(3 670)	(68)	(380)
Impairment of property, plant and equipment	–	–	–	–
Profit/(Loss) from discontinued operations	–	–	–	–
Profit for the year	1 795	177	816	595
Total assets	133 927	122 425	2 342	2 505
Interest in equity-accounted investments	19 057	15 421	938	929
Total liabilities	50 113	44 425	628	762
Capital expenditure	42	46	–	15
Capital expenditure commitments	–	–	–	–

** All revenue is from external customers.*

*** Other financing activities – includes Findevco, Impofin, Konoil and the Small Enterprise Finance Agency Limited.*

Foskor (Pty) Ltd		Scaw South Africa (Pty) Ltd		Other*		Total	
2017	2016	2017	2016	2017	2016	2017	2016
22	18	1	1	(659)	(1 245)	4 321	2 352
–	–	–	–	(558)	(154)	1 758	2 723
–	–	–	–	(1)	–	400	467
5 615	5 918	3 041	5 660	2 237	2 294	10 893	13 872
5 637	5 936	3 042	5 661	1 019	895	17 372	19 414
(2)	4	–	–	1 875	1 013	1 888	1 056
55	106	–	–	44	54	329	581
–	–	–	–	–	–	1 688	410
(163)	(438)	(329)	(477)	596	928	(2 607)	(1 317)
(5 987)	(5 790)	(2 968)	(6 050)	(2 188)	(2 010)	(13 383)	(15 824)
–	–	–	–	(925)	(499)	(925)	(499)
425	144	–	–	(22)	(17)	621	167
(347)	(330)	(170)	(208)	(192)	(160)	(730)	(723)
–	–	–	–	(14)	–	(102)	289
–	–	–	–	1 200	889	(954)	(3 161)
(520)	(200)	–	–	(115)	–	(635)	(200)
–	–	(362)	–	–	–	(362)	–
(902)	(568)	(787)	(1 074)	1 278	1 093	2 200	223
8 431	8 803	4 503	4 714	(19 367)	(17 099)	129 836	121 348
–	–	–	–	366	1 964	20 361	18 314
3 740	3 740	9 410	8 872	(22 345)	(21 270)	41 546	36 529
504	460	–	–	359	2 001	905	2 522
–	–	–	–	14	87	14	87

** Other – includes Dymson Nominee, Kindoc Investments, Kindoc Sandton Properties, Konbel, Prilla 2000, certain other property-owning subsidiaries and consolidation adjustments.*

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 2017 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 28 June 2017.

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 Public Finance Management Act (PMFA).

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
- Aircraft are measured at fair value
- Non-current assets held-for-sale are measured at fair value

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

a) 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: Impairments in terms of IFRS 9 will be determined based on an expected credit loss model rather than the current incurred loss model required by IAS 39. Entities are required to recognise an allowance for either 12-month or lifetime expected credit losses (ECLs), depending on whether there has been a significant increase in credit risk since initial recognition. The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the entity's best available forward-looking information. The aforementioned probability-weighted outcome must consider the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is low.

  The ECL model applies to debt instruments recorded at amortised cost or at FVTOCI, such as loans, debt securities and trade receivables, lease receivables and most loan commitments and financial guarantee contracts.

  The implementation of IFRS 9 is anticipated to have a significant impact on the preparation of the Group's financial statements. The Group has initiated a process to determine the quantitative impact of the standard on the Group's statement of financial position and ongoing performance metrics. Until the process has been completed, the Group is unable to quantify the expected impact.

b) IFRS 15 Revenue from Contracts with Customers (Effective 1 January 2018)

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.

i) 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.

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. 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.

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 is 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.

ii) Transactions eliminated on consolidation

Inter-company 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.

iii) 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.

iv) 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 and 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 classified as available for sale and carried at fair value through other comprehensive income.

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 classified as available for sale and carried at fair value through other comprehensive income.

1. ACCOUNTING POLICIES (continued)

1.6 JOINT VENTURES AND PARTNERSHIPS

Joint ventures 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. Partnerships are those entities wherein the IDC has rights to the assets and obligations for the liabilities of the partnership. The assets and liabilities of the partnerships are included in the Company and Group financial statements.

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 in the Company's separate financial statements are classified as available for sale and carried at fair value through other comprehensive income.

1.7 FINANCIAL INSTRUMENTS

a) 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.

i. 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.

Directly attributable transaction costs on initial recognition of financial assets are recognised at fair value through profit or loss.

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; and
- The asset contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

ii. 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.

iii. 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. Available for sale investments includes investments in subsidiaries investments in associates, joint ventures and partnerships.

iv. 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.

Where the transaction price in a non-active market is different to the fair value from other observable current-market transactions in the same instrument or based on a valuation technique, the variables of which include only data from observable markets, the group defer such differences (day 1 gains or losses). Day 1 gains or losses are amortised on a straight line basis over the life of the financial instrument. To the extent that the inputs determining the fair value of the instrument become observable, or on derecognition of the instrument, day 1 gains or losses are recognised immediately in 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.

v. 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.

b) Financial liabilities

Financial liabilities are recognised initially at fair value, generally being their issue proceeds net of transaction costs incurred except for financial liabilities measure at fair value trough profit or loss. 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.

c) 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 with other liabilities.

d) 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.

e) 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.

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.

1. ACCOUNTING POLICIES (continued)

1.8 IMPAIRMENT OF ASSETS

a) Impairment of financial assets carried at amortised cost (held-to-maturity financial assets, and loans and receivables)

Allowances for impairment on financial assets carried at amortised cost represent management's estimate of losses incurred in the portfolio at reporting date.

The Group assesses whether there is objective evidence that a financial asset or group of financial assets in this category 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 a decrease in the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated, as a result of one or more events that have occurred after the initial recognition of the asset (a loss event or events).

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.

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;
- Changes in macroeconomic conditions;
- 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.

Valuations of financial assets are performed by the Post Investment Monitoring and Workout and Restructuring departments and approved by the Investment Monitoring Committee (IMC), which meets three times a year.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

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.

The Group ensures that estimates of changes in future cash flows for groups of assets are reflective and 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.

b) 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 significant and prolonged decrease in the fair value of the instrument below its cost is considered in determining whether the assets are impaired. The IDC applies the most conservative approach and immediately impairs the financial instrument upon the fair value going below cost. Management assesses all relevant information and applies its professional judgement in determining whether the impairment of a financial asset is significant and prolonged.

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 but rather through reserves.

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.

c) 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

a) 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 acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; 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.

b) 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.

1. ACCOUNTING POLICIES (continued)

1.9 INTANGIBLE ASSETS (continued)

c) 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

a) 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 flow hedges which are recognised in other comprehensive income.

b) 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.

a) 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 neighbourhood, 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

a) 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 less accumulated depreciation and accumulated impairment losses. Land, buildings and aircraft are revalued by external, independent valuers. 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.

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.

b) Subsequent cost

The Group recognises the cost of replacing part of such an item of property, plant and equipment in the 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.

c) 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.

d) Derecognition

The carrying amount of items of property, plant and equipment are 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.

1.13 BIOLOGICAL ASSETS

A biological asset is a living animal or plant.

a) 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

a) Finance leases

Leases of assets under which the lessee assumes all the risks and benefits of ownership are classified as finance leases.

i. 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.

1. ACCOUNTING POLICIES (continued)

1.14 LEASES (continued)

a) Finance leases (continued)

ii. 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.

b) Operating leases

Leases of assets under which the lessor effectively retains all the risks and benefits of ownership are classified as operating leases.

i. 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.

ii. 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.

c) 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

a) 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.

b) 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.

a) 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.

b) 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.

1.18 CONTINGENT LIABILITIES AND COMMITMENTS

a) 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 but 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

Contingent liabilities are not recognised. Contingencies are disclosed in the notes.

b) 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 but disclosed in the notes.

1.19 TAXATION

a) 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.

b) 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.

1. ACCOUNTING POLICIES (continued)

1.19 TAXATION (continued)

c) 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 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.

a) 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. This occurs when the Group entity has delivered products to the customer and the customer has accepted the products. The delivery of products and the transfer of risks are determined by the terms of sale.

b) Dividends

Dividend income is recognised when the right to receive payment is established on the ex-dividend date for equity instruments and is included in dividend income.

c) Interest

Interest income and expense are recognised in profit or loss using the effective-interest method taking into account the contractual expected timing and amount of cash flows. The effective-interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing financial instrument and its amount at maturity calculated on an effective-interest-rate basis.

d) Fees

The Group earns fees and commissions from a range of services it provides to clients and these are accounted for as follows:

- Income earned on the execution of a significant act is recognised when the significant act has been performed.
  For instance, the syndication or structuring fee is recognised when the syndication as a lead arranger or structuring as a structure of the deal has been completed. On the other hand, loan commitment fees are recognised on a straight-line basis over the commitment period
- Income earned from the provision of services is recognised as the service is rendered by reference to the stage of completion of the service
  The stage of completion is assessed by reference to the service performed to date as a percentage of total service to be performed. In most instances, this is straight-lined
- 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
- Fees charged for servicing a loan are recognised in revenue as the service is provided.

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

a) 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.

b) 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.

c) 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.

d) 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.

1.23 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 discrete financial information is available.

The group accounts for inter-segment revenue and transfers as if the transactions were with third parties. Transactions between reportable segments are eliminated in the other segment.

1.24 DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD-FOR-SALE

a) 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 and is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

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.

b) 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 sale transaction rather than continuing use. This classification is only met if the sale is highly probable and the assets are available for immediate sale in its present condition.

c) 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. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

1. ACCOUNTING POLICIES (continued)

1.24 DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD-FOR-SALE (continued)

d) 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.

Other related party transactions are also disclosed in terms of the requirements of IAS 24.

1.26 SHARE-BASED PAYMENTS

A 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 re-measured 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.

a) Financial assets and liabilities

'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.

b) 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.

c) Investment property

Valuation methods and assumptions used in determining the fair value of investment property

i. 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 receiving the income.

ii. 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.

iii. 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.

d) 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.

e) 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.

a) 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.

b) 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 2017.

Unlisted equities are valued based on various valuation methods, including free cash flow, price earnings (PE) and net asset value basis (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

c) 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.

1. ACCOUNTING POLICIES (continued)

1.28 USE OF ESTIMATES AND JUDGEMENTS (continued)

d) 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% (FY2016: 8.37%) to discount that amount to present value. The discount rate assumed of 8.39% is a risk-free rate, specifically the rate at which the R186 South African government bond was quoted at year-end.

e) 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.

f) 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.

Risks specific to future cash flows and weighted average cost of capital are key indicators considered in making this judgement.

1.29 TRANSFER OF FUNCTIONS

a) Between entities under common control

i. 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.

ii. Measurement

Assets and liabilities acquired, by the receiving entity, through a transfer of functions are measured at initial recognition at the carrying value at which 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 for 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.

iii. 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.

b) Between entities that are not under common control

i. 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.

ii. Measurement

Assets and liabilities acquired, by the receiving entity, through a transfer of functions are measured at initial recognition at the fair value at which 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 thereof. Therefore for 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.

iii. 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.

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	Financial liabilities amortised cost	Total	Fair value
Group – 2017							
Cash and cash equivalents	5	–	7 699	–	–	7 699	7 699
Loans and advances to clients	8	–	26 673	–	–	26 673	25 003
Investments – listed equities	9	–	–	43 048	–	43 048	43 048
Investments – unlisted equities	9	–	–	7 335	–	7 335	7 335
Investments – preference shares	9	104	–	7 148	–	7 252	7 252
Derivative assets	19	76	–	–	–	76	76
Trade and other receivables	6	–	1 916	–	–	1 916	1 916
Other financial liabilities	22	–	–	–	30 367	30 367	29 786
Derivative liabilities	19	27	–	–	–	27	27
Bank overdrafts	5	–	–	–	103	103	103
Trade and other payables	20	–	–	–	3 658	3 658	3 682

Figures in Rand million	Notes	Held for trading	Loans and receivables	Available-for-sale	Financial liabilities 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
Other financial liabilities	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	Financial liabilities cost	Total	Fair value
Company – 2017							
Cash and cash equivalents	5	–	6 660	–	–	6 660	6 660
Loans and advances to clients	8	–	25 802	–	–	25 802	24 647
Investments – listed equities	9	–	–	22 243	–	22 243	22 243
Investments – Unlisted equities	9	–	–	7 315	–	7 315	7 315
Investments – preference shares	9	104	–	7 148	–	7 252	7 252
Derivative assets	19	70	–	–	–	70	70
Trade and other receivables	6	–	605	–	–	605	605
Other financial liabilities	22	–	–	–	42 553	42 553	41 990
Derivative liabilities	19	16	–	–	–	16	16
Trade and other payables	20	–	–	–	1 190	1 190	1 190

Figures in Rand million	Notes	Held for trading	Loans and receivables	Available-for-sale	Financial liabilities cost	Total	Fair value
Company – 2016							
Figures in Rand million							
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
Other financial liabilities	22	–	–	–	38 987	38 987	38 623
Derivative liabilities	19	44	–	–	–	44	44
Trade and other payables	20	–	–	–	617	617	617

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 variable 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:

- Value of transactions with a single counterparty within a 12-month period;
- 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.

Counterparty and related party limits

The need for counterparty and related party limits are 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 to 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.

Africa portfolio limit, regional limits, country thresholds and outside Africa portfolio limit

Country risk refers to risk(s) associated with investing or lending in a country, arising from possible changes in the business environment that may adversely affect operating profits or the value of assets in the host country. These risks include political risk, exchange rate risk, economic risk, sovereign risk and transfer risk; and investment's returns could suffer as a result of political changes or instability in a country.

The focus of the IDC's activities in the African continent is determined by its mandate and managed through our investment criteria and regional investment limits, including country thresholds. Country thresholds enable effective risk management of country concentration risk. The IDC's objectives are to contribute to the economic integration and industrial development in SADC and the Rest of Africa. 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. In order for IDC to achieve its mandate in the southern African region and rest of Africa, the Corporation focuses on being a catalyst for sustainable economic change.

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	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Carrying amount as per note 8 and 9	26 673	23 928	57 635	53 272	25 802	23 451	36 810	29 122
Concentration by location:								
South Africa	20 312	16 410	54 765	50 634	19 441	15 933	33 940	26 484
SADC	2 562	3 319	945	1 081	2 562	3 319	945	1 081
Rest of Africa	3 799	4 199	231	117	3 799	4 199	231	117
Outside Africa	–	–	1 694	1 440	–	–	1 694	1 440
	26 673	23 928	57 635	53 272	25 802	23 451	36 810	29 122

Carrying value of available-for-sale investments, excluding investments in subsidiaries, associates and joint ventures.

ECONOMIC SECTOR LIMITS

Managing 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, 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 it 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 is practical in its enforcement without restricting investment activities. The establishment of Sector limits is aligned with the overall strategy of the IDC (including its risk appetite).

During the year under review, the IDC revised the methodology for the management and measuring of Credit concentration risk. The revised methodology will become effective on 1 April 2017.

3. FINANCIAL RISK MANAGEMENT (continued)

SECTORAL ANALYSIS

	Group				Company			
	Loans and advances to clients		Investment securities		Loans and advances to clients		Investment securities	
Figures in Rand million	2017	2016	2017	2016	2017	2016	2017	2016
*Carrying amount as per note 8 and 9	26 673	23 928	57 635	53 272	25 802	23 451	36 810	29 122
Concentration by sector, as per Standard Industrial Classifications (SIC):								
Agriculture, forestry and fishing	1 150	1 053	59	108	1 089	1 036	59	108
Basic chemicals	815	813	38	498	815	800	38	498
Basic iron and steel	759	509	2 545	2 167	759	500	2 545	2 167
Basic non-ferrous metals	37	1	6 923	5 612	37	1	6 930	5 612
Beverages	7	10	–	–	7	10	–	–
Building construction	366	254	236	179	323	250	236	179
Business services	39	47	113	155	19	46	113	155
Catering and accommodation services	3 035	3 149	265	41	3 034	3 098	265	41
Coal mining	644	659	3 535	2 117	644	648	3 535	2 117
Coke and refined petroleum products	32	28	93	95	32	28	93	95
Communication	396	1 584	4	2	394	1 559	4	2
Electrical machinery	388	48	219	226	376	47	219	226
Electricity, gas and steam	5 248	3 959	3 050	3 029	5 244	3 895	3 050	3 029
Finance and insurance	738	571	58	36	403	562	32	36
Food	1 388	1 626	41	96	1 387	1 600	41	96
Footwear	72	85	–	–	72	84	–	–
Furniture	223	298	–	–	223	293	–	–
Glass and glass products	64	87	–	–	64	85	–	–
Gold and uranium ore mining	161	317	730	1 202	161	312	730	1 202
Government	1	–	–	–	1	–	–	–
Leather and leather products	5	15	–	–	5	15	–	–
Machinery and equipment	206	474	–	–	206	466	–	–
Medical, dental and other health and veterinary services	410	380	1 616	1 971	410	374	1 616	1 971
Metal products excluding machinery	823	679	73	13	823	668	73	13
Motor vehicles, parts and accessories	819	869	391	124	813	855	391	124
Non-metallic minerals	419	513	494	426	408	505	494	426
Other community, social and personal services	500	298	1 772	1 865	498	294	1 772	1 865
Other chemicals and man-made fibres	909	626	20 971	24 296	907	616	165	146
Other industries	47	30	50	–	18	30	50	–
Other mining	4 209	2 364	12 495	7 340	4 047	2 208	12 495	7 340
Other services	–	–	239	445	–	–	239	445
Other transport equipment	499	267	1 439	1 028	456	263	1 439	1 028
Paper and paper products	442	154	21	20	442	152	21	20
Plastic products	147	182	–	–	147	179	–	–
Printing, publishing and recorded media	1	19	–	–	1	18	–	–
Professional and scientific equipment	64	67	17	35	63	66	17	35
Rubber products	–	1	–	–	–	1	–	–
Television, radio and communication equipment	9	3	5	6	9	3	5	6
Textiles	250	287	–	1	251	282	–	1
Transport and storage	584	534	–	47	550	525	–	47
Water supply	292	390	–	–	292	384	–	–
Wearing apparel	220	260	–	–	218	256	–	–
Wholesale and retail trade	89	21	–	–	15	21	–	–
Wood and wood products	166	397	143	92	139	416	143	92
	26 673	23 928	57 635	53 272	25 802	23 451	36 810	29 122

Carrying value of available-for-sale investments, excluding investments in subsidiaries, associates and joint ventures.

INTERNAL RATING MODEL AND PRICING

The changing banking regulatory requirements and increased focus by international and local DFIs to incorporate Basel II best practice risk management makes it increasingly important for IDC to regularly measure credit risk and ensure that risk costs are transparent and appropriately accounted for. IDC therefore updated and redesigned its Project Finance and SME/Middle market rating and pricing methodologies and models with the assistance of consultants. These models were fully implemented during the 2017 financial year.

The rating and pricing methodology follows a two-step approach namely; rating which is incorporated into the pricing solution for debt, equity, guarantee and mezzanine finance transactions

The models offer amongst others, the following key value added features:

- Calculation of an Expected Loss (EL), where EL = (PD*EAD*LGD), which is included as a risk margin in the price of a facility based on the client's riskiness
- Customised qualitative factors based on consultation with industry specialists in the business units to reflect specific IDC industry focus when rating a client.
- Quantification of the development score impact into a ZAR amount;

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	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Carrying amount as per note 8 and 9	26 673	23 928	57 635	53 272	25 802	23 451	36 810	29 122
Individually impaired								
Low risk	719	250	1 817	1 800	591	223	1 817	1 800
Medium risk	5 090	2 987	1 048	521	4 836	2 843	1 018	520
High risk	2 572	3 050	604	987	2 055	2 767	599	992
Gross amount	8 381	6 287	3 469	3 308	7 482	5 833	3 434	3 312
Allowance for impairment	(3 037)	(5 058)	(2 428)	(2 049)	(2 434)	(4 490)	(2 428)	(2 049)
Carrying amount	5 344	1 229	1 041	1 259	5 048	1 343	1 006	1 263
Past due but not impaired								
Low risk	122	299	–	–	90	67	–	–
Medium risk	1 754	1 588	–	–	1 747	1 456	–	–
High risk	409	123	–	–	409	199	–	–
Carrying amount	2 285	2 010	–	–	2 246	1 722	–	–
Past due comprises of:								
00 – 30 days	35	250	–	–	35	78	–	–
31 – 60 days	63	59	–	–	63	56	–	–
61 – 90 days	24	59	–	–	24	66	–	–
91 – 120 days	109	33	–	–	109	13	–	–
120 days +	2 054	1 609	–	–	2 015	1 509	–	–
Carrying amount	2 285	2 010	–	–	2 246	1 722	–	–
Neither past due nor impaired								
Low risk	6 168	5 125	38 687	39 876	5 653	4 950	17 897	11 891
Medium risk	10 587	14 873	17 858	12 137	10 579	14 735	17 858	15 968
High risk	3 253	1 249	49	–	3 230	1 249	49	–
Carrying amount	20 008	21 247	56 594	52 013	19 462	20 934	35 804	27 859
Portfolio impairment	(964)	(558)	–	–	(954)	(548)	–	–
Total carrying amount	26 673	23 928	57 635	53 272	25 802	23 451	36 810	29 122
Carrying value of renegotiated loans	3 465	4 598			4 132	4 680		

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 which 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 which legal action is in progress or where the client has ceased manufacturing or has been placed in liquidation.

3. FINANCIAL RISK MANAGEMENT (continued)

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.

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:

Figures in Rand million	2017	2016	2017	2016
IDC financing activities* (R'm)				
Against impaired assets				
General notarial bond	14	12	14	12
Special notarial bonds	280	251	280	251
Mortgage bond	890	560	890	560
Other	93	30	93	30
	1 277	853	1 277	853
Gross value of impaired loans	8 381	6 287	7 482	5 833
IDC financing activities* (R'm)				
Against loans in arrears and not impaired				
General notarial bond	1 045	702	1 045	702
Mortgage bond	240	199	240	199
Special notarial bond	300	190	300	190
Other	3	5	3	5
	1 588	1 096	1 588	1 096
Gross value of loans in arrears not impaired	2 285	2 010	2 246	1 722

The carrying amount of financial assets represents the maximum credit exposure.

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
2017		
Approved high-quality liquid assets	13 344.0	13 344.0
Net stressed outflows	(5 628.7)	(9 421.0)
Liquidity coverage ratios (%)	237.1	141.6
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

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
2017			
Cumulative liquidity positive variance	8 199.8	6 130.6	8 458.5
Funding related liabilities	19 496.8	16 432.6	15 278.1
SLM (%)	42.1	37.3	55.4
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

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.

INTEREST RATE SENSITIVITY MISMATCH – FINANCE ACTIVITIES

RSA and RSL (rate sensitive assets and rate sensitive liabilities)

Interest rate sensitivity mismatch	0 – 3 months	4 – 6 months	7 – 12 months
March 2017			
Cumulative interest rate sensitivity			
SA Rand	6 683.9	6 205.3	5 778.4
US Dollar	(21.1)	(260.9)	(261.7)
Euro	(38.6)	(5.7)	(8.4)
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)

Furthermore, interest rate risk management is monitored through the sensitivity analysis done to the financial assets and liabilities.

A 100 basis points (bps) increase/(decrease) in market interest rates resulted in the following sensitivities:

3. FINANCIAL RISK MANAGEMENT (continued)

NEXT 12 MONTHS NET INTEREST INCOME SENSITIVITY

Effect of a 100 basis point increase/(decrease) in market rates:

R million	Rand	US Dollar	Euro
2017			
+ 100 bps rate shock	65.5	(1.8)	(0.1)
- 100 bps rate shock	(65.5)	1.8	0.1
2016			
+ 100 bps rate shock	57.5	(0.1)	(0.3)
- 100 bps rate shock	(57.5)	0.1	0.3

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;
- 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; and
- Any open (unhedged) position in a particular currency giving 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.

Net open foreign currency positions	US Dollar	Euro
2017		
Foreign currency lending and borrowing	1.8	(1.3)
– Loans (assets)	439.7	42.6
– Derivative hedges (FECs)	123.6	89.5
– Borrowings (liabilities)	(561.5)	(133.4)
Other net (payables)/receivables	3.2	5.5
Net open foreign currency positions	5.0	4.2
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

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 analyses were 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 R9 521 million increase in the equity values as at 31 March 2017 (2016: R7 889 million) and a 10% decrease will lead to an R8 993 million decrease in the equity values (2016: R7 148 million).

Period	10% increase	10% decrease
31 March 2017	R9 521m	R8 993m
31 March 2016	R7 889m	R7 148m

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

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 IDC can be geared up to 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 carried at fair value:

R'm	Level 1	Level 2	Level 3	Total
Group – 2017				
Derivative assets	–	76	–	76
Biological assets	–	–	51	51
Investment property	–	366	–	366
Land and buildings	–	–	3 488	3 488
Listed shares	43 048	–	–	43 048
Unlisted shares	–	–	7 335	7 335
Preference shares	–	104	7 148	7 252
Assets held-for-sale	–	1 676	–	1 676
	43 048	2 222	18 022	63 292
Derivative liabilities	–	27	–	27
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 equities	–	–	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

4. FAIR VALUE INFORMATION (continued)

R'm	Level 1	Level 2	Level 3	Total
Company – 2017				
Derivative assets	–	70	–	70
Investment property	–	15	–	15
Listed shares	22 243	–	–	22 243
Unlisted shares	–	–	7 315	7 315
Preference shares	–	104	7 148	7 252
Investments in subsidiaries	32 844	–	11 339	44 183
Investments in associates	1 791	–	17 391	19 182
	56 878	189	43 193	100 260
Derivative liabilities	–	16	–	16
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

Reconciliation of assets measured at level 3

R'm	Note(s)	Opening balance	Gains/losses recognised in profit or loss*	Gains/losses recognised in other comprehensive income**	Purchases	Sales	Transfers***	Closing balance
Group – 2017								
Assets								
Biological assets		215	(110)	–	–	–	(54)	51
Land and buildings		3 141	(78)	328	107	(10)	–	3 488
Unlisted shares		7 034	(3)	1 306	147	(1 149)	–	7 335
Preference shares		7 401	(2 215)	298	2 191	(527)	–	7 148
		17 791	(2 296)	1 822	2 445	(1 686)	(54)	18 022

* *Gains or losses recognised in profit or loss are included in the operating expenses line except for preference shares whose accrued dividends are recognised as revenue.*

** *Gains or losses recognised in other comprehensive income are included in:*
Land and buildings: Gains or losses on property revaluations
Unlisted shares: Available for sale financial assets adjustments
Preference shares: Available for sale financial assets adjustments

*** *Transfers out of level 3 relate to the reclassification of bearer plants to property, plant and equipment and the harvested fruits to inventory*

R'm	Note(s)	Opening balance	Gains/losses recognised in profit or loss	Gains/losses recognised in other comprehensive income	Purchases	Sales	Transfers	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

R'm	Note(s)	Opening balance	Gains/losses recognised in profit or loss	Gains/losses recognised in other comprehensive income	Purchases	Sales	Transfers	Closing balance
Company – 2017								
Assets								
Unlisted shares		6 403	(3)	73	842	–	–	7 315
Preference shares		7 401	(2 215)	469	2 191	(698)	–	7 148
Investments in subsidiaries		12 373	(2 469)	(3 019)	4 454	–	–	11 339
Investments in associates		14 210	(1 155)	3 792	544	–	–	17 391
		40 387	(5 842)	1 315	8 031	(698)	–	43 193

Figures in rand million	Note(s)	Opening balance	Gains/losses recognised in profit or loss	Gains/losses recognised in other comprehensive income	Purchases	Sales	Transfers	Closing balance
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

VALUATION PROCESSES APPLIED BY THE GROUP

The Group's main instruments of monitoring the performance of its investee companies are through quarterly IMC meetings, including but not limited to the PACS (payment and collection system) 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.

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 instruments' valuation. This category includes instruments that 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 I budgeted steady growth in profits;
- Is low risk;
- A good year-on-year performance; and
- A long history of consistent return – operating in an industry that is not prone to fluctuations.

4. FAIR VALUE INFORMATION (continued)

FREE CASH FLOW VALUATION (FCF)

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;
- 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 VALUATION (NAV)

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 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;
- 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 and agriculture	Discounted cash flow	Cost of debt	5.1% – 12.7%
		Discount factor	7.7% – 23.4%
		Sector beta	1.00
	Price-earning valuation	Industry/sector PE ratio	16.5% – 22.8%
		Risk-adjusted PE ratio	6.9% – 14.2%
		Expected long-term growth	5%
Basic metals and mining	Discounted cash flow	Cost of debt	4.1% – 12.8%
		Discount factor	6.7% – 21.5%
		Sector beta	1.00
Basic and speciality chemicals	Discounted cash flow	Cost of debt	4.5% – 11.9%
		Discount factor	4.9% – 14.0%
		Sector beta	1.00
Automotive	Discounted cash flow	Cost of debt	6.3% – 13.9%
		Discount factor	12.6% – 16.9%
		Sector beta	1.00
Light manufacturing and tourism	Discounted cash flow	Cost of debt	9.9% – 12.5%
		Discount factor	8.0% – 16.1%
		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	7.9% – 15.4%
		Discount factor	5.6% – 21.5%
		Sector beta	1.00

Description	Valuation techniques	Unobservable input	Range
Biological assets			
Pecan nut trees – fruit on trees	Discounted cash flow	Pecan nut yield – tonnes per hectare Pecan nut price	2 375 tonnes per hectare when mature in eight years R49 per kg in shell
		Discount rate	16%
		Risk of damage due to forces of nature	10%

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).

5. CASH AND CASH EQUIVALENTS

	Group		Company	
Figures in Rand million	**2017**	**2016**	**2017**	**2016**
Cash and balances with bank	2 652	2 520	1 621	1 840
Negotiable securities	5 047	4 345	5 039	4 343
Bank overdraft	(103)	(38)	–	–
	7 596	6 827	6 660	6 183
Current assets	7 699	6 865	6 660	6 183
Current liabilities	(103)	(38)	–	–
	7 596	6 827	6 660	6 183

6. TRADE AND OTHER RECEIVABLES

	Group		Company	
Figures in Rand million	**2017**	**2016**	**2017**	**2016**
Trade receivables	1 916	3 003	605	906
Prepayments	47	54	–	–
Other receivable	261	248	4	8
	2 224	3 305	609	914

HERDMANS SOUTH AFRICA (PTY) LTD

Trade and other receivables pledged as security

A subsidiary, made a decision during 2015 to close Herdmans Europe. For this reason the Herdmans Europe debt was impaired to a value equal to Herdmans Europe stock valued at Net Realisable Value.

SWAC SOUTH AFRICA (PTY) LTD

A subsidiary, recognised a provision for impairment of R17 million (2016: R28 million) for amounts past due date by more than 150 days.

PRILLA 2000 (PTY) LTD

A subsidiary, entered into an invoice discounting agreement with Nedbank Limited whereby it has discounted all of its debtors and has given first cession of all receivables as security for a R115 million finance facility advanced to it.

7. INVENTORIES

	Group		Company	
Figures in Rand million	**2017**	**2016**	**2017**	**2016**
Finished goods	1 020	1 191	–	–
Raw materials, components	696	1 119	–	–
Phosphate rock	404	658	–	–
Consumable stores	561	431	4	4
Work in progress	90	200	–	–
	2 771	3 599	4	4

Group inventory to the value of R21.4 million was written down as a net realisable value adjustment at 31 March 2017 (2016: R79 million).

8. LOANS AND ADVANCES

	Group		Company	
Figures in Rand million	**2017**	**2016**	**2017**	**2016**
Loans and advances to clients*	30 674	29 544	29 910	28 489
Specific impairment of loans and advances	(3 037)	(5 058)	(2 434)	(4 490)
Portfolio impairment of loans and advances	(964)	(558)	(954)	(548)
	26 673	23 928	25 802	23 451
** Interest rates range between 3% and 18.1%*				
Reconciliation of provision for impairment of loans and receivables				
Specific impairment of loans and advances				
Opening balance	5 058	3 729	4 490	3 412
– Charge for the year	(946)	2 160	(725)	2 227
– Recoveries	(15)	(48)	(15)	(48)
– Effect of foreign currency movements	(89)	188	(89)	188
Write-offs	(971)	(971)	(1 227)	(1 289)
	3 037	5 058	2 434	4 490
Portfolio impairment of loans and advances				
Opening balance	558	418	548	408
Impairment charge for the year	406	140	406	140
	964	558	954	548
Total allowances for impairment				
Specific allowances for impairment	3 037	5 058	2 434	4 490
Collective allowance for impairment	964	558	954	548
	4 001	5 616	3 388	5 038
Maturity of loans and advances				
– due within three months	1 729	378	1 729	378
– due after three months but within one year	3 507	4 294	2 855	3 841
– due after one year but within two years	4 530	4 145	4 278	3 842
– due after two years but within three years	4 303	4 502	4 079	4 287
– due after three years but within four years	3 414	3 208	3 304	3 085
– due after four years but within five years	2 718	2 546	2 663	2 511
– due after five years	10 473	10 471	10 282	10 545
– impairment of loans and advances	(4 001)	(5 616)	(3 388)	(5 038)
	26 673	23 928	25 802	23 451

9. INVESTMENTS

Figures in Rand million	Group 2017	Group 2016	Company 2017	Company 2016
Listed equities	43 284	39 070	22 479	15 551
Unlisted equities	7 335	7 040	7 315	6 409
Preference shares	9 340	9 120	9 340	9 120
Preference shares – option values	104	91	104	91
	60 063	55 321	39 238	31 171
Impairment of listed shares	(236)	(324)	(236)	(324)
Impairment of unlisted shares	–	(6)	–	(6)
Impairment of preference shares	(2 192)	(1 719)	(2 192)	(1 719)
Shares at fair value	57 635	53 272	36 810	29 122
Specific allowance for impairment				
Listed equities				
Balance at 1 April	324	232	324	232
Impairment charge/(reversal) for the year	(88)	92	(88)	92
	236	324	236	324
Unlisted equities				
Balance at 1 April	6	177	6	177
Impairment charge/(reversal) for the year	(6)	(171)	(6)	(171)
	–	6	–	6
Preference shares				
Balance at 1 April	1 719	1 898	1 719	1 898
Impairment charge/(reversal) for the year	473	(179)	473	(179)
	2 192	1 719	2 192	1 719
Comprises:				
Impairment of listed shares	236	324	236	324
Impairment of unlisted shares	–	6	–	6
Impairment of preference shares	2 192	1 719	2 192	1 719
	2 428	2 049	2 428	2 049

10. DISCONTINUED OPERATIONS OR DISPOSAL GROUPS OR NON-CURRENT ASSETS HELD-FOR-SALE

SEFA

On 20 November 2013, sefa's Board of Directors approved the sale of certain properties in the property portfolio. Investment properties held-for-sale are current assets.

Additionally in a Board meeting on 25 May 2015 it was resolved that all property should be transferred to Khula Business Premises, and thus all the properties at sefa company level will need to be reclassified from investment property to investment property held-for-sale. The resolution has no impact on sefa group level due to Khula Business Premises being a wholly owned subsidiary of sefa.

IDC

On 20 April 2016 a decision was made by management to sell the Company's aircraft. The sales agreement has been signed by the buyer and partners. The sales price agreed upon is US$5.1 million and the sale is expected to be finalised in the first half of the 2018 financial year.

10. DISCONTINUED OPERATIONS OR DISPOSAL GROUPS OR NON-CURRENT ASSETS HELD-FOR-SALE (continued)

DISPOSAL GROUPS

Scaw South Africa

The IDC holds 74% of the issued share capital in Scaw South Africa (Pty) Ltd (Scaw). Scaw has six distinct divisions: Cast Products, Grinding Media, Wire Rod Products, Rolled products, Scrap Processing and Distribution Network. On 30 November 2016, management committed to a plan to dispose of the Grinding Media and Cast Products divisions. At year-end, management is in negotiations with potential buyers and the sale is expected to be finalised within the next financial year.

The planned disposal of the two divisions is part of a single plan to dispose of Scaw and is in line with the IDC's intention to introduce strategic equity partners into Scaw who possess the technical and commercial expertise necessary to grow the business and provide access to growth markets.

The disposal of the two divisions meets the criteria set out in IFRS 5 Non-current Assets Held for Sale and Disposal groups and therefore warrants the accounting treatment and disclosure required in terms of that standard. There are no immediate plans to dispose of the rest of Scaw and hence, that part of the business has been accounted for and disclosed as a continuing operation.

At year end, the results of the discontinued operations were as follows:

	Group		Company	
Figures in Rand million	**2017**	**2016**	**2017**	**2016**
Profit and loss				
Revenue	2 421	2 997	–	–
Expenses	(2 783)	(3 137)	–	–
Net loss before tax	(362)	(140)	–	–
Tax	–	–	–	–
	(362)	**(140)**	–	–
NON-CURRENT ASSETS HELD-FOR-SALE				
– IDC (Aircraft)	67	–	67	–
– Scaw	1 597	104	–	–
Property, plant and equipment	899	104	–	–
Intangible assets	1	–	–	–
Deferred tax asset	2	–	–	–
Investments in subsidiaries	–	–	–	–
Loans to group companies	–	–	–	–
Inventories	298	–	–	–
Current tax receivable	0	–	–	–
Trade and other receivables	385	–	–	–
Cash and cash equivalents	11	–	–	–
– sefa (Investment property)	12	14	–	–
	1 676	118	67	–
Liabilities of disposal groups				
– Scaw	**368**	–	–	–

11. INVESTMENTS IN SUBSIDIARIES

	Group		Company	
Figures in Rand million	**2017**	**2016**	**2017**	**2016**
Fair value of investments			39 598	41 364
Impairment of shares			(1 955)	(704)
Loans receivable			7 438	7 020
Impairment of loans			(898)	(793)
			44 183	46 887

IDC subsidiaries	Share class	% interest	Shares at cost and fair value		IDC net indebtedness to the holding company		IDC net indebtedness by the holding company	
Figures in Rand million			2017	2016	2017	2016	2017	2016
Arengo 316	Ordinary	100	–	–	159	159	–	–
ADC Cables	Ordinary	62	35	35	301	257	–	–
Dymson Nominee	Ordinary	100	2	2	45	45	–	–
Findevco	Ordinary	100	–	–	–	–	(373)	(373)
Foskor	Ordinary	59	8	8	700	700	–	–
Foskor	Preference		3 007	2 177	–	–	–	–
Herdmans SA	Ordinary	100	–	–	–	9	–	–
Impofin	Ordinary	100	–	–	–	–	(88)	(88)
Kindoc Investments	Ordinary	100	–	–	154	154	–	–
Kindoc Sandton Properties	Ordinary	100	–	–	183	194	–	–
Konbel	Ordinary	100	–	–	–	–	(10)	(10)
Konoil	Ordinary	100	–	–	–	–	(12 038)	(10 995)
Prilla	Ordinary	100	14	14	340	356	–	–
Scaw South Africa	Ordinary	74	–	–	3 701	3 303	–	–
Scaw South Africa	Preference		1 744	1 655	–	–	–	–
Scaw Metals	Ordinary	100	–	45	–	–	–	–
Sustainable Fibre Solutions	Ordinary	100	4	4	131	128	–	–
Sheraton Textiles	Ordinary	80	–	–	62	62	–	–
Thelo Rolling Stock Leasing	Ordinary	50	–	–	1 162	1 390	–	–
Other	Ordinary		142	142	500	263	–	–
			4 956	4 082	7 438	7 020	(12 509)	(11 466)
Fair value adjustment			34 642	37 282	–	–	–	–
Impairment adjustment			(1 955)	(704)	(898)	(793)	–	–
Fair value			37 643	40 660	6 540	6 227	(12 509)	(11 466)

Legally the IDC owns 59% of Foskor, but for accounting purposes an effective 85% of Foskor is consolidated.

SUBSIDIARIES WITH 50% STAKE

Although the Company holds 50% of the voting powers in Thelo Rolling Stock Leasing (Pty) Ltd, the investment is considered a subsidiary because of additional voting powers granted to the IDC through its right to appoint three out of the five directors to the Board of Directors of Thelo Rolling Stock Leasing (Proprietary) Limited.

Determining Control – Thelo Rolling Stock (Thelo)			
Power	Percentage ownership	50%	
	Majority voting rights (Shareholders/Directors)	Yes	Thelo has five members of the Board. The IDC appointed three out of the five. All voting at Board level is done equally per member.
	Contractual arrangement	No	
Affect Returns	Vary with entities performance	Yes	The 50% stake could translate into dividend income for the IDC based on the performance of Thelo.

The aggregate net profits and losses after taxation of subsidiaries attributable to the IDC were as follows:

	Group		Company	
Figures in Rand million	2017	2016	2017	2016
Profits	1 201	1 130		
Losses	(2 209)	(2 353)		
	(1 008)	(1 223)		
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 State 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.

11. INVESTMENTS IN SUBSIDIARIES (continued)

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.

Subsidiary	Country of incorporation	% ownership interest held by non-controlling interest	
		2017	2016
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% (2016: 41%).

SUMMARISED STATEMENT OF FINANCIAL POSITION

Figures in Rand million	Foskor		Scaw	
	2017	2016	2017	2016
Assets				
Non-current assets	5 501	5 572	1 668	2 546
Current assets	2 930	3 231	2 834	2 065
Total assets	8 431	8 803	4 502	4 611
Liabilities				
Non-current liabilities	1 880	1 832	3 918	6 815
Current liabilities	1 761	1 908	5 492	2 057
Total liabilities	3 641	3 740	9 410	8 872
Total net assets (liabilities)	4 790	5 063	(4 908)	(4 261)
Carrying amount of non-controlling interest	719	760	(1 276)	(1 108)

SUMMARISED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Figures in Rand million	Foskor		Scaw	
	2017	2016	2017	2016
Revenue	5 614	6 042	3 041	5 661
Other income and expenses	(6 941)	(6 754)	(3 828)	(6 735)
Profit/(loss) before tax	(1 327)	(712)	(787)	(1 074)
Tax expense	425	144	–	–
Profit/(loss)	(902)	(568)	(787)	(1 074)
Other comprehensive income/(loss)	–	–	–	78
Total comprehensive income	(902)	(568)	(787)	(996)
Profit/(loss) allocated to non-controlling interest	(135)	(85)	(204)	(279)
Other comprehensive income allocated to non-controlling interest	–	–	–	20

SUMMARISED STATEMENT OF CASH FLOWS

Figures in Rand million	Foskor		Scaw	
	2017	2016	2017	2016
Cash flows from operating activities	256	(310)	79	(55)
Cash flows from investing activities	(518)	(405)	(79)	(52)
Cash flows from financing activities	678	745	(136)	296
Net increase/(decrease) in cash and cash equivalents	416	30	(136)	189

Companies in which IDC took more than 50% shareholding with exposures less than R250 million.

Company name	IDC shareholding
AfriTicket Systems (Pty) Ltd	67%
KMDB Manufacturers (Pty) Ltd	59%
Novelquip Forestry (Pty) Ltd	62%

12. INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND PARTNERSHIPS

Figures in Rand million	Group 2017	Group 2016	Company 2017	Company 2016
Associated companies	20 170	18 102	19 160	15 411
Fair value of investments – listed shares in associates	–	–	1 791	1 211
Fair value of investments – unlisted shares in associates	–	–	11 901	10 187
Impairment of shares	–	–	(1 555)	(1 593)
Net asset value at acquisition	2 482	2 805	–	–
Accumulated equity-accounted income	19 588	17 929	–	–
Accumulated equity-accounted losses and impairments	(9 390)	(8 725)	–	–
Loans receivable	8 635	7 230	8 730	7 201
Impairment of loans	(1 145)	(1 137)	(1 707)	(1 595)
Partnerships and joint ventures	191	212	22	10
Partners' capital	196	221	41	52
Accumulated profits/(losses)	(5)	(9)	(19)	(42)
	20 361	18 314	19 182	15 421

MATERIAL ASSOCIATES

Companies Figures in Rand million		Financial year-ends*	Country of incorporation	Market price of listed associates (cents)	% holding	Total exposure 2017	Total exposure 2016
Broadband Infraco	Provides telecommunications infrastructure	31/03/2017	RSA		26.00	124	124
Broodkraal Landgoed	Farms table grapes	30/06/2016	RSA		32.00	–	77
Columbus Stainless Steel	Steel manufacturer		RSA		24.00	808	710
Savannah Consortium	Mining and processing platinum metals		RSA		29.70	–	69
Duferco Steel Processing**	Processes steel coil		RSA		50.00	523	–
Eastern Produce Malawi	Farms tea, coffee and macadamia nuts		Malawi		26.80	156	167
Hans Merensky	Holds investments in timber and agricultural industries	31/12/2016	RSA		29.70	879	825
Hulamin Limited	Asset-leasing company	31/12/2016	RSA	650	29.60	1 287	1 153
Incwala Resources	Platinum mining		RSA		23.60	584	641
Karsten Boerdery	Farms table grapes and dates	30/09/2016	RSA		38.20	426	340
KaXu Solar One	Parabolic trough solar energy farm	31/12/2016	RSA		29.00	1 598	1 748
KHI Solar One (Pty) Ltd	Parabolic trough solar energy farm	31/12/2016	RSA		29.00	954	700
Merafe (Pty) Ltd	Operates chrome and alloys plant	31/12/2016	RSA	167	21.78	849	761
Mozal S.A.R.L.	Produces primary aluminium metal	30/06/2016	Mozambique		24.04	3 584	4 290
Palabora Copper	Mining of various minerals	31/12/2016	RSA		20.00	1 761	1 323
Umicore Catalyst	Manufactures automotive catalysts	31/12/2016	RSA		35.00	219	201
York Timber Ltd	Sawmilling	31/12/2016	RSA	276	28.70	764	704
Other associates	Various		RSA		various	5 654	4 269
						20 170	18 102

* *The financial year-ends 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 IDC does not have a joint arrangement in which it contractually agreed to share control with another party. The IDC does not have a substantial representation on the Board of Directors precluding it from having control.*

12. INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND PARTNERSHIPS (continued)

MATERIAL ASSOCIATES (continued)

Figures in Rand million	Group		Company	
	2017	2016	2017	2016
Fair value				
Opening fair value of shares			9 805	11 255
Movement in fair values during the year:				
Duferco Steel Processing			173	–
Eastern Produce Malawi			2	(43)
Hans Merensky			41	72
Hulamin Limited			33	(222)
Incwala Resources (Pty) Ltd			(228)	(186)
Merafe (Pty) Ltd			498	(16)
Mozal S.A.R.L.			877	(1 228)
Palabora Copper			137	(462)
Umicore Catalyst			131	38
Other			668	597
			12 137	9 805

SUMMARISED FINANCIAL INFORMATION OF MATERIAL ASSOCIATES

2017

(R'm) Summarised statement of profit or loss and other comprehensive income	Revenue	Profit/(loss) from continuing operations	Other comprehensive income	Total comprehensive income	Dividend received from associate
Broadband Infraco	390	(133)	–	(133)	–
Columbus Stainless	11 770	410	–	410	–
Duferco Steel Processing	1 888	168	51	219	–
Eastern Produce Malawi	365	54	–	54	10
Hans Merensky Holdings	8 985	477	–	477	6
Hulamin Limited	10 090	385	94	479	14
Karsten Group Holdings	705	213	–	213	6
KaXu Solar One	1 065	(96)	(36)	(132)	–
KHI Solar One	31	180	(13)	167	–
Merafe (Pty) Ltd	5 702	532	–	532	–
Mozal S.A.R.L.	9 868	718	–	718	450
Palabora Copper	7 817	1 586	8	1 594	–
Umicore Catalyst	2 764	176	1	177	44
Xina Solar One	–	(30)	(473)	(503)	–
York Timber Ltd	953	32	–	32	–

(R'm) Summarised statement of financial position	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
Broadband Infraco	1 279	112	510	141	740
Columbus Stainless	2 129	4 748	463	3 047	3 367
Duferco Steel Processing	1 238	1 060	928	1 242	128
Eastern Produce Malawi	37 662	12 494	11 674	6 981	31 501
Hans Merensky Holdings	3 208	2 234	928	1 236	3 278
Hulamin Limited	3 475	3 481	937	1 672	4 347
Karsten Group Holdings	1 728	1 030	1 056	419	1 283
KaXu Solar One	6 937	729	6 966	165	535
KHI Solar One	4 187	325	3 027	299	1 186
Merafe (Pty) Ltd	3 255	2 708	1 175	890	3 898
Mozal S.A.R.L.	13 838	4 187	1 660	1 454	14 911
Palabora Copper	5 755	5 609	1 953	1 199	8 212
Umicore Catalyst	129	828	34	295	628
Xina Solar One	8 220	162	5 279	627	2 476
York Timber Ltd	3 531	1 070	1 536	405	2 660

2016

(R'm) Summarised statement of profit or loss and other comprehensive income	Revenue	Profit/(loss) from continuing operations	Other comprehensive income	Total from comprehensive income	Dividend received from associate
Broadband Infraco	542	123	–	123	–
Columbus Stainless	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 Limited	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 (Pty) 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	–

(R'm) Summarised statement of financial position	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
Broadband Infraco	1 367	190	503	213	841
Columbus Stainless	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 Limited	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 (Pty) 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

* *Financial information is for the underlying investment being Aquarius Platinum Limited.*

Figures in Rand million	Group	
	2017	2016
The aggregate amounts were as follows:		
Non-current assets	109 430	71 688
Current assets	43 288	28 355
	152 718	100 043
Equity	80 311	40 295
Non-current liabilities	48 434	39 145
Current liabilities	23 973	20 603
	152 718	100 043
Statement of comprehensive income		
Revenue	64 696	62 893
Profits	8 934	1 887
Losses	(589)	(1 794)

12. INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND PARTNERSHIPS (continued)

SUMMARISED FINANCIAL INFORMATION OF MATERIAL ASSOCIATES (continued)

Partnerships and joint ventures

		% interest	Total exposure 2017	Total exposure 2016
Women Private Equity Fund (One)		38.83	–	–
The Vantage Capital Fund Trust		100	178	10
			178	10
Profits			3	10
The aggregate amounts were as follows:				
Non-current assets	156	169	78	98
Current assets	204	256	–	–
	360	425	78	98
Equity	360	425	78	98
Statement of comprehensive income				
Profits	(3)	(3)	(3)	(3)
Losses	25	25	–	–

13. DEFERRED TAX

	Group		Company	
Figures in Rand million	**2017**	**2016**	**2017**	**2016**
Deferred tax asset	169	215	–	–
Composition of deferred taxation asset is as follows:				
Capital and other losses	26	41	–	–
Calculated tax losses	143	174	–	–
	169	215	–	–
Balance at the beginning of the year	215	61	–	–
Calculated tax losses	181	174	–	–
Temporary differences	(227)	(20)	–	–
– Other	(227)	(20)	–	–
Balance at the end of the year	169	215	–	–
Deferred tax liability	4 874	3 338	5 820	4 178
Composition of deferred taxation liability is as follows:				
Capital and other allowances	839	(79)	828	(827)
Capital gains and losses and fair value adjustments	5 409	4 532	4 992	5 005
Reduced by taxation on:	6 248	4 453	5 820	4 178
Calculated taxation losses	(1 374)	(1 115)	–	–
	4 874	3 338	5 820	4 178
At the beginning of the year	3 338	3 369	4 178	5 119
Calculated taxation losses	(262)	(518)	–	–
Temporary differences	1 798	487	1 642	(941)
– Property, plant and equipment	(261)	(31)	–	(34)
– Provisions	903	(505)	–	(116)
– Capital gains and losses and fair value adjustments	1 156	1 023	1 642	(791)
Balance at the end of the year	4 874	3 338	5 820	4 178

14. INVESTMENT PROPERTY

Figures in Rand million	Cost 2017	Fair value 2017	Cost 2016	Fair value 2016
Group				
Land and buildings leased to industrialists	27	27	18	18
Land held for development	316	316	324	324
Farming land and buildings	23	23	20	20
Total	366	366	362	362
Company				
Land and buildings leased to industrialists	15	15	15	15

Figures in Rand million	Opening balance	Fair value adjustments	Total
Reconciliation of investment property – Group – 2017			
Land and buildings leased to industrialists	18	9	27
Farming land and buildings	20	3	23
Land held for development	324	(8)	316
	362	4	366
Reconciliation of investment property – Group – 2016			
Land and buildings leased to industrialists	31	(13)	18
Land held for development	249	75	324
Farming land and buildings	19	1	20
	299	63	362

	Opening balance	Total
Reconciliation of investment property – Company – 2017		
Land and buildings leased to industrialists	15	15
Reconciliation of investment property – Company – 2016		
Land and buildings leased to industrialists	15	15

15. PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
Figures in Rand million	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Group						
Land and buildings	4 193	(705)	3 488	3 773	(632)	3 141
Plant and machinery	10 254	(5 071)	5 183	11 238	(4 868)	6 370
Aircraft	–	–	–	186	(60)	126
Furniture and fixtures	214	(179)	35	197	(164)	33
Motor vehicles	99	(43)	56	88	(36)	52
Capitalised borrowing costs	10	(2)	8	10	–	10
Bearer plants	181	–	181	–	–	–
Asset under construction	662	–	662	1 084	–	1 084
Total	15 613	(6 000)	9 613	16 576	(5 760)	10 816
Company						
Plant and machinery	132	(111)	21	111	(105)	6
Furniture and fixtures	97	(67)	30	77	(59)	18
Motor vehicles	7	(5)	2	6	(5)	1
Asset under construction	1	–	1	18	–	18
Aircraft	–	–	–	186	(63)	123
Total	237	(183)	54	398	(232)	166

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment – Group – 2017

Figures in Rand million	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Impairment reversal	Total
Land and buildings	3 141	106	(10)	234	94	(77)	–	–	3 488
Plant and machinery	6 370	420	(167)	(301)	–	(618)	(521)	–	5 183
Aircraft	126	–	(178)	–	–	–	–	52	–
Furniture and fixtures	33	28	–	(3)	–	(23)	–	–	35
Motor vehicles	52	15	–	(2)	–	(9)	–	–	56
Asset under construction	1 084	202	(32)	(478)	–	–	(114)	–	662
Bearer plants	–	133	(5)	53	–	–	–	–	181
Capitalised borrowing costs	10	1	–	–	–	(3)	–	–	8
	10 816	905	(392)	(497)	94	(730)	(635)	52	9 613

Reconciliation of property, plant and equipment – Group – 2016

Figures in Rand million	Opening balance	Additions	Additions through business combinations	Disposals	Classified as held-for-sale	Transfers	Revaluations	Foreign exchange movements	Depreciation	Impairment loss	Total
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	87	2	(164)	–	(574)	–	–	–	–	1 084
Capitalised borrowing costs	4	–	6	–	–	–	–	–	–	–	10
	9 921	2 513	188	(317)	–	(632)	54	3	(723)	(200)	10 816

Reconciliation of property, plant and equipment – Company – 2017

Figures in Rand million	Opening balance	Additions	Classified as held-for-sale	Revaluations	Depreciation	Total
Plant and machinery	6	17	–	–	(2)	21
Aircraft	123	–	(111)	(12)	–	–
Furniture and fixtures	18	24	–	–	(12)	30
Motor vehicles	1	1	–	–	–	2
Asset under construction	18	–	(17)	–	–	1
	166	42	(128)	(12)	(14)	54

Reconciliation of property, plant and equipment – Company – 2016

Figures in Rand million	Opening balance	Additions	Revaluations	Depreciation	Total
Plant and machinery	–	8	–	(2)	6
Aircraft	118	–	12	(7)	123
Furniture and fixtures	10	20	–	(12)	18
Motor vehicles	1	–	–	–	1
Asset under construction	–	18	–	–	18
	129	46	12	(21)	166

16. BIOLOGICAL ASSETS

Group	2017 Cost/ Valuation	2017 Accumulated depreciation	2017 Carrying value	2016 Cost/ Valuation	2016 Accumulated depreciation	2016 Carrying value
Maize*	23	–	23	16	–	16
Planted pecan nut trees**	19	–	19	54	–	54
Blueberry plants***	9	–	9	9	–	9
Planted walnut trees	–	–	–	136	–	136
Total	51	–	51	215	–	215

Reconciliation of biological assets – Group – 2017

	Opening balance	Transfers	Gains or losses arising from changes in fair value	Total
Maize	16	–	7	23
Planted pecan nut trees	190	(54)	(117)	19
Blueberry plants	9	–	–	9
	215	(54)	(110)	51

Reconciliation of biological assets – Group – 2016

	Opening balance	Additions	Disposals	Gains or losses arising from changes in fair value	Other changes, movements	Total
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

** Current biological assets comprise maize which would 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.*

*** The fair value of the pecan nut trees has been determined by management who 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 diseases, 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 the 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 (2016: 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.*

***** 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. Registers containing details of land and building, including any details of any revaluations and encumbrances, are kept at the registered offices of the companies concerned.*

17. INTANGIBLE ASSETS

Group Figures in Rand million	2017 Cost/ Valuation	2017 Accumulated amortisation	2017 Carrying value	2016 Cost/ Valuation	2016 Accumulated amortisation	2016 Carrying value
Goodwill	881	(881)		881	(881)	–
Computer software, other	158	(114)	44	127	(64)	63
Customer relationships	93	(93)		93	(93)	–
Intellectual Property	3	(3)		2	(2)	–
Total	1 135	(1 091)	44	1 103	(1 040)	63

Reconciliation of intangible assets – Group – 2017

Figures in Rand million	Opening balance	Additions	Transfers	Amortisation/ Impairment	Total
Computer software, other	63	29	(5)	(43)	44

Reconciliation of intangible assets – Group – 2016

Figures in Rand million	Opening balance	Additions	Amortisation	Total
Goodwill	15	–	(15)	–
Computer software, other	75	2	(14)	63
	90	2	(29)	63

18. SHARE CAPITAL

Figures in Rand million	Group 2017	Group 2016	Company 2017	Company 2016
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 – 1 000 000	1	1	1	1
Ordinary Type B – 1 392 000 000	1 392	1 392	1 392	1 392
	1 393	1 393	1 393	1 393

A shares are not transferable otherwise 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 2017	Group 2016	Company 2017	Company 2016
Derivative assets				
Foreign exchange contract assets	76	69	70	62
Derivative liabilities				
Foreign exchange contract liability	27	59	16	44

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 R54 million (2016: net asset position of R18 million).

All contractual maturities for the derivative assets and liabilities are within 12 months.

20. TRADE AND OTHER PAYABLES

Figures in Rand million	Group 2017	Group 2016	Company 2017	Company 2016
Trade payables	3 658	3 332	1 190	617
Accrued leave pay	127	111	82	78
Accrued bonus*	266	282	217	250
	4 051	3 725	1 489	945
Movement in accruals				
Bonuses				
Balance at the beginning of the year	282	277	250	236
Additional accruals raised during the year	331	229	265	193
Utilised during the year	(347)	(224)	(298)	(179)
Balance at the end of the year	266	282	217	250
Leave pay				
Balance at the beginning of the year	111	117	78	73
Additional accruals raised during the year	36	36	28	24
Utilised during the year	(44)	(42)	(24)	(19)
Balance at the end of the year	103	111	82	78

** Accrued bonus relates to the Long Term Incentive bonus, the Short Term Incentive bonus and the Non-Pensionable Allowance.*

The contractual maturities of all trade and other payables are current.

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 are 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.

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 deficit in the current year does not require a cash contribution to be made to increase the plan assets as the fund is not in deficit for the statutory valuation. The IAS 19 actuarial valuation makes use of difference basis than the statutory valuation.

Figures in Rand million	Group 2017	Group 2016
The amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	354	364
Fair value of plan assets	(383)	(403)
Other	29	39
Liability recognised	–	–
The movement in the defined benefit obligation:		
Opening balance	364	330
Current-service cost	1	2
Interest-cost	36	26
Actuarial (gains)/losses	(7)	46
Benefit paid	(40)	(40)
Closing balance	354	364

21. RETIREMENT BENEFITS

DEFINED BENEFIT SCHEME (continued)

	Group	
Figures in Rand million	**2017**	**2016**
Movement in asset plan		
Fair value of plan assets at beginning of the year	403	404
Expected return on asset	42	31
Actuarial (loss)/gain recognised during the year	(22)	7
Benefits paid	(40)	(39)
Fair value of plan assets at the end of the year	383	403
The amounts recognised in profit or loss are as follows:		
Current-service cost	1	2
Interest cost	36	26
Expected return on assets	(42)	(31)
Net actuarial loss recognised during the year	(28)	53
Total included in operating expenses	(33)	50
The amounts recognised in other comprehensive income in 2016 is income of R1.1 million.		
The actual return on plan assets was:		
Expected return on plan assets	42	31
Actuarial gains/(losses) on plan assets	(22)	7
Actual return on plan assets	20	38
Plan assets are comprised as follows		
	%	%
Equity instruments	49	56
Cash	7	14
Debt instruments	20	15
Other	23	15
	100	100
The principal actuarial assumptions for accounting purposes were:		
Discount rate	9.77	10.44
Expected return on plan assets	9.77	10.44
Future salary increases	8.47	9.44
Future pension increases	8.10	9.16
Normal retirement age	60	60

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

Impact on overall liability

	2017	2016
Inflation rate (increase of 1%)	7.8	8.9
Inflation rate (decrease of 1%)	6.9	7.8

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:

Figures in Rand million	Group 2017	Group 2016	Company 2017	Company 2016
Present value of unfunded obligation:				
Discovery Health members	588	589	180	158
Movement in the liability recognised in the statement of financial position:				
At the beginning of the year	589	707	158	182
Contributions paid	(28)	(31)	(8)	(8)
Current-service costs	7	11	2	3
Interest cost	54	57	16	16
Non-current medical obligation classified as held-for-sale	(48)	–	–	–
Reduction in obligation due to curtailment payment	–	(100)	–	–
Deficit/surplus	14	(55)	12	(35)
Balance at the end of the year	588	589	180	158
The principal actuarial assumptions used for accounting purposes were:				
– Discount rate (%)	9.80	10.14	–	–
– General inflation rate (%)	5.90	8.17	–	–
– Medical inflation rate (%)	9.00	9.67	–	–
– Normal retirement age	60/65	60/65		

Present value of unfunded obligation history	Change in past-service liability		Change in service cost plus asset	
Inflation rate (increase of 1%)	13.8% increase	14.0% increase	15.0% increase	15.2% increase
Inflation rate (decrease of 1%)	11.3% decrease	11.6% decrease	12.3% decrease	12.2% decrease

The expected contributions to post-employment medical plans for the year ending 31 March 2018 are R0.2 million.

22. OTHER FINANCIAL LIABILITIES

Figures in Rand million		Group 2017	Group 2016	Company 2017	Company 2016
Foreign loans		9 446	10 194	9 446	10 194
Domestic loans		20 921	17 790	33 107	28 793
		30 367	27 984	42 553	38 987
Non-current liabilities					
Foreign loans		6 240	7 487	6 240	7 487
Domestic loans		16 689	15 307	16 653	13 927
		22 929	22 794	22 893	21 414
Current liabilities					
Foreign loans		3 206	2 707	3 206	2 707
Domestic loans		4 232	2 483	16 454	14 866
		7 438	5 190	19 660	17 573
		30 367	27 984	42 553	38 987
Foreign loans	Interest rate				
– US Dollar	0% to 2.37%	7 535	7 715	7 535	7 715
– Euro	0.25% to 5.74%	1 907	2 462	1 907	2 462
– SA Rand-denominated	6.25% to 6.44%	4	17	4	17
		9 446	10 194	9 446	10 194

22. OTHER FINANCIAL LIABILITIES (continued)

Figures in Rand million		Group 2017	Group 2016	Company 2017	Company 2016
Maturity of foreign loans					
– due within one year		3 206	2 707	3 206	2 707
– due after one year but within five years		4 440	6 396	4 440	6 396
– due after five years		1 800	1 091	1 800	1 091
		9 446	10 194	9 446	10 194
Maturity of domestic loans					
– no set dates of repayment		–	–	14 664	14 002
– due within one year		4 234	2 483	1 790	864
– due after one year but within five years		10 782	11 797	10 747	11 032
– due after five years		5 905	3 510	5 906	2 895
		20 921	17 790	33 107	28 793
Domestic loans					
Secured loans*					
Nedbank Limited		425	1 295	–	–
Other secured loans		–	106	–	–
Unsecured loans					
Rand-denominated loans		6 240	3 900	6 340	3 900
Unemployment Insurance Fund Bond		1 514	1 997	1 514	1 997
Public Bond		5 822	6 000	5 822	6 000
Public Investment Corporation Green Bond		4 767	2 894	4 767	2 894
Loans from subsidiaries with no fixed terms of repayment	Interest free	–	–	12 509	11 466
Loans with no fixed terms of repayment	Money market-related	2 153	1 598	1 620	2 001
Loans with no fixed terms of repayment	Interest free	–	–	535	535
Total domestic loans		20 921	17 790	33 107	28 793
Interest and non-interest bearing loans					
– Non-current interest-bearing loans		23 568	22 782	22 893	21 414
– Current interest-bearing loans		6 791	5 190	6 615	5 573
		30 359	27 972	29 508	26 987
Non-current interest-free loans		8	12		
Current interest-free loans		–	–	13 045	12 000
		8	12	13 045	12 000
		30 367	27 984	42 553	38 987

* *Secured by assets of subsidiary companies.*

23. PROVISIONS

Reconciliation of provisions – Group – 2017

Figures in Rand million	Opening balance	Additions	Utilised during the year	Transferred to non-current liability held-for-sale	Change in discount factor	Total
Environmental rehabilitation	789	425	(15)	(25)	23	1,197
Trust fund	(169)	–	(16)	–	–	(185)
Other provisions	148	87	(79)	(31)	–	125
	768	512	(110)	(56)	23	1,137

Reconciliation of provisions – Group – 2016

Figures in Rand million	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	447	453	(142)	31	789
Trust fund	(152)	–	(17)	–	(169)
Other provisions	122	288	(266)	4	148
	417	741	(425)	35	768

Reconciliation of provisions – Company – 2017

Figures in Rand million	Opening balance	Additions	Total
Environmental rehabilitation	23	5	28

Reconciliation of provisions – Company – 2016

Figures in Rand million	Opening balance	Additions	Utilised during the year	Total
Environmental rehabilitation	48	–	(25)	23

ENVIRONMENTAL REHABILITATION LIABILITY

African Chrome

As a result of the processes used in the manufacture of the chemical products of the company, the groundwater has become contaminated with a by-product Chrome 6. In terms of minimum requirements of the National Water Act, 37 of 1998, Part 5, section 20 and the Environment Conservation Act, 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.

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 was 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 it was adjusted for inflation. It was assumed that the amount incurred each year for Phase 2 activities will be settled at each respective year-end. Phase 2 activities commenced during 2013/14 financial after Phase 1 was completed.

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.

All cash flows used in the calculation of the provision were adjusted for inflation forecasted by IDC Research and Information department.

23. PROVISIONS (continued)

ENVIRONMENTAL REHABILITATION LIABILITY

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 was a partnership between IDC, Samancor Limited and Highveld Steel. The provision is for the rehabilitation of dumps of different waste streams estimated at 4.3 million tonnes, which were not included in the sale of Middelburg 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 2018.

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 has 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 9% 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 payment is determined using an appropriate valuation technique.

Figures in Rand million	Group 2017	Group 2016	Company 2017	Company 2016
Equity-settled share-based payment reserve				
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	26	18	90	62
Fair value adjustment through profit or loss	–	8	(63)	28
At the end of the year	26	26	27	90

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:

Figures in Rand million	Group 2017	Group 2016	Company 2017	Company 2016
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 (%)	41.10	41.88	32.50	36.14
Risk-free interest rate (%)	8.10	8.37	8.10	7.80
Dividend yield (%)	–	–	2.22	2.22
Strike price (R')	553.20	594.80	538.12	546.27

25. REVENUE

	Group 2017	Group 2016	Company 2017	Company 2016
Farming, manufacturing and mining income	10 893	13 872	–	–
Interest received	4 321	2 346	4 822	3 128
Dividends received	1 758	2 723	1 272	1 886
Fee income	400	467	365	424
	17 372	19 408	6 459	5 438
Dividends received on available-for-sale financial assets				
– Listed	1 365	1 438	359	453
– Unlisted	242	152	204	152
– Associated companies	–	–	558	148
– Preference shares income	151	1 133	151	1 133
	1 758	2 723	1 272	1 886
Dividends received from the investments made in terms of section 3(a) of the Industrial Development Act.				
Sasol Limited	1,044	985		

Figures in Rand million	Group 2017	Group 2016	Company 2017	Company 2016
26. INVESTMENT REVENUE				
Interest income				
Cash and cash equivalents	583	570	441	423
Loans and advances to clients	3 722	1 762	4 380	2 703
Other	16	14	1	2
	4 321	2 346	4 822	3 128
27. FINANCE COSTS				
(Profit)/loss on foreign currency borrowings	677	(70)	726	(111)
Finance leases	–	3	–	–
Current borrowings	1 665	1 150	1 888	1 364
Other interest paid	265	234	65	47
Total finance costs	2 607	1 317	2 679	1 300
28. FEE INCOME				
Fee income				
Metal fees	108	169	108	169
Guarantee fees	29	15	29	15
Other contract-related fees	206	228	199	215
Other fees	57	55	29	25
Total fee income	400	467	365	424
29. NET CAPITAL (LOSSES)/GAINS				
Capital losses on disposal of available-for-sale investments	1 688	453	1 688	410
30. NON-ADMINISTRATIVE EXPENSES				
Current liabilities	378	–	378	–
	378	–	378	–

Capital gains tax provision for the exit from Main Street 333 (MS333)

In 2006 the IDC acquired 15.3% of the ordinary shares of MS333, which in turn invested in the ordinary shares of Exxaro, giving the latter its majority BEE shareholding status. The investment was done in terms of the Pangolin agreement, which was in effect for the 10-year period up to 26 November 2016.

The expiry of the Pangolin agreement on 26 November 2016 (expiry date) removed standing restrictions on MS333 and its shareholders. Effectively, as on this date, Exxaro shares held by Main Street became free for trade. The MS333 shareholders' agreement provides that after expiry date, MS333 will distribute its shareholding in Exxaro to its shareholders in exchange for each such shareholder's shares in and claims against the unwinding of MS333.

The shareholders' agreement further provides that:

1. Exxaro will repurchase sufficient shares from MS333 to enable the latter to settle its obligations.
2. Any remaining Exxaro shares in MS333 will be distributed to the shareholders in proportion to their shareholdings.

On 26 November 2016, the IDC derecognised its investment in MS333 in line with the requirements of International Financial Reporting Standards (IFRS) as, on that date, the risks and rewards of ownership of Exxaro shares transferred from MS333 to the shareholders. Upon derecognition, a profit of R1.7 billion was recognised in profit and loss.

For tax purposes, a CGT trigger has not been achieved at year-end, as the shares have not been transferred from MS333 to the proposed replacement structure. A provision for tax of R378 million has been made in the financial statements in accordance with the requirements of IAS 37, as it is highly probable that the IDC would pay capital gains tax on the disposal of its MS333 shares upon implementation of the replacement structure.

31. OPERATING PROFIT/(LOSS)

Figures in Rand million	Group 2017	Group 2016	Company 2017	Company 2016
Is arrived at after taking into account the following:				
Audit fees	18	21	7	9
Revaluation of investment property	4	63	–	–
Repairs and maintenance	651	23	5	7
Impairment of debtors	45	79	–	–
Depreciation on property, plant and equipment	730	723	14	21
Impairment/(reversal of impairment) on property, plant and equipment	635	200	–	–
(Profit)/loss on sale of property, plant and equipment	23	17	–	–
Amortisation on intangible assets	36	29	–	–
Impairment on trade and other receivables	79	79	–	–
Research and development	17	10	17	10
Project feasibility expenses	102	(289)	88	(289)
Impairments and write-offs on other financial assets	954	3 161	2 086	3 670
Employee costs	3 229	3 294	998	937
Operating lease rentals	45	47	4	4
Net increase/(decrease) in impairments				
Machinery and equipment	(48)	(540)	182	(474)
Industrial infrastructure	(475)	1 039	(470)	1 059
New Industries	34	48	(23)	27
Agro-processing and agriculture	22	133	(63)	136
Automotive and transport equipment	(55)	363	(55)	367
Basic metals and mining	(729)	874	(412)	1 783
Clothing and textiles	44	133	(170)	(358)
Basic and speciality chemicals	284	(60)	1 160	(59)
Chemical products and pharmaceuticals	180	199	140	199
Media and motion pictures	9	(884)	15	(1 059)
Light manufacturing and tourism	107	(95)	148	(87)
Heavy manufacturing	(85)	91	1	91
Information communication technology	(47)	(76)	47	(76)
Franchising	47	6	(21)	6
Construction	(136)	12	(136)	12
Other	447	58	414	58
	(401)	1 301	757	1 625
Bad debts written off/(recovered)				
Machinery and equipment	135	135	2	135
Industrial infrastructure	303	11	303	11
New Industries	22	40	22	40
Agro-processing and agriculture	139	20	119	20
Automotive and transport equipment	120	7	120	7
Basic metals and mining	155	181	155	181
Clothing and textiles	120	–	316	316
Basic and speciality chemicals	136	136	120	(3)
Chemical products and pharmaceuticals	17	17	77	17
Media and motion pictures	6	1 053	6	1 061
Light manufacturing and tourism	2	210	2	210
Heavy manufacturing	31	13	31	13
Franchising	7	7	11	7
Other	162	30	45	30
	1 355	1 860	1 329	2 045

32. TAXATION

Figures in Rand million	Group 2017	Group 2016	Company 2017	Company 2016
Major components of the tax (income)/expense				
Current				
Local income tax – current period	116	156	107	301
Deferred				
Deferred tax – current year	(737)	(316)	(301)	(326)
	(621)	(160)	(194)	(25)

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	(24)	(1 208)	(22)	(352)
– capital gains and losses	(23)	(182)	(30)	(76)
– provisions and impairments	13	1,414	36	681
– disallowed/exempt items	(24)	(315)	(25)	(297)
Effective tax rate	(30)	(263)	(13)	(16)

33. OTHER COMPREHENSIVE INCOME

Figures in Rand million	Gross	Tax	Share of other comprehensive income of associates	Net
Components of other comprehensive income – Group – 2017				
Items that will not be reclassified to profit or loss				
Remeasurements on net defined benefit liability/asset				
Remeasurements on net defined benefit liability/asset	(4)	–	(4)	(8)
Movements on revaluation				
Gains/(losses) on property revaluation	(6)	1	–	(5)
Total items that will not be reclassified to profit or loss	(10)	1	(4)	(13)
Items that may be reclassified to profit or loss				
Exchange differences on translating foreign operations				
Exchange differences arising during the year	(23)	–	(370)	(393)
Available-for-sale financial assets adjustments				
Gains/(losses) arising during the year	3 648	(2 286)	–	1 362
Total items that may be reclassified to profit or loss	3 625	(2 286)	(370)	969
Total	3 615	(2 285)	(374)	956
Components of other comprehensive income – Group – 2016				
Items that will not be reclassified to profit or loss				
Remeasurements on net defined benefit liability/asset				
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/(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)

Figures in Rand million	Gross	Tax	Share of other comprehensive income of associates	Net
Components of other comprehensive income – Company – 2017				
Items that will not be reclassified to profit or loss				
Remeasurements on net defined benefit liability/asset				
Remeasurements on net defined benefit liability/asset	(4)	–	–	(4)
Movements on revaluation				
Gains/(losses) on property revaluation	(6)	1	–	(5)
Total items that will not be reclassified to profit or loss	(10)	1	–	(9)
Items that may be reclassified to profit or loss				
Available-for-sale financial assets adjustments				
Gains/(losses) arising during the year	5 997	(1 955)	6	4 048
Total items that may be reclassified to profit or loss	5 997	(1 955)	6	4 048
Total	5 987	(1 954)	6	4 039
Components of other comprehensive income – Company – 2016				
Items that will not be reclassified to profit or loss				
Remeasurements on net defined benefit liability/asset				
Remeasurements on net defined benefit liability/asset	40	(9)	–	31
	40	(9)	–	–
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/(losses) arising during the year	(7 631)	615	(15)	(7 031)
Total	(7 574)	602	(15)	(6 987)

34. DIRECTORS' EMOLUMENTS

Non-executive: Fees for services as directors:

Figures in Rand thousand		2017	2016
Director			
Ms MW Hlahla	Retired on 29 January 2015	–	67
Ms LJ Bethlehem[1]		364	301
Mr BA Dames		416	322
Mr ZJ Vavi	Retired 29 February 2016	–	288
Mr RM Godsell		206	178
Mr LR Pitot	Retired on 29 January 2015	24	21
Ms BA Mabuza	Appointed Chairperson on 29 January 2015	1 057	690
Dr SM Magwentshu-Rensburg		414	326
Mr SK Mapetla	Retired on 29 January 2015	–	21
Ms MP Mthethwa		365	304
N Mnxasana		546	441
NDB Orleyn		400	340
Mr B Molefe[2]	Resigned 25 January 2017	–	64
Ms M More		271	–
Mr A Kriel		208	–
Mr NE Zalk[3]		–	–
		4 271	3 363

1. *Ms L Bethlehem does not derive any financial benefit for services rendered to the IDC. Her fees are paid directly to HCI Limited*
2. *Mr Molefe's fee was paid to the Transnet Foundation*
3. *Mr NE Zalk is employed by the DTI and does not earn director's fees for services rendered to the IDC*

34. DIRECTORS' EMOLUMENTS (continued)

Executive
2017

Figures in Rand thousand	Emoluments	Long-term incentive	Non-pensionable allowance*	Performance bonus	Contributions to medical aid – ER, retirement benefits – ER, insurance, and other benefit	Total
IDC	**32 821**	**4 690**	**4 019**	**–**	**8 052**	**49 582**
MG Qhena	6 096	1 156	859	–	1 169	9 280
GS Gouws	4 291	702	477	–	742	6 212
SAU Meer	2 667	437	299	–	313	3 716
K Schumann[1]	193	873	–	–	826	1 892
AP Malinga	2 093	361	292	–	1 208	3 954
P Makwane	2 501	372	285	–	413	3 571
RJ Gaveni	1 766	226	225	–	688	2 905
DA Jarvis	2 034	81	239	–	424	2 778
K Morolo	144	–	–	–	120	264
PM Mainganya	2 513	37	289	–	361	3 200
Z Luthuli	2 272	–	262	–	465	2 999
NS Dlamini	2 679	–	309	–	361	3 349
VL Matshekga[2]	1 865	185	241	–	441	2 732
WH Smith[3]	1 707	260	242	–	521	2 730

2016

Figures in Rand thousand	Emoluments	Long-term incentive	Non-pensionable allowance*	Performance bonus	Contributions to medical aid – ER, retirement benefits – ER, insurance, and other benefit	Total
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]	2 302	430	406	–	664	3 802
AP Malinga	2 054	361	377	–	703	3 494
P 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
K Morolo	1 727	–	–	–	393	2 120
PM Mainganya	2 380	37	371	–	332	3 120
Z Luthuli	1 649	–	253	–	223	2 126
NS Dlamini	1 524	–	232	–	196	1 952

* *Non-guaranteed performance-based allowance*
1 *Contract ended on 30 April 2016*
2 *Appointed on 1 May 2016*
3 *Appointed on 1 May 2016*

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 portion share-based portion of the Foskor BEE transaction, entered into on 7 July 2009. Please refer to note 24 for further detail.

OTHER RESERVES

Other reserves comprises remeasurements on net defined benefit liability or asset.

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	**2017**	**2016**	**2017**	**2016**
Land and building				
– due within one year	6	6	–	–
– due after one year but within five years	13	15	–	–
– due after five years	3	5	–	–
Total minimum lease payments	22	26	–	–
Amount representing finance charges	(6)	(8)	–	–
Present value of minimum lease payments	16	18	–	–
Current portion	4	4	–	–
Long-term portion	10	14	–	–
	14	18	–	–

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 nine years remaining as at 31 March 2017. 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.

BLUE MOUNTAIN BERRIES

These loans are repayable in monthly instalments of R227 351 which includes interest at rates between. 9.05% and 9.55% per year.

36. FINANCIAL AND OPERATING LEASES (continued)

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	**2017**	**2016**	**2017**	**2016**
– due within one year	39	32	–	2
– due after one year but within five years	99	99	–	–
– due after five years	245	–	–	–
	383	131	–	2

37. CASH GENERATED FROM/(USED IN) OPERATIONS

	Group		Company	
Figures in Rand million	**2017**	**2016**	**2017**	**2016**
Profit before taxation	1941	63	1 601	152
Income from equity accounted investments				
Adjustments for:	(963)	(557)	–	–
Impairment of goodwill relating to associated entities	(303)	(30)	–	–
Amortisation of intangible assets	43	32	–	–
Impairment of property, plant and equipment	635	200	–	–
Loss/(profit) on sale of assets	23	17	–	–
Depreciation of property, plant and equipment	730	723	14	21
Net capital gains	(1 688)	(453)	(1 688)	(410)
Interest received	(3 165)	(2 346)	(2 971)	(3 128)
Dividends received	(1 607)	(1 590)	(1 121)	(753)
Dividends received-preference share options	(151)	(1 133)	(151)	(1 133)
Finance costs	2 607	1 317	2 679	1 300
Project feasibility expenses	–	–	–	(27)
Specific and portfolio impairments	954	3 161	2 086	3 670
Fair value adjustment on share-based payment	–	–	(63)	28
Movements in retirement benefit assets and liabilities	(1)	(118)	22	(24)
Movements in provisions	369	351	5	(25)
Other non-cash items	1 353	(684)	1 196	(684)
Changes in working capital:				
Inventories	828	261	–	–
Trade and other receivables	1 081	413	(305)	155
Derivative assets	(7)	(65)	(8)	(62)
Trade and other payables	325	(24)	544	(317)
(Increase)/decrease in non-current assets held-for-sale	(67)	(53)	(67)	–
	2 937	(515)	2 383	(1 237)

38. TAX PAID

	Group 2017	Group 2016	Company 2017	Company 2016
Balance at beginning of the year	205	261	200	260
Current tax for the year recognised in profit or loss	(116)	(156)	(107)	(301)
Balance at the end of the year	(473)	(205)	(471)	(200)
	(384)	(100)	(378)	(241)

39. COMMITMENTS

Figures in Rand million	Group 2017	Group 2016	Company 2017	Company 2016
In respect of:				
Undrawn financing facilities approved	30 985	34 177	30 914	33 982
Undrawn guarantee facilities approved	1 617	1 789	1 617	1 789
Capital expenditure approved by subsidiaries	14	87	–	–
– Contracted	14	87	–	–
Capital expenditure approved by equity-accounted investments	185	755	–	–
– Contracted	157	363	–	–
– Not contracted	28	392	–	–
Total commitments	32 801	36 808	32 531	35 771
Less: Counter-guarantees obtained from partners in respect of financing and guarantees to be provided to major projects	(201)	(221)	(201)	(221)
Commitments net of counter-guarantees	32 600	36 587	32 330	35 550
Commitments will be financed by loans and internally generated funds.				

40. GUARANTEES

Figures in Rand million	Group 2017	Group 2016	Company 2017	Company 2016
Guarantees issued in favour of third parties in respect of finance provided to industrialists	1 688	1 984	1 617	1 789
Total industrial financing guarantees	1 688	1 984	1 617	1 789
	1 688	1 984	1 617	1 789
Sundry guarantees issued by subsidiaries	570	541	–	–
Guarantees issued by equity-accounted investments	2	17	–	–
Guarantees	2 260	2 542	1 617	1 789

41. CONTINGENCIES

CONTINGENT LIABILITIES OF SUBSIDIARIES

Foskor (Pty) Ltd

The company had mine rehabilitation guarantees amounting to R495 million (2016: R495 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 2017.

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 2018. Estimated scheduled closure costs for the mine are R478 million.

For unscheduled or premature closure, the DMR, in accordance with 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

The York Timber Organisation Limited (York)

Suretyship: York participates in pool banking facilities granted by FirstRand Bank Limited. As such, York has provided unlimited suretyship in favour of FirstRand Bank Limited in respect of its obligations to the bank. Obligations are R142 million (2016: R142 million), R24 million being the Group's exposure thereto.

42. RELATED PARTIES

Shareholder: The Government of South Africa through the Economic Development Department

Directors' interests			Financing balance					
R'm	**Company**	**Financing approved**	**2017**	**2016**	**Interest/ funding rate**	**Type of financing/ repayment terms**	**Director's interest**	**Year of approval**
Ms LJ Bethlehem	Cape Town Film Studio (Pty) Ltd	84	42	54	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"). Ms Bethlehem is a senior manager at HCI	2010
	Ilangalethu (Pty) Ltd	1 000	60	60	R186 + (3.2% to 3.4%)	Senior debt loan	Hosken Consolidated Investments Limited (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	922	609	–	RATIRR of 10%	Normal loan	HCI holds 12.5% stake in Kai Garib Solar SPV. Ms Bethlehem is a senior manager at HCI	2015
		720	–	–	25% stake RATIRR of 8%	Ordinary shares		2015
	Formex Industries (Pty Ltd	80	30	30		Redeemable preference shares	HCI is a 100% shareholder of Formex. Ms Bethlehem currently serves as CEO of HCI	
Mr Andre Kriel	Trade Call Investments Apparel (Pty) Ltd	18	–	–		Grant funding	Mr Andre Kriel is a director of Southern African Clothing and Textile Workers' Union (SACTWU), which has a 32.8% Shareholding in HCI.	2010
	Cape Town Film Studios (Pty) Ltd	84	44	–	Prime + 1%	Normal loan	The controlling shareholders of Cape Town Studio are Sabido Investments (Pty) Ltd (Sabido) and Videovision Dreamworld. Sabido is part of the JSE-listed group Hosken Consolidated investments Limited (HCI). Mr Andre Kriel is a director of SACTWU which has a 32.8% shareholding in HCI.	2017
Ms Patience Nomavuso Mnxasana	Noma Namhuhla Projects (Pty) Ltd	3	–	–		Quasi-equity loan	Ms Patience Nomavuso Mnxasana owns 100% in Noma Namuhla Trading and Projects (Pty) Ltd	2017
Ms Thandi Orleyn	Le Sel Research (Pty) Ltd	165	165	165	Prime + 1%	Normal loan	Ms Orleyn is a shareholder in Peotona Group Holdings via the Mamaswa Family Trust. Peotona Private Equity is a subsidiary of Peotona Group Holdings. Indirect shareholder in Le-Sel via Trinitas Fund General Partner (Trinitas). Trinitas has a 37.5% equity interest in Le-Sel.	2015
National sphere of government								
The Land Agricultural Development Bank of SA Ltd		86	–	86	0%	Loan repayable on 31 March 2022		2011
The Land Agricultural Development Bank of SA Ltd		650	141	–	0%	Loan repayable on 31 March 2025		2017

Figures in Rand million	Group 2017	Group 2016	Company 2017	Company 2016
Related party transactions				
Non-financing transactions – Rendering of services				
Eskom Limited	754	747	–	–
Transnet Limited	926	894	–	–
South African Airways (Pty) Ltd	7	8	4	4
Telkom Limited	6	7	1	1
National Ports Authority	55	47	–	–
Rand Water	2	2	–	–
	1 750	1 705	5	5

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